Inequality in Nepal
Causes and Consequences

AUTHOR
Padma Prasad Khatiwada
Author’s Introduction

Dr. Padma Prasad Khatiwada—Dr. Padma Prasad Khatiwada is the Associate Professor of Social Justice, Migration and Research Methods in Tribhuvan University. Currently, he is General Secretary of National Alliance for Human Rights and Social Justice Nepal (Human Rights Alliance) and also engaged on National Network on Right to Food (RtFN) and Humanitarian Accountability Monitoring Initiative (HAMI) as he joined as Member a High-level Commission formed by Cabinet Decision for Investigating Irregularities and Restructuring of Social Welfare Council Nepal.
Chapter I: Faces of Inequality in Nepal

In recent years, socio-political changes have taken place in Nepal concerning with civil and political rights. The constitutional provisions like right to life, right to freedom of opinions and expressions, assembly, to form political parties, unions and associations, mobility and residence are the major rights enshrined in the Constitution and now being realization of achievement by every Nepali citizen. Freedom to practice profession, carry on occupation, and establish and operate industry, trade and business in any part of Nepal are also the rights being enjoyed by Nepali people as an outcome of the historic People’s Movement 2006.

The challenges, however, are related to the economic, social and cultural rights; particularly, right to food and adequate housing, dignity, accountability and justice, economic empowerment, and health. All these sectors have not been properly addressed for guarantying people’s needs and thus are being marginalised by growing inequality.

A study recently published by National Planning Commission of the Government of Nepal together with Oxford University says over 8.1 million Nepali people are poor. The multi-dimensional poverty index (MPI) shows that 28.6% of Nepalis are still multi-dimensionally poor—meaning that their lives are battered by several deprivations simultaneously. The study reveals the level of poverty is higher in provinces 6 and 2 than other five provinces of the country.

The impacts of development have varied throughout Nepal and income inequality and poverty rates differ across the country as they are multidimensional in nature. Poor infrastructure, weak domestic economy and high unemployment coupled with the devastating earthquake of 2015 April have resulted in foreign employment emerging as a common livelihood strategy. Poverty, food insecurity, lack of jobs, climate change and environmental degradation all have contributed to outward migration.\(^1\)

Globally, 82% of all of the growth in wealth in 2017 went to the top 1%, whereas the bottom 50% saw no increase at all. Living wages and decent work for the world’s workers are fundamental to ending today’s inequality crisis. Economy of the 1% is built on the backs of low paid workers, often women, who are paid poverty wages and denied basic rights\(^2\). Temporary, precarious work is the norm in developing countries, and is on the rise in rich nations. Temporary employees have lower wages, fewer rights and less access to social protection. Women and young people are more likely to be in these jobs.

Coming back to Nepal’s context, according to Oxfam and Development Finance International (DFI) report on inequality, out of 152 countries, Nepal is on the 71\(^{st}\) position despite implementing labour market policies to address inequality in the country. Similarly, Nepal has been spending low on health, education and social protection (110\(^{th}\)).\(^3\)

Aforementioned concerns are some of the evidences that depict the severity of the problems being expanded despite various checks from the governments. They merely focus on the
structural causes of poverty and wider inequality. All of these have to be rooted at grassroots level so that all the impact groups could be well aware. In this context, to raise the voice against inequality, mobilisation of youth, peasants, women, and social movements are to be initiated throughout the country pressurizing the concerned authorities and stakeholders for being more grave in this matter and act accordingly.

1.1 Income Inequality

Major inequality found is the income share. **Richest 10 percent of the Nepalese people had an income 3.32 times higher than the poorest 40 percent.** In 1995 the income share held by the lowest 20 percent population was 7.8 percent in 1995/96 and reduced to 6.5 percent in 2003/04 and then slightly improved to reach 8.3 percent in 2010/11. Similar trend is observed up to fourth quintile over the same period. As a result, the income share of highest quintile also slightly declined during the period 2003/04 to 2010/11. Similar opposite pattern of change in income share is also observed in the lowest and highest deciles during that period (World Bank (2017),

However, when the share of income is rearranged based on deciles and quintiles groups using Nepal Standard Survey data, an opposite trend emerges. **The share of income received by the poorest deciles and quintiles declined during the entire period of 1995/96 to 2010/11. The share of first deciles was 1.7 percent in 1995/96 which went down to 1.5 percent in 2010/11 (Table 1).**

**Table 1: Share of income by deciles**

<table>
<thead>
<tr>
<th>Deciles</th>
<th>1995/96</th>
<th>2003/04</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest first</td>
<td>1.7</td>
<td>2.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Second</td>
<td>3.6</td>
<td>3.2</td>
<td>2.6</td>
</tr>
<tr>
<td>Third</td>
<td>4.5</td>
<td>4.0</td>
<td>3.4</td>
</tr>
<tr>
<td>Fourth</td>
<td>5.5</td>
<td>4.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Fifth</td>
<td>6.4</td>
<td>5.8</td>
<td>5.4</td>
</tr>
<tr>
<td>Sixth</td>
<td>7.6</td>
<td>7.0</td>
<td>6.7</td>
</tr>
<tr>
<td>Seventh</td>
<td>9.1</td>
<td>8.6</td>
<td>8.5</td>
</tr>
<tr>
<td>Eight</td>
<td>11.3</td>
<td>11.0</td>
<td>11.2</td>
</tr>
<tr>
<td>Ninth</td>
<td>15.3</td>
<td>15.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Richest (Tenth)</td>
<td>34.9</td>
<td>37.7</td>
<td>39.5</td>
</tr>
</tbody>
</table>


Likewise, the share of first quintile reduced to 4.1 percent in 2010/11 from 5.3 percent in 1995/96 (Table 2).
Table 2: Share of income by quintile

<table>
<thead>
<tr>
<th>Quintile</th>
<th>1995/96</th>
<th>2003/04</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest first</td>
<td>5.3</td>
<td>5.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Second</td>
<td>10.0</td>
<td>8.9</td>
<td>7.8</td>
</tr>
<tr>
<td>Third</td>
<td>14.0</td>
<td>12.8</td>
<td>12.2</td>
</tr>
<tr>
<td>Fourth</td>
<td>20.4</td>
<td>19.7</td>
<td>19.7</td>
</tr>
<tr>
<td>Richest (Fifth)</td>
<td>50.3</td>
<td>53.4</td>
<td>56.2</td>
</tr>
</tbody>
</table>


In contrast, the share of top deciles increased from 34.9 percent in 1995/96 to 37.7 percent in 2003/04, which further increased to 39.5 percent in 2010/11. The income share of top quintile reached 56.2 percent in 2010/11 from 50.3 percent in 1995/96. Such a tendency clearly reflects that income inequality is growing in Nepal.

Nepal had one of the highest gini coefficient in the world i.e 49.42 %. The closer it is to 100 percent, the higher the inequality between the groups.

Richest 10% of the people had an income 3.32 times higher than poorest 40%. Palma ratio gives more insights into the extent of income inequality in Nepal. Palma ratio computed as the ratio of income share of top 10 percent to that of bottom of 40 percent shows that there is steep rise in the income share of richest people in comparison to the poor. The Palma ratio was 2.28 in 1995/96 which rose to 2.65 in 2003/04 and it further jumped to 3.32 in 2010/11 (Figure 1).

Figure 1: Gini coefficient and Palma ratio

Source: Author computed
Palma ratio increased over time as a result of declining share of income of bottom 40 percent (i.e. 15.3 percent in 1995/96, 14.2 percent in 2003/04 and 11.9 percent in 2010/11) accompanied by rising share of top 10 percent.

One of the reasons for rising income inequality seems to be declining income share of the work force. Though there is no separate information on these, the national accounts data reporting on factor distribution indicate the likely ramification on distributional gains and losses. According to national accounts estimates, in 2001/02, the share of compensation of employees was 44.8 percent in total value added which reduced phenomenally overtime and went down to 37.5 percent in 2016/17 (CBS, 2017). These ratios corroborate the findings of other many countries that decline in the wage shares has been one of the principle reasons for tremendous rise in inequality in recent years.

**Spatial Income Inequality (MPI, poverty, regional disparity)**

Average per capital income by rural and urban areas as well as three geographical regions viz, Mountain, Hills and Tarai is presented. Though absolute average per capita income increased in both rural and urban areas between 1995/96 and 2010/11, relative changes took place in a different way. Average per capita income share of rural areas was 0.44 percent in 1995/96 which declined to 0.37 percent in 2003/04. But again rose back to 0.48 percent in 2010/11 (Table 3).

**Table 3: Average per capita income for urban and rural, and geographical region**

<table>
<thead>
<tr>
<th></th>
<th>1995/96</th>
<th>2003/04</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>7075</td>
<td>12124</td>
<td>34607</td>
</tr>
<tr>
<td>Urban</td>
<td>16118</td>
<td>32573</td>
<td>71720</td>
</tr>
<tr>
<td>Rural/Urban</td>
<td>0.44</td>
<td>0.37</td>
<td>0.48</td>
</tr>
<tr>
<td>Mountain</td>
<td>5938 (0.70*)</td>
<td>12295 (0.67*)</td>
<td>34633 (0.75*)</td>
</tr>
<tr>
<td>Hill</td>
<td>8433</td>
<td>18299</td>
<td>46224</td>
</tr>
<tr>
<td>Tarai</td>
<td>7322 (0.87*)</td>
<td>12975 (0.71)</td>
<td>38549 (0.83*)</td>
</tr>
</tbody>
</table>


Similar trend is observed in average per capita income in Mountain and Tarai regions relative to average income of Hills. Improvement in relative average per capita income in rural areas as well as Mountain and Tarai region between 2003/04 and 2010/11 may be due to remittances inflows as well as expansion in various social security and development related programs.

Distribution of population by nominal per capita income quintile and geographical group shows that more than a quarter of people living in Mountain fall under the poorest quintile. About 21 percent of people living in Hills and 18.3 percent living in Tarai are from the poorest quintile. Compared to Mountain and Tarai, a quarter percent of Hill people fall under richest quintile. In Mountain, 12.5 percent population and in Tarai 16.6 percent population is from the richest quintile. All in all, more people living in rural areas are poor. While about 23.1 percent of rural
population fall in the first quintile, only 6.7 percent of urban population falls in the poorest quintile. Compared to 14.6 percent of rural population, 43.0 percent of urban population falls under the top richest quintile (Table 4).

Table 4: Distribution of population by nominal per capita income quintile and geographical group in 2010/11

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Mountain</th>
<th>Hill</th>
<th>Tarai</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest first</td>
<td>27.4</td>
<td>20.8</td>
<td>18.3</td>
<td>23.1</td>
<td>6.7</td>
</tr>
<tr>
<td>Second</td>
<td>21.0</td>
<td>17.8</td>
<td>21.8</td>
<td>22.1</td>
<td>11.0</td>
</tr>
<tr>
<td>Third</td>
<td>19.1</td>
<td>17.2</td>
<td>22.6</td>
<td>21.1</td>
<td>15.4</td>
</tr>
<tr>
<td>Fourth</td>
<td>20.1</td>
<td>19.3</td>
<td>20.6</td>
<td>19.1</td>
<td>23.9</td>
</tr>
<tr>
<td>Richest (Fifth)</td>
<td>12.5</td>
<td>25.0</td>
<td>16.6</td>
<td>14.6</td>
<td>43.0</td>
</tr>
</tbody>
</table>

Source: CBS (2011) NLSS III Vol.2

Thus, majority of population in Mountain and Rural areas fall in low income bracket amidst wider rural and urban as well as inter-regional gaps indicating that spatial factor is highly instrumental in determining inequality manifested as gender, ethnicity and remoteness in Nepal.

Province 6 has the highest MPI of all provinces in Nepal, at 0.230. This is well above the national MPI of 0.127. The headcount ratio of multidimensional poverty in Province 6 is 51.2%, meaning that more than half of the population of the province is multidimensionally poor. This is substantially higher than the national multidimensional poverty rate of 28.6%, making Province 6 the only province in which more than half of the population is poor. The intensity of poverty in Province 6 is 44.9%, which means that those who are identified as multidimensionally poor are deprived, on average, in 44.9% of the weighted indicators. Nationally, the poor in Nepal are deprived in 44.2% of indicators, so the intensity of deprivation is slightly higher in Province 6 than it is nationally.

The UN Human Development Report 2009 put Nepal’s National Poverty index at 35.4. In urban areas it is 20.7 whereas in rural areas it is 38.2. Worst off Karnali region with an HPI of 60.1. Similarly, the Human Development Index of Kathmandu in 2009 was 0.65, whereas in Mugu Bajura and Dolpa it hovers around 0.30. Literacy rates, life expectancy and per capita income also differ spatially. The percentage of the poor in Province 6 who lack access to clean water is much higher than in any other province.

180 households of Raduneta village a mixed settlement of Dalit, Brahmin and Thakuri which lies in Ward No 2 in Palanta Rural municipality of Kalikot district, Karnali Province has to be in queuing for more than 4-5 hours to fetch 20 liter bucket of water. “The old community tap was constructed during Panchayat rule with laying more than 4 km distance pipe from the community. The government always neglected the community’s right to drinking water; they never prioritized it in their plans”

Gaurikala BK, local of Raduneta Village, Kalikot
Wage

The richest person in Nepal earns more than 5000 (5157.13) times in a year than a poor Nepalese earns. It takes more than 14 years to earn the same amount for a poor what a rich person does in a day. More than 500,000 people enter the labor force each year, but employment opportunities are limited (IMF, 2017), and of this, 80% leave abroad as they do not see decent employment in Nepal. Rest 20% are in Nepal; 96% are employed in informal sector (Haque, 2017). The worker that build-up experience tends to leave to work for more competitive salaries abroad. Most of the young graduates also prefer to move abroad where they find better opportunities. As a result, Nepal’s labor market facing tremendous problem to supply the quality and caliber labor to organized and even to unorganized sector.

In the long-run, labor productivity is the primary determinant of economic growth and sustainable increases in living standards. Between 1999 and 2008, available evidence indicates that GDP per worker grew by and annual average rate 0.56 percent.

Output per worker in mining and quarrying, manufacturing, wholesale and retail trade, hotels and restaurants, real estate and renting and social work declined between 1999 and 2008, whereas it increased relatively strongly in construction, utilities and financial intermediation.

According to the 2008 Nepal Labor Force Survey, 68.2 percent of employed Nepali labors worked 40 hours and more (Table 5).

Table 5: Working time and wages

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1998/99</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average hours per week in the main job (15 years and more)</td>
<td>39.4</td>
<td>38.7</td>
</tr>
<tr>
<td>Male</td>
<td>42.6</td>
<td>43.1</td>
</tr>
<tr>
<td>Female</td>
<td>36.6</td>
<td>34.8</td>
</tr>
<tr>
<td>Percentage of employed individual aged 15 years and above by hours worked</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 hours</td>
<td>2.0</td>
<td>0.6</td>
</tr>
<tr>
<td>1-19 hours</td>
<td>8.1</td>
<td>11.2</td>
</tr>
<tr>
<td>20-39 hours</td>
<td>17.3</td>
<td>19.9</td>
</tr>
<tr>
<td>40 hours and above</td>
<td>72.6</td>
<td>68.2</td>
</tr>
<tr>
<td>Average monthly earning (USD) cash and kind combined of paid employees (15 years and more)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>22</td>
<td>53</td>
</tr>
<tr>
<td>Female</td>
<td>13</td>
<td>32</td>
</tr>
</tbody>
</table>

The corresponding rate for those working between 20 and 39 hours was 19.9 percent whereas those working between 1 and 19 hours were 11.2 percent of the employed worked. Among those working less than 40 hours in the reference week, the percentage of people who did not work more hours due to involuntary reason increase from 15.4 percent to 21.1 percent between 1998/99 and 2008, whereas the share of those who did not work more hours for voluntary reasons decreased from 83.3 percent to 78.9 percent during the same period.

Average nominal monthly earnings increased between 1998/99 and 2008, rising from USD 22 to 53. Significant gender discrepancies continue to exist. In 2008, women’s average monthly earning was 59.7 percent of that of males, although this ratio had increased from $ 13 in 1998/99 to $ 32 in 2008. Examining real wages, available data suggests that real wages have risen between 2006/7 and 2009/10. Between these periods, the consumer price index (CPI) rose by an annual average rate of 9.4 percent, whereas the salary index rose by 11.9 percent and the wage index rose 13.4 percent (Ministry of Finance, 2010). Would it be possible to see how Terms of Trade (ToT), wage labor vis-à-vis basket of food commodities, is changing over time?

Individual and productive features of workers determine the extent of inequality. However, if inequality increases sharply, it adversely affects the social and economic dynamics that ultimately weakens social cohesion. It further reduces household consumption and lower rates of economic growth. Wages are a major determinant of household income. It is thus not surprising that the long-term trend towards greater wage inequality is seen in higher inequality in total household incomes. In many countries a rise in income inequality match with the decline in labor income share.

**Minimum Wages**

There are many arguments regarding the minimum wages. One argument is that minimum wage increases, and another argument is that the wages are not increased in term of the profit increased in the capital. However, reducing wage inequality and working poverty in many countries in recent years is a result of establishing or strengthening of minimum wages. The distribution of wages is determined by many factors.

Since last few years Nepal government has increased the concern to monitor wage trend. The government has focused on the execution of minimum wage policies to prevent wage stagnation and raise levels of pay for the thousands of Nepali labors. It helps to ensure fair distribution, reduce unnecessary wage and income inequalities. The ILO has long emphasized that labor is not a commodity. The price of labor cannot be determined purely and simply through the application of the rule of supply and demand (ILO, 1944 and ILO, 2014).

According to the Global Wage Report, the Growth of Real Wages in Nepal has increased from -0.5 in 2006 to 15.1 in 2011, while it decreased in the following two years by 8.3 in 2012 and -0.2 in 2013 (Figure 2). The average growth rate of Nepal is not satisfactory looking at the figure. Reasons behind it might be the transitional political situation of Nepal. Due to the political
transition the socio-economic condition of the country became worst. It impacted the labor market negatively.

In Nepal, the minimum monthly salary for employees in enterprises is NPR 6,205 (about $59), plus a dearness allowance NPR 3,495 (about $33), which sums to NPR 9,700 (about $92) per month. But still the wage is very low, and it does not meet the recurring cost of the household. It pushes the labor further on extreme poverty and insecurity. The government has fixed the minimum wages, the employee has not been implementing the provision taking benefit from the poor monitoring and negligence of the government institutions.

**Figure 2: Growth of average real wages in Nepal**

![Growth of average real wages in Nepal](image)

*Sources: Global Wage Report 2014/15, Asia and the Pacific, ILO (2014)*

In emerging economies, the wage distribution is often characterized by a compressed distribution up to the median people and a very long upper tail where top earners earn much more than the median wage earner. The estimate for Brazil uses not only the federal minimum wage but also the state-level minimum wages where they are set at a level that exceeds the federal floor. In the case of Indonesia, provincial rates are considered. Like Brazil and Indonesia, Nepal can fix the minimum wages at federal level or provincial level or local level. The fixation of minimum wages in consultation with the labor unions, employers and government can decrease the income inequality among the people. The most important determinant of rising income inequality remains the growing dispersion of wages and not the evolution of the labor income share.
Youth and Gender Wage Gap

Between 2001 and 2011, the average household size of the country decreased from 5.44 to 4.88 as per the census taken on the period. Approximately one in four households is female headed in Nepal. The census data shows that out of total 1,921,494 absentees, 237,400 were females which is drastically lower than that of the male migrants.

The data further reveals that more than two fifths of the females are illiterate. Traditionally, there are no options for those women to be engaged in agriculture. Employment prospect in other sectors is limited. There are almost no any possibilities of illiterate women to get any job in the international market by the employees to fulfill their social responsibilities. Those going undocumented or unskilled labour are turning vulnerable in the workplace. If they get job on that condition, they get low incentives and there might be chance of exploitation (ILO, 2015). This scenario ultimately contributes to income inequality as labour workers abroad fall in the plight of misery and vulnerability and their family members are trapped with poverty stricken situation with the ongoing and emerging crisis of hand to mouth.

The labor force participation rates for males is significantly higher than for females (males=87.5 percent; female 80.1 percent). An average Nepali woman earns only 73 percent and 66 percent what an average Nepali man earns in agriculture sector and non-agriculture sector respectively (CBS, 2011). However, there has been a decline in the labor force participation rate for youth. According to a 2010 ILO report, compared to adults, youth aged 15 to 24 are 2.2 times more likely to be unemployed. The issues of youth unemployment are more acute in urban areas where youth unemployment rate increased from 7.6 percent in 1998/99 to 13 percent in 2008. The main reason behind growing number of underemployed youths is due to the lack of the focused policies and programmes for this cohort, which is likely to emerge as a major challenge confronting Nepal.

1.2 Wealth Inequality

The richest 20 percent of the people in Nepal holds Nepal 56.2 percent of wealth. i.e half of the wealth is under 20 percent people. The periodic NDHS surveys (2006, 2011 and 2016) provide percent distribution of the de jure population by wealth quintiles and hence give some broad idea on wealth equality in Nepal. Percent distribution of the de jure population by wealth quintiles presented by ecological regions as well as rural and urban areas separately (See Tables 5 & 6) show four dynamic changes in wealth inequality. First, majority of people living in urban areas fall under the highest quintile. Second, percentage of population in the lowest quintile is increasing in both urban and rural areas leading to urban poverty. Third, there is also a tendency of declining proportion of people belonging to the highest quintile both rural and urban areas. Fourth, majority of people living in Mountain i.e. 57.8 percent are from lowest quintile in 2016, compared to 31.0 percent in Hill and 5.7 percent in Tarai. The percentage of mountain population in the lowest quintile increased over time such as 46.6 percent in 2006 to 57.8 percent in 2016, despite some fall in 2011. Fifth, comparatively, a higher portion of hill population fall in the
highest quintile, and such a ratio declined from 24.9 percent in 2006 to 19.9 percent in 2011, rising again to 22.6 percent in 2016. Sixth, proportion of people in the highest quintile in Tarai increased between 2006 and 2011, but slightly declined in 2016.

The DHS 2016 also provides the distribution of population in wealth quintile by all seven provinces. Very diverse pattern in terms of wealth distribution is found across the provinces. For instance, almost 69 percent of households in Province 6 fall in the lowest quintile in contrast to 42 percent of households in Province 3 falling in highest quintile. Distribution of population as per wealth quintile is relatively more equal in Province 1, Province 4 and Province 5. The database is not available but it definitely has a serious impact on women and girls who have to fall shortage of economic resources to maintain their day to day living.

Table 6: Percent distribution of the de jure population by wealth quintiles (2006)

<table>
<thead>
<tr>
<th>Residence/region</th>
<th>Wealth quintile</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lowest</td>
<td>Second</td>
<td>Middle</td>
<td>Fourth</td>
<td>Highest</td>
</tr>
<tr>
<td>Urban</td>
<td>2.3</td>
<td>5.5</td>
<td>5.1</td>
<td>15.6</td>
<td>71.5</td>
</tr>
<tr>
<td>Rural</td>
<td>23.2</td>
<td>22.6</td>
<td>22.7</td>
<td>20.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Mountain</td>
<td>46.6</td>
<td>22.3</td>
<td>16.4</td>
<td>13.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Hill</td>
<td>28.0</td>
<td>15.6</td>
<td>13.9</td>
<td>17.6</td>
<td>24.9</td>
</tr>
<tr>
<td>Tarai</td>
<td>9.2</td>
<td>23.4</td>
<td>25.8</td>
<td>23.0</td>
<td>18.6</td>
</tr>
</tbody>
</table>

Source: DHS, 2006

Table 7: Percent distribution of the de jure population by wealth quintiles (2011)

<table>
<thead>
<tr>
<th>Residence/region</th>
<th>Wealth quintile</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lowest</td>
<td>Second</td>
<td>Middle</td>
<td>Fourth</td>
<td>Highest</td>
</tr>
<tr>
<td>Urban</td>
<td>3.1</td>
<td>3.3</td>
<td>7.8</td>
<td>23.6</td>
<td>62.3</td>
</tr>
<tr>
<td>Rural</td>
<td>22.6</td>
<td>22.5</td>
<td>21.8</td>
<td>19.5</td>
<td>13.6</td>
</tr>
<tr>
<td>Mountain</td>
<td>41.4</td>
<td>30.7</td>
<td>19.8</td>
<td>7.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Hill</td>
<td>31.9</td>
<td>21.1</td>
<td>14.6</td>
<td>12.5</td>
<td>19.9</td>
</tr>
<tr>
<td>Tarai</td>
<td>8.0</td>
<td>17.8</td>
<td>24.2</td>
<td>27.4</td>
<td>22.7</td>
</tr>
</tbody>
</table>

Source: DHS 2011

The poorest 20 percent share 4.1 percent of the wealth. For measuring the wealth equality with more statistical precision, NLSS data of 2010/2011 were compiled and used. The computed Gini coefficient based on household wealth distribution is derived to be 0.73. Similarly, estimated Gini coefficient based on per capita wealth distribution is 0.74. Both are substantially higher than that of income inequality (Table 8). These are higher than that of computed by Wagle (2008) in 2004 data. Household wealth Gini derived by Wagle (2008) was in the order of 0.715 for 2004. The results show that per capita wealth distribution is more unequal than household wealth.
distribution. Similarly, wealth inequality is higher in urban areas than rural areas. Geographically, Hills has higher wealth inequality than Tarai and Mountain.

The DHS 2016 also shows a very diverse pattern in terms of wealth distribution across the provinces. For instance, almost 69 percent of households in Province 6 fall in the lowest quintile in contrast to 42 percent of households in Province 3 falling in highest quintile. Distribution of population as per wealth quintile is relatively more equal in Province 1, Province 4 and Province 5 (Table 8).

**Table 8: Percent distribution of the de jure population by wealth quintiles (2016)**

<table>
<thead>
<tr>
<th>Residence/region</th>
<th>Wealth quintile</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lowest</td>
<td>Second</td>
<td>Middle</td>
<td>Fourth</td>
<td>Highest</td>
</tr>
<tr>
<td>Urban</td>
<td>12.5</td>
<td>18.6</td>
<td>17.4</td>
<td>21.4</td>
<td>30.1</td>
</tr>
<tr>
<td>Rural</td>
<td>31.1</td>
<td>22.1</td>
<td>23.8</td>
<td>17.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Mountain</td>
<td>57.8</td>
<td>23.4</td>
<td>8.3</td>
<td>5.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Hill</td>
<td>31.0</td>
<td>20.5</td>
<td>11.2</td>
<td>14.6</td>
<td>22.6</td>
</tr>
<tr>
<td>Tarai</td>
<td>5.7</td>
<td>19.1</td>
<td>28.9</td>
<td>26.4</td>
<td>19.9</td>
</tr>
<tr>
<td>Province 1</td>
<td>20.4</td>
<td>23.8</td>
<td>21.5</td>
<td>18.8</td>
<td>15.5</td>
</tr>
<tr>
<td>Province 2</td>
<td>3.9</td>
<td>22.4</td>
<td>36.5</td>
<td>26.0</td>
<td>11.1</td>
</tr>
<tr>
<td>Province 3</td>
<td>17.2</td>
<td>13.3</td>
<td>7.5</td>
<td>20.4</td>
<td>41.6</td>
</tr>
<tr>
<td>Province 4</td>
<td>22.0</td>
<td>21.1</td>
<td>16.2</td>
<td>20.3</td>
<td>20.4</td>
</tr>
<tr>
<td>Province 5</td>
<td>15.8</td>
<td>19.6</td>
<td>20.4</td>
<td>21.9</td>
<td>22.4</td>
</tr>
<tr>
<td>Province 6</td>
<td>69.1</td>
<td>15.3</td>
<td>7.0</td>
<td>6.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Province 7</td>
<td>37.1</td>
<td>24.5</td>
<td>17.1</td>
<td>12.5</td>
<td>8.7</td>
</tr>
</tbody>
</table>

*Source: DHS2016*

Palma ratio separately estimated reveals that not only wealth inequality is very high at the aggregate level but also wealth gap in urban areas and certain regions is extremely high. As shown (Table 9), in urban area per capita wealth of top deciles is more than 29 times higher than bottom 40 percent. In Hills it is even higher at 33.64 times.

**Table 9: Gini coefficient and Palma for wealth inequality (2010/11)**

<table>
<thead>
<tr>
<th>Gini</th>
<th>National</th>
<th>Urban</th>
<th>Rural</th>
<th>Mountain</th>
<th>Hill</th>
<th>Tarai</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Wealth</td>
<td>0.73</td>
<td>0.71</td>
<td>0.66</td>
<td>0.59</td>
<td>0.75</td>
<td>0.69</td>
</tr>
<tr>
<td>Per Capita Wealth</td>
<td>0.74</td>
<td>0.72</td>
<td>0.69</td>
<td>0.63</td>
<td>0.76</td>
<td>0.72</td>
</tr>
</tbody>
</table>

**Palma Ratio**

| Household Wealth    | 22.32    | 27.32 | 10.91 | 6.38     | 29.47 | 15.49 |
| Per Capita Wealth   | 26.68    | 29.35 | 13.11 | 8.28     | 33.64 | 19.45 |

*Source: Computed*
Though the Constitution of Nepal has provided equal property rights to son and daughters, in practice, women are deprived to enjoy the rights as enshrined. Lack of general awareness among women; less support to women from existing institutions to enjoy their rights; less or no access of women to means of production especially land, factories, capital and public properties; lack of access to education and services; and very low participation of women in the decision making processes are the factors leading inequality among women.

Female headed households doesn’t necessarily mean increased access to property in Nepal. According to census data collected in 2011, female headed households increased by 10% over the decade, that is, 25.7%. This shows increasing access of property to women. However, it was because of the policy formulated by the government to exempt tax upto 30% in purchasing of land on women’s title. In practice, women are not in a position to sell the property by their own and thus the provision looks like a showcase, the outcome of the patriarchal society. It is necessary to change the economic, political, social and cultural status of women to increase the access of women to reduce inequality gap by promoting decision making and expanding economic opportunities.  

Rubina Kayastha (Name Changed) of Saina Maina Municipality, Ward No. 4, Kapilvastu District is officially recognised household head of her family. All the property, the house, the land and the assets associated with the household operation are registered in her name. It has been therefore easier for Rubina to pay back tax, loan whatever and solve all the household burden incurred on her in husband's absence who is in South Korea.

Rubina lost her citizenship certificate and had to make a copy of it to sell a piece of land in her name. Rubina's documentation as Nepalese Citizen was in Bardiya. She requested the authority to bring it back in Kapilvastu. But in doing so, the authority asked the visible presence of Rubina’s husband, which was impossible. Rubina requested the authority to hear the voice of her husband but the authority sought signature of the husband in his presence. Finally, she had to give up the family idea of selling the land and utilising it in the well-being of the children, that is, education and health.

1.3 Socio-political Exclusion

When we talk about inequality, it connotes a social and economic disparity in a simple language. Most discussions of equality have focused on two questions: Is equality really desirable? And, what kind of inequality do we want to avoid (that is, insofar as we are egalitarians, do we want equality of opportunity, or primary goods, or need satisfaction, or welfare, or what)? (Temkin, Spring, 1986). Studying economic inequality can be a Herculean task because of its multidimensional nature including inequality in opportunity, talent, education, earning, income, wealth, consumption, leisure, bequests, and luck (cited in Wagle, 2006). From pragmatic standpoint, however, it is measured in terms of wealth, income, and consumption that researchers underscore the most, as these provide the means, by which people derive a variety of subsequent means or ends that characterize inequality.
Nepal is of great geographic, cultural, ethnic and religious diversity which is constitutionally treated as identity. Multiple culture, religion, language, and geography is the belongingness of the composite identity of Nepal. This identity is an inherent value and dignity of Nepalese citizens, which is a rich asset of the country (Gurung, 2014).

Nepal et al. (2010) argue that problem of inequality depends on the social belief about what determines income. For instance, a society where people believe that individual effort determines income or wealth, inequality does not appear to be a problem. But in the case of Nepal, people believe that corruption, connection, birth, or luck determines the income or wealth, thus inequality is interpreted as an outcome of luck that came along with the birth. Since Nepal, predominantly rural and based on subsistence farming, people had a marginal production and consumption that does not make such a gulf between the wealth and the income one has. But when Liberal market system Nepal has introduced along with the multi-party democracy, everything is believed to be fixed by the market and the capital without emphasizing the production.

Common people who were mostly dependent to subsistence economy have less likely to do with the market, since they have a very marginal surplus production. The state shifted its policy focused from agriculture to market, invoked society rid of agricultural labor so begun to import everything from abroad. The basic need of peoples is become how to earn money than the production of goods. As a result economically active population is massively emigrated into gulf countries and South East Asian countries. It is also accelerated with great an impetus when a decade long Maoist insurgency took place.

This connotation has a serious impact on the widening gap between the rich and poor household consumption. As for example, annual consumption of the richest 20% households is USD 5683 which is 4.2 times higher than that of the poorest 20% households which stands at USD 1356. In 2014/15 this ratio was only 3.9. It shows the gap between richest and poorest is more widening over years, which also indicates a less equitable consumption trend of the society.

The current population of Nepal is 26.5 million, which was 23.1 million in 2001. During the last intercensal period, the population increased by 14.4%. Hill Chhetree alone occupies one percent less than one-third of the total population with the highest share (19%) (Figure 3).
The Brahman population is in second position with a share of 12.2%. In addition in the top 10, there are seven other groups such as Magar, Tharu, Tamang, Newar, Kami, Musalman and Yadav that have more than one million populations. Rai is also in the top ten but the population is less than a million (n=620,004; 2.34%). In the bottom ten are Lhomi, Khaling, Topkegoa, Chidimar, Walung, Loharung, Kalar, Raute, Nurang, and Kusunda who have less than 1,615 populations. Among them, Raute (618), Nurang (278) and Kusunda (273) have even less than one thousand populations.

There are four groups classified as “others”, such as “Dalit others”, “Janajati others”, “Tarai others” and “undefined others” recorded by the census of 2011. Undefined others are those whose caste/ethnicity was not identified during the enumeration. For three others, they were identified as Dalit or Janajati or Tarai/Madhesi, but they were not identified as a particular caste/ethnicity and even if identified their population was less than 500. The effect of lumping into “others” is that the population of “Dalit others” (155,354) and “Tarai others” (103,811) is significant in number.

In the case of broader social groups, the percentage of Hill Chhetree group is highest (19.07%), which is followed by M/H Janajati-A (14.33%) and Hill Brahman and Madhesi OC-A (11.25%) (Figure 4).
Excluding foreigners, the smallest group is other (MPB) (0.32%) and Madhesi B/C (0.83), both are less than one percent (Gurung, 2014). Majority of communities in Nepal are patriarchal and people have superstitious beliefs. Therefore, a woman’s life in Nepal is strongly influenced by her father, husband and son like in many other South Asian nations. Such patriarchal practices are further reinforced by the legal system. The practice of early marriage still exists in Nepal that generally depreciates the life status of a woman. The status of women is determined by the patriarchal social system, values, and women’s right preserved and protected by the state, and state policy for the development of women. Women’s relative status, however, varied from one ethnic group to another. Concept of gender equality needs to be circulated up to household chores where women are at the front. The economic contribution of women is substantial, but largely unnoticed because their traditional role was taken as for granted.

Thus, the socio-economic status of women in Nepal is very poor. The women are being discriminated in every aspect of the society. These and so many other factors have contributed to turn Nepal into a lower human development status.

Though the Constitution has provided equal property rights to son and daughters, in practice, women are deprived to enjoy the rights provided by the constitution. However, the new Constitution is yet to come into full implementation. Lack of general awareness among women; less support to women from existing institutions to enjoy their rights; less or no access of women to means of production especially land, factories, capital and public properties; lack of access to education and services; and very low participation of women in the decision making processes are related to poverty. It is necessary to change the economic, political, social and cultural status
of women to increase the access of women to decision making and livelihood opportunities as well as to raise the socio-economic status of Nepalese women.

Government has been introducing several proactive measures to promote women’s access, ownership, and control over land and property. These measures, depending on the geographical location, include a 25 per cent to 50 per cent tax exemption on registration when land is owned by a woman; a 35 per cent tax exemption for single women (Financial Bill 2072, Ministry of Finance); and joint registration of land in the names of husbands and wives with a fee of Rs. 100 (or less than $1).

Regarding gender based violence (GBV) in Nepal, it is difficult for women, especially those who have been victims of GBV to obtain justice because of various factors: discriminatory laws, slow legal processes, and the persistence of patriarchal ideologies. Men and women are still not equal in the eyes of Nepali legal institutions notwithstanding improvements in the relevant laws. Women feel that most of the men in legal agencies, political parties and civil society have negative attitudes concerning women who demand for their rights. The overwhelming presence of men in legal institutions, most of them with the traditional concepts of masculinities, is one of the major factors why women are hesitant about reporting the cases of GBV.

Although the government has taken important steps to combat gender-based violence, implementation aspect has been found not so effective Nepal now has a Domestic Violence Act, government funding for programs on gender violence, and a hotline for survivors to register complaints. The government has also established guidelines for Hospital Based One-stop Crisis Management Centers in several districts, which would allow women to report violence and seek treatment at the same facility. However, women especially from remote rural areas of Nepal and from poor Dalit and other minority groups continue to suffer.

There are various dimensions of inequality from social and gender perspective, among them structural and cultural dimensions have strong impacts on the inert economic status of the people. Nepalese people are mostly involved in many social functions, ritual and rites such habits along with the extreme social discrimination i.e. untouchability, chhaupadi, food culture, food habits, dowry system, so called practicing of witchcraft and such other cultural barriers gave impetus to the vicious circle of poverty. Furthermore, modernization and new technical innovations, destroyed the indigenous skills and occupations along with farming system and the community farmers could not easily adopt to the new technologies. It has further increased unemployment thereby enhancing poverty level among the poor communities.

Despite these examples of heightened awareness, policies, programmes and plans of action supporting the advancement of gender equality and social inclusion, discriminatory social norms and harmful practices still continue in many parts the country. For example, marriage continues to play a decisive role in all women’s life choices and social-economic position. Although illegal and traditional as well as harmful practices targeting women and girl child such as Badi (caste-based sex work), Chaupadi (menstrual seclusion), Kamlari (bonded labour of daughters) and
Deuki (selling daughter to temples as child goddesses), as well as child marriage, Deuki, Jhuma and similar other several ones are still practiced in different regions and parts of Nepal.

These analyses suggest that gender inequality has been ingrained in Nepalese society. Chhaupadi, the practice followed by girls and women in Nepal during menstruation keeps women in the cowshed or a separate hut (Chhaugoth) for 5–7 days every month during the period. Although the country’s Supreme Court banned practising chhaupadi in 2005, the custom is still widely observed in the western parts of the country, where poverty, gender inequality, and illiteracy is high.

Asha Buda, 15, was terrified to tell her parents once she started menstruation. “I have to stay in the cowshed and I didn’t know if I could do it,” she says. “I feel terrible here – the cow dung smells and the darkness scares me at night. “I wish that I didn’t have a period.” Jumla, Nepal.

In July last year Tulasaha Shah of Chamunda Bindrasaini Municipality, Dailkeh lost her life in chhaugoth due to snake bite. Same case happened with Lalsara BK, from the same municipality. In Accham district only, during 10 years period 12 women lost their lives while staying in Chhaugoth.12

1.4 Employment

In terms of overall employment rate, the Nepal Living Standard Survey 2010-2011 reflects that only 2 percent of the population in Nepal is unemployed which is commented as being under-count because of the definitional problem13. More than 81 percent of workers continue to engage in self-employment such as unpaid family workers. The low levels of unemployment reflect the compulsion of most workers to take up any kind of work available to them since there are no social protection schemes.

1.5 Health and Education

Despite progresses in health and education sectors along with steady expansion in social protection coverage with positive contribution on addressing inequality and poverty reduction to some extent, perpetuated as well as newly merging problems pose a threat of their effective role in both fronts. Continued reduction in resource allocation to both health and education amidst multiple problems ranging from coverage, access to quality and affordability may dampen the prospect of their effective role in guaranteeing people’s rights in these areas and playing pivotal role in reducing both poverty and inequality as has been the case in many countries. Due to same resource crunch problems added by problems in its effectiveness, both outreach and scaling up of social protection may be equally problematic. Too much dispersion as well as duplication and overlaps lacking comprehensiveness through more focused approach may pose more problems for its wider role from both poverty and inequality standpoint.

Nepal has made significant progress in educational attainment, especially at the primary and secondary level. The education supports to product the quality of the workforce. According to
Annual Household Survey 2015/16, the total literacy rate for the population 5 years and above is almost 65.6%, a notably improvement compared to 60% of Nepal Living Standard Survey 2010/11 and 50.6% in 2003/4. However, differences across gender, geographic regions and income quintiles are still significant. As per the NLSS survey, more specifically, female literacy rate is 20 percent lower than that of males. The rural areas fare is much worse than urban areas. The differences between males and females in rural areas being even more pronounced.

There is an optimistic relationship between education and employment. If we see other low-income countries, the literate people are employed than illiterate. Further, the passiveness and unemployment rate for literate people is also lowest. Same trend can be found in Nepal too. Most important thing is that the rate of employment for those people who have higher levels of education has been increasing gradually over the years.

There is a direct correlation between the educational attainment and the wages. Present data shows that even with the increasing supply of educated workers the wage has also been rising for those with higher level of education. However, enrolment rates in higher education institutions have been increasing. The wage for lower levels of education has either been falling or rising insignificantly, but the wage premium for higher-secondary and tertiary education has been increasing. As the educational attainment of the labor force has been improving. The supply of workers with lower levels of education is increasing at a faster rate than demand. The demand for workers with higher education is far larger than the increased supply.

For the protection of health of people in general and poor in particular, universality of health coverage is, therefore, a necessity to ensure the equal access to needed health care for all people living in both rural and urban areas. It requires inclusive policies addressing inequities resulting from access barriers. For this to realize, priorities have to be given to the health sector in terms of resource allocation and uses with due care that no one is left out of health care system. In the recent past, the government has launched some popular programs such as free health services, safer motherhood, and universal health coverage. The menu of distributing medicines freely to the people through health posts, health centres and hospitals has also increased. Now the health insurance scheme has also been introduced through an act with government commitments to donate the insurance fee of poor people. Doubts loom large if the scheme is benefitting the poor and ultra-poor who are unable to pay the premium. A serious question arises here, "Does government provide Rs 2500/year for those who can’t pay and other associated costs such as transport, etc?"

Notwithstanding steady progresses in the health sector, still more than one thirds of population has no easy access to health care system. Most poor people in the remote areas are prevented from such a facility. The big gaps in life expectancy, child nutrition, infant mortality and access to health services across various socio-economic groups and ecological regions corroborate this (Sharma, Guha-Khasnobis and Khanal, 2014 and MoH, 2016). Amidst such a situation, the budgetary allocation and use pattern raises questions on the government commitments and priorities to the health sector including guarantying of health services to all Nepali citizens.
The government expenditure on health sector was 1.50 percent of GDP in 2011/12 which reduced thereafter and came down to 1.4 percent of GDP in 2014/15. Though there were some pickups in both 2015/16 and 2016/17 with its share in GDP reaching at 1.5 and 1.7 percent respectively, the ratio is very low compared to common international norms established to the countries like Nepal. More worryingly, as a percentage of total government expenditure, expenditure on health declined from 7.8 percent in 2011/12 to 4.7 percent in 2016/17 (MoF, 2017). There are two parallel phenomena, which are of major concerns. One is the commercialization of health sector in a big way along with intensified privatization with outreach and affordability being a big problem to the common people. The problem has compounded due to no effective regulatory system in place. Second is the misuse of resources markedly and lack of timely delivery of health services. Third, less expenditure on health means a direct bearing on women and girls health outcome. Also the privatisation has contributed a negative health outcome – women/girls. There are, thus, many systemic problems perpetuating in this sector.

Chapter II: Structural Causes of Inequality

2.1 Formalisation of the Formal Sector

While a part of Nepalese population is moving to a higher living standard due to sudden boom in number of department stores, super markets, restaurants, hotels, private schools and colleges, real estate business, private hospitals, we should not forget that more than half of the populations earn less than Rs 10,000 per month and are bound to stay happy and content within their limitations.

It is difficult to find a political or business leader who does not say they are worried about inequality. It is even more difficult to find a single person who is doing something about it. Many are actively making things worse by slashing taxes and scrapping labour rights. It would not be surprising if these leaders who claim to worry about inequality appear in the list of billionaires in future.

On one hand Nepal has held local, provincial and federal elections and is in the process of implementing the new constitution, but on the other hand it is speculated that its economy is suffering. Many are busy debating whether centralized or decentralized government is best suited for Nepal, but the more pressing issue is the crisis of inequality between the extreme rich and the extreme poor.

According to the National Planning Commission and Oxford University's Nepal Multidimensional Poverty Report, 28.6% of Nepal’s population is multidimensional poor which includes 7% urban and 33% of the rural populations. Due to the economic system which makes the wealthy extremely wealthy is the reason behind the poor struggling with their livelihood. In the process of transitioning towards Federal Government after long battle with the political disparity, the issue of bridging the gap between the super rich and the poor has been lost somewhere. On one side, the investable amount in bank and financial institution is continuously reducing, whereas in
the other side the liquidity crunch which is leading to the low interest rate. This kind of unpredictable behavior is helping the selected super riches.

As per the UNDP report 2016, Inequality –Adjusted Human Development Index (HDI) of Nepal is 27% . It means Nepal lost its Human Development growth by 27 %. HDI is calculated by taking into account the average achievements of a country on health, education and income as well as how those achievements are distributed among its population by discounting each dimension’s average value according to its inequality.

2.2 Privatisation and Precarity

In Nepal, privatization was started especially after the successful restoration of democracy in Nepal in 1990. The then government initiated privatization for increasing productivity by improving efficiency, reducing administrative and financial expenses of the Government and increasing private sector participation and also for ensuring effectiveness in service delivery.

During the period from 1992 to until recently (Nepalese fiscal year 2070/071), 30 SOEs have been privatized using the different modalities such as assets and business sales, share sales, management contract, lease, liquidation, and dissolution.¹

“The World Bank’s position on (the desirability of privatization) is derived from long experience with failed attempts at reforming public enterprise. For years, the Bank supported efforts of governments to improve public enterprise performance but with little success. The efforts either did not bring the desired results or the improvements were not sustained.”²

The exercise of privatisation in Nepal witnessed a number of constraints like; policy inconsistencies of government, poor enlightenment programme, huge debts of SOEs, corruption and lack of transparency. It is worth noting that between 2008 and 2012, privatization exercise was suspended and only restarted in 2013. Privatization has also suffered set back because of poor awareness campaign of the government and insufficient education to the public, specifically to those more than 70 per cent living in rural areas. It is also evidenced that most SOEs examined for privatization owe huge amount of money to banks, staff and even the government.³

For a developing country like Nepal, the underlying causes of privatisation are the influence of World Bank (WB), International Monetary Fund (IMF) and their promoters which also determine the economic policies.

Behind the pro-poor avowals of multilaterals, however, the standard policy advice of the International Monetary Fund (IMF) and the World Bank remains largely anchored on prioritizing debt payments by cutting government subsidies, increasing revenues, and shrinking the public

¹ State Owned Enterprises Information 2072 : Yellow Book [Nepali version], p.23
sector through "privatization". More specifically, this means selling public enterprises such as the water, electricity and telecommunications sectors to private corporations. In effect, the Bank and Fund force borrowing countries to adopt free market policies, such as slashing government spending by privatizing public services towards removing "barriers to trade," and forcing nations into export orientation, in the belief that this would enable a quicker way of repaying their debts. The experience of developing countries that privatizing public service assets has increasingly reduced the poor’s access to health care, water and power services, education, etc.14

Out of above 30 privatized SOEs, 11 were scrapped, one was liquidated, shares of 11 were divested and businesses and property of three were sold. While, only 11 are in operation and only five of them are making profits.15

According to the Annual Review of Public Enterprises 2014 published by the Finance Ministry, the majority of privatised SOEs have either been closed down or are facing dispute. According to the report, the government bore a liability of NPR 4.93 billion for 15 privatised SOEs over the last several years. The report says operators of privatized SOEs are pressuring the government to allow them to sell property and do other businesses with the proceeds, which is against the objective of privatisation. “That’s why there’s a need for a mechanism for regular monitoring and evaluation of privatised SOEs,” the report states. It has also pointed out that the government has failed to ensure that those leasing SOEs land plots would utilise the property properly.16

Currently, there are 37 public enterprises in Nepal.17 Altogether 37 Public Enterprises have been incorporated under the five different Acts. Among them, 23 Enterprises have been incorporated under the company Act, 2 Enterprises under the Corporation Act, 7 Enterprises under the concerned Enterprises Specific Act, 2 Enterprises under communication Act and 3 Enterprises under the Bank and Financial Institution Act. The operational basis of these Public Enterprises incorporated for the production and distribution of goods and services are different because of their regulation by different separate Acts. There is no uniformity in the regulations regarding operational procedure prescribed by these enterprises incorporated under separate Acts. Therefore, the facilities to be provided to the employees along with appointment procedure done by the Government in the Public Enterprises are not uniform.18

**Party politics on privatization:** Many political parties are not in favour of privatization. A double standard is seen (when in power in favour of privatization and when in opposition against privatization).

### 2.3 Declining Social Security

Nepal is one of the early initiators of social protection in South Asia. An old age pension was introduced with a monthly cash transfer of NRs 100 to citizens of 75 years and above in 1994. Thereafter, both coverage and amount has gradually increased also bringing vulnerable and disadvantaged people in the orbit of social protection and thereby minimize their exposure to risk, improve their livelihood and social conditions. Today, universal social pension is a core pillar of the Nepal’s social protection system. Noticeably, the new constitution gives highest priority to
the social protection and underscores the need of covering economically deprived, disabled and helpless, helpless single women, children, persons with disability, people unable to care themselves and endangered citizens, among others. As a part of fulfilling such constitutional commitments, an integrated Social Security Act has been enacted (2017). Today, Nepal is ahead of many other South Asian countries in terms of access to social protection programs. The Social Protection index (SPI)\textsuperscript{19} computed by ADB shows that Nepal scored 0.068 compared to 0.051 by India, 0.047 by Pakistan, 0.043 by Bangladesh, 0.036 by Bhutan and 0.121 by Sri Lanka (ADB, 2013).

Social protection covering elderly, single women, fully and partially disabled and endangered people reached Rs 30.7 billion as per the revised estimate of 2016/17. Such an amount was about Rs 10.6 billion in 2011/12. With doubling of universal social insurance allowance from Rs 1000 to Rs 2000 per month in the fiscal year 2016/17, there was a big jump in the spending level. Thus, in the last five years period, the amount has increased by almost 2.9 times. As a percentage of total government expenditure, spending on social protection increased to 3.3 percent in 2016/17 from 3.1 percent in 2011/12 with some fluctuations. As a percentage of GDP, its share rose to 1.2 percent in 2016/17 from 0.69 percent in 2011/12. The program covers about 2.7 million people which come about 8 percent of total population.

Despite such an expansion being advantageous from both equity and protection of vulnerable people point of view, there are some serious problems from effectiveness and sustainability point of view. Scattered implementation through different agencies is regarded to be a major problem (MoF, 2014 and ILO, 2015). Diverse social security protection programs launched in many instances in an ad hoc basis with poor and less effective coordinated implementation mechanism added by poor institutional capacity have made the outcomes less beneficial to the intended beneficiaries. Various means are often used to misuse the funds and timely delivery to the intended beneficiaries is still a big problem. There are also issues associated with equity linked to most vulnerable population. Attempts to reduce the age limits and scaling up of allowance without any proper basis may also aggravate sustainability problem amidst massive rise in pension liability of the government (Khanal, 2016).

2.5 Corruption

Inequality is a condition which is determined by the human life style. More specifically, inequality is measured on the basis of a person’s fulfilment of his/her minimum requirements, his consumption and ratio of his income. Poverty plays a vital role in promoting corruption. Nobody thinks of good and bad, legal and illegal, moral and immoral, faithful and faithless. Such types of person can take any decision to meet their needs.\textsuperscript{20}

An influential 2014 report by Oxfam\textsuperscript{21}, titled Working for the Few summarises: “Extreme economic inequality and political capture are too often interdependent. Left unchecked, political institutions become undermined and governments overwhelmingly serve the interests of economic elites to the detriment of ordinary people.” In other words, corruption can flourish when elites control the levers of power without any accountability.
The annual survey released by the Berlin-based watchdog has placed Nepal in 130th positions with a score of 27 among 167 surveyed countries. Nepal failed to improve both country-wise ranking and score. It was placed 126th rank on the index among surveyed countries with 29 marks last year. Corruption Rank in Nepal averaged 127.83 from 2004 until 2015, reaching an all-time high of 154 in 2011 and a record low of 90 in 2004.

The benefits from corruption are likely to accrue more to the better-connected individuals in society, who belong mostly to the high income groups. Corruption tends to make the poor poorer and the rich richer.

The relationship between the corruption scores in the Corruption Perceptions Index (CPI) and the degree of social exclusion as measured by the Welfare Regime indicator which shows a strong correlation between corruption and social exclusion. The country which is in the bottom in CPI indexes more people are marginalized and excluded.

Nepal has further slipped on the Corruption Perception Index (CPI) 2015 of Transparency International, continuing its standing as one of the most corrupt states in the world. The annual survey released by the Berlin-based watchdog has placed Nepal in 130 positions with a score of 27 among 167 surveyed countries. Nepal failed to improve both country wise ranking and score. It was placed 126th rank on the index among surveyed countries with 29 marks last year. Corruption Rank in Nepal averaged 127.83 from 2004 until 2015, reaching an all-time high of 154 in 2011 and a record low of 90 in 2004.

According to the reports of Commission for the Investigation of Abuse of Authority (CIAA), 38 cases of illegal wealth are filed in CIAA in the last four years from fiscal year 070-71 to 2073-074 [2013/14 to 2016/17]. Since last ten years till 2013, only 63 cases were filed from CIAA. If we look at the period from 2003 to 2010, the number of pending cases are very high compared to investigate cases. Since 2006, in a period of seven years, 469 cases were provided clean chits on illegal accumulated property investigation. This trend shows the sluggish path towards action against corruption by the authority on the one hand and on the other, the reluctance of the government to proactively involve in eliminating corruption by taking a zero tolerance notion.

Economic inequality provides a fertile breeding ground for corruption—and, in turn, it leads to further inequalities. Uslaner (2008) argues that high inequality leads to low trust and high corruption, and then to more inequality. There has long been a scholarly consensus that corruption and inequality are closely interrelated. The transparency international report highlights the connection between corruption and inequality. The two phenomena interact in a vicious cycle: corruption leads to an unequal distribution of power in society which, in turn, translates into an unequal distribution of wealth and opportunity.
2.6 Taxation and Public Spending

Nepal’s tax reform has been conceived as one of the key instruments in making the Nepalese economy highly liberal both internally and externally. Broadly, a parallel three pronged approach is found in the pattern and direction of tax system in Nepal.

First is that income tax no more should be used as an instrument of reducing income inequality and enhancing tax justice system in the society. Today, the highest income tax rate to the individuals, corporate sector and banking and financial institutions is 15, 25 and 30 percent respectively with various rebates, concession and tax holiday facilities to the manufacturing and other few services industries depending on their nature, location and origin of investment. Second feature of tax system is the sharp reduction in the tariff rates and narrow down of slabs massively to make external trade highly liberal. As an offshoot of these features, the VAT was introduced in Nepal in 1995 by replacing major sales tax and other minor taxes. The main aim to introduce such a tax was to compensate the potential revenue losses emanating from reduced tariffs rates and slabs and gradually make it as an important domestic source of government revenue. As an account based revenue source, it was also hoped that such a tax will additionally help to expand own revenue bases and enlarge the sources of income tax as well. With the provision of threshold added by exclusion of some essential commodities and services from the tax, a system of zero VAT with a moderate flat rate of 13 percent, it has been claimed that it besides creating favourable business environment protects the poor consumers from higher tax incidence.

Notwithstanding various reforms contributing to generate revenue satisfactorily with Nepal’s revenue share in GDP reaching one of the highest among South Asian countries, there are, however, serious flaws in the overall tax policy design, direction of reforms and system of tax governance and its practices from, among others, revenue generation as well as equity perspectives. First, the tax policy was designed as a part of deregulation, privatization, liberalization and open up policy. As a result, income tax policy despite various incentives could not contribute to promote productive investment, enhance export led industrialization and sustain growth. The incentive structures either were swamped or nullified by the highly liberalized trade regime in a situation of severe supply side constraints emanating from both infrastructure bottlenecks and other market inhibiting factors. In such an environment, investment was encouraged in non-tradable and unproductive areas and activities which were additionally incentivized by the monetary and financial policy as already pointed. The cumbersome procedures, harassment practices and discretionary powers often used with highhandedness encouraged parallel economy further. As an offshoot and contrary to premises under the liberalized regime, leakages and tax evasions have persistently remained serious problems and have perpetuated in a systemic way. The massive corrupt practices and weak governance amidst popularized or institutionalized clientalism and patronized system have equally been instrumental to this to a greater extent. All major taxes viz, income, VAT and tariffs encompass through similar problems.
A study citing the report by the Department of Revenue Investigation indicates that there was a revenue leakage of Rs. 3.44 billion during the first four months of the fiscal year 2011/12. It observes that the unpaid VAT would be enough to pay for the cost of the country’s financing gap for scaling up maternal health services markedly. It, citing another report, says that as much as 385 firms were engaged in producing counterfeit VAT bills in order to evade taxes during the same period. Interestingly, most of these firms that produced counterfeit VAT bills were big corporate houses of Nepal (Pyakurel, 2013). A recent survey based study assessing the ramification of various taxes at the local level corroborates that taxes in Nepal including its surrounding is of evasion and state incapacity. It says that business houses bypass formal modes of taxation by alternatively engaging in informal transactional methods – paying off government officials in order to gain exemptions and many households are understood to go untaxed altogether (Mallet et al, 2016). Moreover, based on the level of economic transactions including trade data, it is clear that compared to revenue potentials the revenue collection from the VAT is very low. This is more so in view of VAT levied in the custom points, contrary to the established principles.

The tendency is not enthusiastic in the tariffs too. The tariff policy is driven by not only liberalizing trade but also by far freeing the trade beyond the WTO membership obligations. First, the tariff system encompasses through cascading structure with very adverse effect on both high value added, domestic resource based and labor intensive industries. In many instances, the level of protection has been high to the imported goods rather than similar goods produced in the country (GoN, 2004 and Khanal, 2017). On the other hand, frequent changes in valuation system accompanied by less transparent, poor or weak data base system across custom points including cumbersome procedures and various kinds of hitches have continuously encouraged informal trade. The assumption of free trade policy addressing both supply and demand gaps through market clearing practices led to augment business transaction phenomenally with adverse effect on trade competitiveness and thereby on industrial development as well (GoN, 2004 and Khanal, 2017). Due to the above reasons, the under voicing and over voicing of trade has been very common with added adverse effect on correcting market imperfections and promoting industrial development, among others. Amidst weak enforcement of the custom law, there is a tendency or practice of under declaration at custom points, under billings and no billings in the consumer markets.

All in all, the premises of free trade regime driving overall development including industrial development have been particularly faulty. Today due to continued higher dependency on international trade based revenue, a vicious circle type situation has perpetuated. It has had adverse effect on tax structure as well which is often regarded to be one of the indicators of country’s stage of development.

Truly, a shift in tax structure has taken place in Nepal more so in the post liberalization period. But its momentum slowed down or reversed after 2007. For instance, the share of tariffs in total revenue reduced considerably to reach 19.8 percent in 2007 from as high as 33.6 percent in 1975. There was further reduction thereafter and reached 17.2 percent in 2016 notwithstanding the continued revenue collection practices from the VAT and other taxes at the custom point.
Similarly, the contribution of then sales tax was 17.9 percent in 1990 and after introduction of VAT its contribution went up at a faster pace and reached 29.8 percent in 2007. However, its share again went down to 25.3 percent in 2016. In the early years, the share of land tax was dominant which gradually became insignificant. The share of income tax was 4.7 percent in 1975 and reached 15.9 percent in 2007. It further went up to reach 24.3 percent in 2016. On the whole, despite changes in tax structure, still the share of indirect tax is very high. As an offshoot, tax elasticity is low compared to tax buoyancy indicating frequent changes in the tax rate structures through various discretionary measures which raises the possibility of policy uncertainty, higher tax incidence and wider revenue fluctuations (Khanal, 2009).

Added worrisome phenomenon is that unlike the tax principle, VAT and excise still constitute an important component of total tax revenue collected at the custom point. In 2006/07, for instance, the share of custom VAT and excise was 35.4 percent of total indirect tax revenue which further went up to 39.5 percent in 2015/16. As a result, the share of international trade based revenue comprising customs, custom VAT and custom excise remained around 45 percent in 2015/16. The share of such a tax in indirect tax comes out to be high at 69.8 percent for the same year (NRB, 2017). Thus, such a tax system remains both regressive and vulnerable.

Despite some attempts to minimize the higher tax incidence, VAT remains more regressive as a study based on Nepal Rastra Bank household survey data of 2008 reveals. The survey shows that despite exclusion of essential goods from the VAT net, the consumption share of VAT imposed agricultural commodities of lowest quintile group stands at above 36 percent. Assuming this as a consumed share amidst VAT rate of 13 percent, the consumption level of lowest income group comes out to be 4.7 percent. Considering combined effect including those of VAT imposed non-agricultural commodities, the total tax incidence faced by the lowest quintile group is derived to be about 7 percent out of the total consumption basket (Khanal, 2009). Similarly, a recent survey in some selected households of two districts viz, Sindhupalchok and Jhapa shows that the average household pays more than three taxes, equivalent to around $100 in a year (Mallet et al, 2016). Thus, judging the tax system in terms of structure, elasticity, incidence, fairness, governance and justices, it is highly problematic.

Spending

In Nepal concerted efforts have continuously been made to augment government expenditure level apparently for pushing socio-economic development. For instance, in 2001/02 level of government expenditure was Rs 80.1 billion. The level rose to Rs 823.2 billion in the fiscal year 2016/17 as per the revised estimates. Thus, the government expenditure level increased 10.3 times in last fifteen years period. During the period 2001/02 to 2011/12, there was moderate rise in expenditure. But thereafter it rose at a very faster rate. This is evident from its rising share in GDP. The share of government expenditure was 17.4 percent of GDP in 2001/02 which rose by 4.8 percent of GDP in 10 years period and reached 22.2 percent in 2011/12. In subsequent five years period, however, it grew by 9.5 percent of GDP and reached 31.7 percent in 2016/17. Budget estimates show that it may jump phenomenally in this fiscal year 2017/18 to reach in the neighbourhood of 40 percent of GDP (MoF, 2017 and 2018). Such a ratio is one of the highest
even in comparison to many developed countries. It conceals many underlying reasons for such a rise which is a major area of concern.

First of all, in the total spending the share of current expenses is high at around 63 percent of total expenditure in recent years. Conversely, the share of capital expenditure is less than one quarter of total expenditure leading to constraining of expansion in productive investment through government expenditure program despite such a fast rise. Though most of the social expenses fall within the current expenditure category, such a rise is not because of escalation in expenses in sectors such as health and education as will be explained below. The major problem is that the medium expenditure framework introduced as a part of PRSP was supposed to help to restructure and reprioritize based on input, output, outcome and probable impact analysis. Now it has been customary to include virtually all projects and programs in first prioritized categories. This is evidently clear from the fact that the highest priority projects and programs categorized as P1 absorb around 88 to 90 percent of total expenditure. Moreover, amidst very low absorption of capital expenditure added by the practices of spending budgeted amount in the last two to three months of the fiscal year recklessly is complicating the problem of utilizing resources efficiently and judiciously (Khanal, 2017). Such disarray in public expenditure management has had very adverse effect on the allocation and uses of funds in sectors such as health, education and social protection.

In the education sector, the spending made in 2011/12 was around 4.1 percent of GDP which is low compared to minimum norms set internationally. The share further reduced and came down to 3.7 percent of GDP in 2014/15. There were some pickups in both 2015/16 and 2016/17 with its share reaching at 4 and 4.1 percent of GDP respectively. As a share of total expenditure, the situation, however, has worsened despite often claims of high priorities to this sector. Its share in total expenditure declined from 18.3 percent in 2011/12 to 15.1 percent in 2015/16 and reduced to 11.4 percent in 2016/17 (MoF, 2017).

Amidst such a decline in budgetary allocation and uses, not only quality but also universal access to free basic education remains a major problem notwithstanding some satisfactory progresses at the aggregate level. Flash reports of Department of Education indicate that still 8 percent of children enrolled in grade 1 drop out, and 20 percent repeat the grade. Similarly, only 83 percent of the original cohort of children entering grade 1 complete the primary cycle, and less than a third reach grade 10 (DoE, 2016). Low access and systemic exclusions of disadvantaged groups including women, disables children living in remote areas are still rampant. Factors limiting access to education include geographical constraints, poor infrastructure and lack of well-trained teachers, socio-cultural norms and the issues of language etc. Poor education quality added by low teaching/learning quality, problem of timely distribution of textbooks, non-existence or poor minimum enabling conditions in schools and very weak evaluations and accountability system is reported to be perpetuating the quality problem (UNICEF, 2015). The poor quality of educational outcomes and the low efficiency are reflected in the persistently high failure rates in the national School Leaving Certificate (SLC) examinations. The CBS national accounts on education report that out of the total expenditure in education still households spend around 56.6 percent of total expenses. More surprisingly, household’s expenses in pre-primary, primary and lower secondary
are calculated at 59.4, 33.6 and 43.6 percent respectively out of the total expenses in those levels (CBS, 2016). These numbers raise the questions on the claim that primary education is universal and free. Amidst intensified privatization driven by commercial motives, equity in education in general and quality education in particular remains a bigger challenge. Like education, good health is a prerequisite for sustainable development, growth and equity.

Monika Lohar, 12, of Kanchanpur, Vimdutta municipality, ward 9 has to walk 4 hours every day to go to school as there is not any secondary school in the village. She is always in the pressure of reaching the school on time. 150 students from the same municipality have similar kind of stress. The students miss their classes and due to tiredness they are not able to study properly and the dropout rate of the school is very high. The story might sound incredible but it is common for children from less privileged regions facing immense hardship for education.

2.7 Global Supply Chain

- Labour Rights, Unionisation, Right to Strike, Workplace Safety, Occupational Health Hazards
- Land and Natural Resource Grab

Land reform policy in Nepal stands as an unfinished agenda of the political parties. They cash this issue whenever election takes place. After making this a vote bank, a commission is formed. The Commission also gives very nice options and solutions for the land reform but has hardly be materialised. Despite reforms that began in 1964 where land reform act was enacted and fixed the land ceiling aiming to distribute over ceiling land to the landless and provisioned tenancy rights to sharecroppers but lack of political will and reliable mechanism for oversight means that the situation is almost remaining same. When the Panchayat regime formed the first Land Act in 1964 it did not take into consideration the exploited farmers and primarily sought to protect the interests of the powerful landowners and tighten state control over land resources. Despite six amendments, the fundamentals remain unchanged.

In order to overcome wide range of challenges, the policy has highlighted some of the opportunities being a commitment augmented by political parties and all stakeholders including civil societies ensuring of food security by preserving of arable lands and optimum use thereof; mass concerns towards making optimum use of lands for a hygienic, beautiful, well-facilitated and safe human settlement so as to enhancing a planned and sustainable urbanization. The policy prioritized classification and proper use of arable land.

The policy highlights provisioning land use plans (LUPs) according to federal structure, level wise (Federal, Provincial and Local Levels) such as while preparing Federal Land Use Map, it shall be done based on national priority and policy. It says, federal land use plan should be taken into account as general directives before devising of Provincial/Regional and zone-wise plans and in devising of Land Use Plans (LUPs), consolidating lands for protection of Agricultural Zone,

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4Elisabeth Wickeri, Land is life, Land is Power, 2011.
ensuring of a hygienic, beautiful, well-facilitated and safe human settlement, sustainable and planned urbanization of the country and maintaining a balance between physical infrastructure development and environment will be given priority. The policy however does not speak categorically on the pertinent issue of landlessness. The landless and land-poor are found around all regions of Nepal yet unaddressed categorically by the policies and programmes. Landlessness is as high as 29%. Over 44% Dalits in the Tarai and 22% of those in hills are landless and thereby, deprived of their socio-economic rights.32 UNDP Human Development Report (2004) states that about 13 percent Dalit occupy only 1 percent of total arable land i.e. 31,79,000 ha (Chapagain, 2005), Ahauti (2003) also mentioned that people having about 2 Ropani (0.1 ha) of land are 77 percent hill dalit and 95 percent Madhesi Dalit. The landless families are forcing to work as a semi bonded labour and some 300,000 families are estimated to work as Haliyas/Haruwas33 in the hills of Western Nepal and in the Central and Eastern Tarai.

- Foreign Aid (esp. Afghanistan, Pakistan and Sri Lanka)
- Cultural Dimension of Inequality
- Majoritarianism, Authoritarianism, Centralisation, Ethno-nationalism
- Religious Fundamentalism
- Ecology, Climate Change, Pollution and Natural Disasters
- Historical Aspects and Inter-generational Inequality
Chapter III: Neo-liberalism and Ideology

- Predatory Practices and Distortionary Capital Flows
  - FTAs, FDI, Trade policies
- Rollback of the State
  - Privatisation (demolition of public institutions, PPP, etc.), liberalisation, deregulation
  - Cut in welfare spending
  - Fiscal justice
- Democracy, Governance and Exclusion
- Development Model
- Market Fundamentalism
- Rights to Organise and Struggle

The first line of the preamble of the new Constitution of Nepal states, "We, the Sovereign People of Nepal ...internalizing the people's sovereign right and right to autonomy and self-rule, while maintaining freedom, sovereignty, territorial integrity, national unity, independence and dignity of Nepal,...". These lines reflect the prop-people shift of Nepal's constitutionalism from the complete authoritarian regime during kingship to people's initiative to frame their constitution by themselves. Amid the series of fundamental rights enshrined in the Constitution, Article 17 states the equal right of all including political parties and the civil society for the freedom of association. The article reads further every citizen shall have the following freedoms: freedom of opinion and expression, freedom to assemble peaceably and without arms, freedom to form political parties, freedom to form unions and associations, freedom to move and reside in any part of Nepal, freedom to practice any profession, carry on any occupation, and establish and operate any industry, trade and business in any part of Nepal. The constitutional provisions, thus, have clearly reflected the space for civil society.

Social Welfare Council, established by the then Queen of Nepal during 1980s in the name of social welfare is the responsible agency on behalf of the government to facilitate, monitor and regulate the civil society organisations established in Nepal and have made monetary or non-monetary partnership with the international community, that is, inter-governmental, multilateral, bilateral, and INGOs. The Council has so far issued five directives, respectively related to, foreign aid approval, monitoring and supervision of the CSOs, project agreement, general agreement and incentives and finally related to approval and renewal of the CSOs. Many of these directives have been imposed without taking due care of the right to freedom of association for every Nepali citizen guaranteed by the Constitution as their fundamental right (Article 17). The CSOs of Nepal are in struggle to complete revision of the Social Welfare Council. The very word of 'welfare' creates nostalgia to the CSOs and have demanded to change the name of the Council, that is, national Social Development Council.


**All Types of Associations/Organisations under same Law**

Two major laws, Rastriya Nirdeshan Ain 2018 and Sangh Sanstha Darta tatha Nabikarna Ain 2034 are in effect for the registration and renewal of all types of civil society, that is, Federations, Alliances, CSOs, NGOs, Development partners (internal and international), inter-governmental agencies, Projects, Movements, CBOs, Groups, Faith based, religious, social. The CSOs have demanded complete abolition of these laws and framing of new law to commensurate with the federal, democratic and republican spirit carried out and consolidated by the new Constitution. They have given option to categorise civil society broadly in three approaches/ perspective:

- **Freedom of Association:** Autonomous, Self-regulatory, Movement Oriented, Closely Critiquing against government, policy makers and political parties: those involved completely on advocacy and lobby activities
- **Mobilisation:** as reflected by the various periodic plans and policies of National Planning Commission (NPC), especially to those directly involved in the development efforts and professional advancements, that are professional associations and organisations
- **Regulatory:** for the faith based organisations, networks, academies and clubs.

A civil society has to register at least in 14 different government agencies for their registration, conducting regular activities, renewal and other administrative action such as mainly to the Council for approval of project and respective district administration of office for registration and renewal. However, in order to do so, they have to start developing documents from the respective Ward Office, Municipality, District Coordination Committee, Police Office (for formation of the new CSO), respective ministries and their aegis (in some cases more than three-four ministries).

The Social Welfare Council has been learnt to draft a new act for the monitoring and regulation of the CSOs established in Nepal. The formal recognition of this draft has not been provided to the CSOs, however, it has been known that the Council is tightening the space of the civil society in Nepal, especially those involved in the advocacy and lobby activities. The CSOs have put their position against this bill. They have clearly stated that no act, directive, rule or regulation should curtail the rights of the civil society for freedom of association and conduct of activities without any restriction.

**Chapter IV: Recommendations**

**Immediate Actions to take into Account**

- Streamlining and restructuring of existing tax system for accelerating resource mobilization in a sustained way, rationalizing incentive structure and containing rising income and wealth inequality. Accordingly, there is an urgency of broadening the base of taxes such as income and VAT apart from raising the progressivity of direct taxes. Priority should be given to reduce overdependence on indirect taxes. For progressivity of income tax, revisit of the
income tax rates is a must. At the same time, there is a bigger scope of expanding capital gains and property tax.

- The spending policies of the government are equally important for sustained long term growth and effective redistribution of income and wealth simultaneously. As is well known, promotion of human capability leads to better economic welfare and narrowing of economic inequalities in the society. Despite their such critical roles, recent trend of slashing budgetary allocations to social sectors such as education and health as pointed above is a matter of grave concern amidst rapid privatization with a tendency of plunders by the service providers.

- In the education sector, expanding access with gender focus, improving equity and quality as well as strengthening institutional capacity of both lower and higher level educational institutions with focus on bold reforms institutionally and structurally will be needed to improve the overall performance. In the process, improvement in the infrastructure and effectiveness in governance system at different levels through better regulatory system will be equally necessary.

- Substantial improvements in the quality and access to health services: This, however, would be possible only through substantial increase in the budgetary allocation for public health programs. It is also important to address issues beyond the health sector that induce access inequities to health care such as poverty.

- The social protection should form an integral part of the overall spending policy. Similarly, in place of isolated appeasement approach, a comprehensive and coherent strategy in this area is needed in which wealth creation and production inducement could also be inter-liked with it based on the nature of the program and target groups. The ultimate policy discourse should be such that it, unlike the neo-liberal presumptions, addresses both supply and demand side impediments and constraints simultaneously. On the spending side, designing well-targeted transfer programs while avoiding higher cost is necessary.

- Apart from upscaling and extension of existing system including adaptation of universal health and education facilities, security to informal workers and other vulnerable population should be the key ingredient of social protection program.

- Universal education and health programs have been successful where social movements have played a decisive role. Therefore, in such programs, there should be a built in involvement system in which civil society institutions associated with social movements become the integral part of it.

- There is also a need of creating strong data base in this era of digitalization. This should form the bases of more robust estimates of wealth and income inequality and regular updates. This will help substantially to understand the severity of problem in this area and workout effective policy and program alternatives.

**Drastic Reform on Economic and Social Front**

Unlike the state and governance restructuring added by introduction of inclusive and participatory democracy, restructuring or drastic reforms in economic and social front is yet to be carried out, the neo-liberal economic model promoting trade and finance based economic
activities more exclusively has aggravated the problem of low quality and jobless un-sustained
growth. Perpetuation of poverty is also the outcome of such an economic model. In such
circumstances, if spending policy in general and health, education and social protection policy in
particular is judiciously evolved and implemented, this may help to check or reverse such an
adverse effect. Based on the above analysis following suggestions are made:

a. Replacing neo-liberalism led development discourse by the transformational one in the
true spirit of new constitution.

b. Overhauling resource drain, corrupt, inefficient and ineffective governing system rooted
structurally in the institutional set ups and arrangements with equal focus on socio-
economic spheres.

c. Need of correction in the deflationary, exclusionary, commodification (like private school,
private hospital, private pension, private health insurance, private care for children etc)
and anti-entitlement biases inherent in the neo-liberalism led market fundamentalism.

d. Overhauling of ongoing macroeconomic policies encouraging primarily speculative and
other quick yielding business activities leading to evaporation of productive system and
undermining people’s livelihood, wellbeing and sustained development must be
overhauled.

e. Inclusive growth rhetoric's must be replaced by such strategies that ensure rate of growth
of income of the poor greater than the rate of growth of aggregate income of the

f. For ending extreme income and wealth inequality including extreme poverty, both
taxation and spending policy will be the key which are most crucial part of the
macroeconomic policy.

1 http://kathmandupost.ekantipur.com/news/2017-12-17/protecting-workers-without-borders.html

2 Oxfam (2018). Reward Work, not Wealth. ....

3https://www.theguardian.com/inequality/datablog/2017/jul/17/which-countries-most-and-least-committed-to-
reducing-inequality-oxfam-dfi

4These ratios are very high compared to the ratio reported in the Human Development report which is 1.3 (UNDP,
2016).

5 The survey provides a broad idea only as it gives sores to the households based on the number and kinds of consumer
goods they own, ranging from a television to a bicycle or car, and housing characteristics such as source of drinking
water, toilet facilities, and flooring materials.

6 Global Wealth Data Book 2016 prepared by Credit Suisse shows even higher wealth Gini for Nepal at 80.4 which is
higher than that of Maldives, Bangladesh, and Pakistan but lower than India (87.6) and Sri Lanka (80.7).


201516.


10 http://www.np.undp.org/content/dam/nepal/docs/projects/UNDP_NP_AVRSCS_nepali_masculinities_and_gender-
based_violence.pdf


NLSS defined the employment status based on the two notions: 'currently active' and 'usually active', the former being "... either employed for at least one hour during previous seven days, or has a job attachment if temporarily absent from work, or is available for work (if work could be found)" and the latter, "... either employed for at least one hour during the previous seven days, or has a job attachment if temporarily absent from work, or is available to work if work could be found."  


State Owned Enterprises Information 2072 : Yellow Book [Nepali version], p.23


The overall SPI is a weighted sum of the SPIs for social insurance, social assistance, and labour market programs (ADB, 2013).

For some detail analysis see Khanal (2016). Brief assessment of the tax system from tax justice system and people’s perspectives can be found in Pyakurel et al (2013) and Mallet et al (2016) respectively.

Noticeably, evasion of VAT in a mammoth scale by the big business houses only a few years back have been reported by the media with confession by the concerned authorities. But the action or punishment is still awaited more so in a very unstable political environment with diverse interests.

Now termed as Secondary Education Exam (SEE) by the Government of Nepal.

Now these structures have been merged as basic education by the Government of Nepal.

High Level Commission of Scientific land Reform, 2012

Literally, Haliya/Haruwa is a male who ploughs his master’s field. Such a ploughman is called as Haliya in the hills and Haruwa in the plains. Normally, Haliya/Haruwa is a bonded labour. He ploughs the landowner’s field by annual contract, but since he cannot pay back the principal amount, he ploughs for the interest on the loan he has taken, often passed down through generations.