UNICEF/NEP/IMAGE 01358/ Noriko Izumi

CHAPTER 2

Background

Nepal is a country of tremendous natural diversity, stretching along the central Himalayas. Its physical geography can be divided into five regions that range from the southern *terai* plains at less than 100 m to the northern high mountains that rise to nearly 8850 m (Figure 2). This enormous range of altitude has resulted in a variety of ecological zones that have had a significant impact on the lives of local inhabitants. In times past, the rugged and remote landscape isolated peoples into distinct communities with their own language and cultures. However, in recent centuries, migration has blurred the geographic boundaries between groups to some extent.

Nepal is one of the poorest countries in the world and is among the 50 'least developed countries', as defined by the UN General Assembly. Per capita income in 2004 was US$ 300 [17]. In terms of human and social development, Nepal ranks 136 out of 177 countries in the Human Development Index [18]. Nepal is riven by political, economic and social crisis. The combination of poverty, social exclusion and political conflict systematically undermines the rights of the child, particularly in rural areas. The escalation of the conflict since 2001 has increased and diversified vulnerabilities for children and women such as separation from family, extended periods as household heads, poorer access to basic social services, and possible recruitment into Maoist forces.

Political developments

Since the re-establishment of democracy in 1990, Nepal has seen 10 elected administrations and three appointed by the King, led by six different Prime Ministers. Governments have been drawn from various factions of both the Nepali Congress and the United Marxist–Leninists. There have also been coalitions of these two major parties and the minor parties. As well as having to face the challenges associated with trying to run a desperately poor country, all governments since 1996 have had to confront the Maoist insurgency.

Politics in Nepal's recent past have been characterized by a struggle for power that has, at times, resulted in party politics being placed before the country's greater needs. The process of government has been generally ineffectual, and overall development of the country has been

sluggish. Economic liberalization has, however, benefited centres of commercial activity such as the Kathmandu Valley and other urbanized areas across the country. Much of the rural population has seen little change, despite the 'promises' of election manifestos. Politicians, often tainted by scandal and corruption, are increasingly viewed by the public as acquisitive and without a sense of duty towards the people they represent. The feeling of general dissatisfaction with politicians has become universal. In November 2004, a survey of 60 districts found that more than two in five people believed that political parties play a mostly negative role in Nepal's politics, and nearly three in five people felt that political parties would benefit from having new leadership [19].

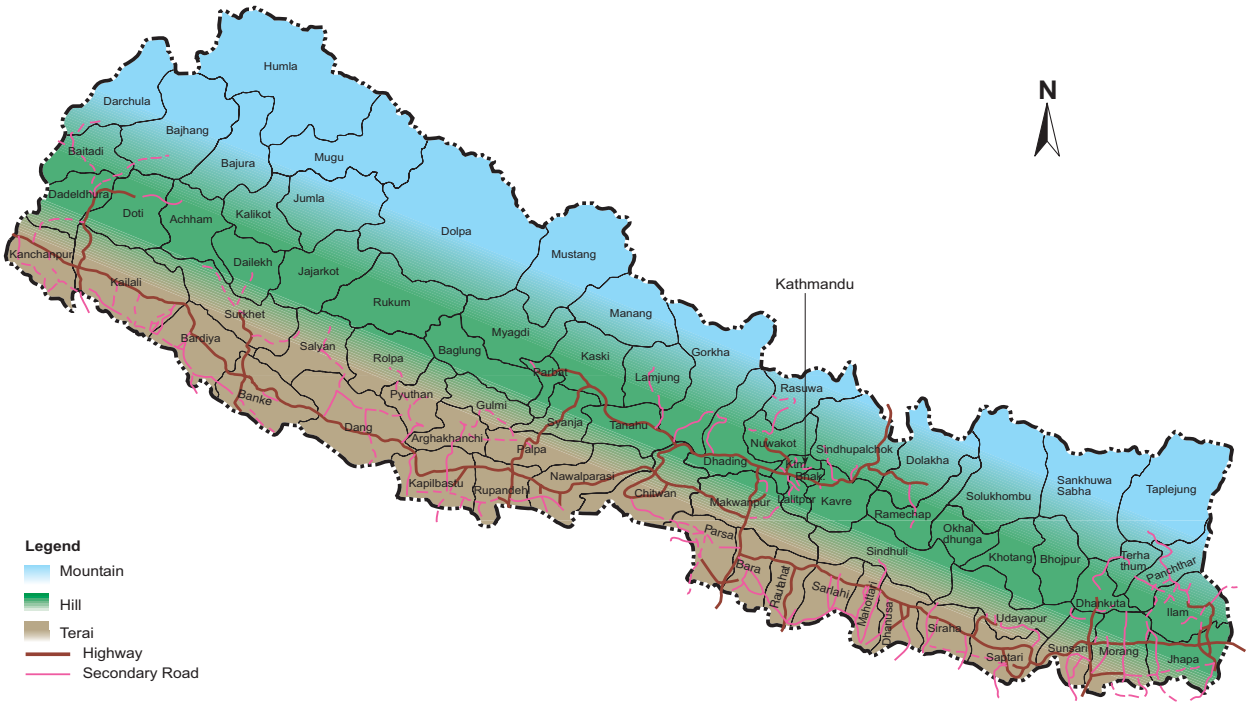
The ineffectiveness of the body politic has resulted in various interest groups, including political parties, unionized groups, special interest groups, and the Maoists, organizing frequent demonstrations, and nationwide, regional and local strikes (*bandh*). These strikes usually last one or two days but can be much longer and even 'indefinite'. These disruptions are often general in nature; however, some have been directed at particular sectors, with the education and transport sectors being the worst affected. At times, there has also been civil unrest and rioting usually associated with a trigger event that is often fed by wild rumours (e.g., a popular Hindi film star allegedly said Nepal was part of India, or the events surrounding the 'royal massacre', or the abduction and killing of 12 Nepali workers in Iraq). These events have usually been followed by a period of daily curfews until calm is restored by the authorities.

Throughout this period, there have been a number of important events that have profoundly influenced the direction of Nepali politics.

First and foremost, the Maoist insurgency that began in 1996 has affected a growing number of political decisions since then. Today, it dominates all political thinking, and has had a serious impact on government budgetary allocations and economic development. There have been two periods of ceasefire. The first was in mid-2001. The

FIGURE 2:

Map of Nepal



newly appointed Deuba government announced a truce and initiated peace talks with Maoists. However, these talks collapsed after three rounds and the Maoists attacked a military camp in the west of the country. On 26 November 2001, the government declared a State of Emergency and mobilized the Royal Nepalese Army against the Maoists. A second ceasefire was announced in January 2003 by the Chand government, ending a 14-month period of open conflict. A code of conduct was agreed upon by both parties, although no system for monitoring was established; the media reported violations on both sides. During the ceasefire, three rounds of peace negotiations took place but finally broke down when the Maoists announced their withdrawal on 27 August 2003. In addition to these two ceasefires observed by both parties to the conflict, on 3 September 2005 the Maoists unilaterally declared a three-month ceasefire. The government responded by saying it did not believe the intention to be genuine, and refrained from reciprocating. Reports suggest that violence and abductions have continued on both sides.

The massacre of the entire royal family in June 2001 rocked the nation and plunged the country into a period of great instability. On the night of 1 June, King Birendra, Queen Aishwarya and eight other members of Nepal's royal family were murdered at a family dinner in the Narayanhiti Royal Palace. It appears that Crown Prince Dipendra had opened fire on his family after a dispute and then shot himself. As he lay comatose in hospital, Dipendra was declared king. However, two days later, he was pronounced dead. Gyanendra, a younger brother of the late King Birendra, became king and was enthroned on 4 July. In a country where many revere the King as a living incarnation of the god Vishnu, these violent deaths were a severe blow to the people.

Although Nepal is fundamentally a constitutional monarchy, the King has become increasingly active in the politics of the country. In May 2002, the House of Representatives was dissolved by King Gyanendra upon the recommendation of Prime Minister Deuba, with the intention that a general election would be held within three months. In July 2002, the Council of Ministers decided not to extend the tenure of elected local government bodies (DDCs/VDCs) upon completion of their five-year term. By October 2002, when it became apparent that elections would not take place, King Gyanendra appointed a new cabinet headed by Prime Minister Chand.

Between October 2002 and February 2005, there were three Prime Ministers appointed by the King. These governments were unable to make any progress in tackling the Maoist insurgency or holding general elections. In response, political parties formed a loose-knit alliance to stage a series of agitations, marked by mass rallies and civil disturbance. However, on 1 February 2005, King Gyanendra dismissed Prime Minister Deuba, his third appointee, and assumed all executive powers. A State of Emergency was declared that allowed for the suspension of civil liberties, censorship of the media, and the arrest of political leaders, human rights activists and journalists. Between 1 February and 1 June, INSEC reported that 3332 political activists and 82 human rights defenders had been arrested (and the majority released) [22]. Emergency rule was lifted on 29 April 2005, but several restrictions remain in place. Days

Governance

The World Bank has developed indicators to assess good governance [20]. Based on these, Nepal has shown a declining trend from 1996 to 2004 in all six aspects of governance: political stability, control of corruption, voice and accountability, government effectiveness, and regulatory quality. For all but one indicator, Nepal is in the lowest 30 per cent of the world's countries.

Nepal was ranked at 117 of 159 countries in Transparency International's Corruption Perceptions Index (CPI) for 2005 [21]. Nepal ranked equal to Afghanistan, amongst other countries, but above Pakistan and Bangladesh. The CPI is a composite index that assesses the perceived overall extent of corruption (frequency and/or amount) in the government and public sectors. The index is based on a variety of sources, such as business people, country analysts and independent institutions.

before the expiration of the term of the National Human Rights Commission in May, the 1997 National Human Rights Commission Act was amended through an ordinance. The ordinance changed the procedure for appointment of commissioners and was criticized for undermining the Commission's neutrality and credibility. A Royal Commission for the Control of Corruption (RCCC) was also established and its constitutionality has been questioned.

The dismissal of the government in 2002 and the subsequent dissolution of local bodies has left a vacuum in elected representation at district and village levels. Centrally appointed civil servants have assumed authority of district bodies (DDCs). In April 2005, the posts of 14 Zonal Administrators were reintroduced. These positions existed during the party-less era and administrators had wide powers under the King; however, they had been abolished with the introduction of democracy in 1990. Although there have been numerous calls for general elections from all sides of the political arena, to date no timetable for national elections has been prepared. In February 2006, municipal elections were held. However, main political parties did not participate.

Conflict

The current Maoist insurgency in Nepal has its roots in the mid-western districts of Rukum and Rolpa, where political activists were able to make use of growing dissatisfaction with the lack of reforms that had been expected from democracy to launch a violent movement—'the People's War'—in February 1996. The demands of the insurgency are laid out in a 40-point charter [23]. They include actions that claim to reinforce Nepal's nationalism in its relations with India and other countries; introduce a new political system that would guarantee the rights and empowerment of all, including the 'downtrodden' and 'backward'; end corruption; and achieve economic and social upliftment of the rural poor through land reform and practices such as fixed prices for fertilizers and minimum wages for workers. The charter also demands the abolishment of 'privileges' for the King and royal family, and the placing of the army, police and bureaucracy under the 'control' of the people.

During the first six years of the insurgency, the Maoists conducted over 1000 assaults on isolated, poorly armed police posts, killing many police officers [24]. However, the Royal Nepalese Army was not mobilized until the first State of Emergency was declared in November 2001, following the breakdown of peace talks. It is generally accepted that the violence associated with the insurgency has escalated since that time, with many encounters between the Maoists and the security forces (the army and armed police force). In November 2003, the Armed Police Force, the Nepal Police and the National Investigation Department were brought together under the unified command of the army.

The conflict has been characterized by bomb attacks on government offices and infrastructure. For example, it is estimated that in over one-third of VDCs the VDC's administrative building has been damaged or destroyed [25]. Police and army personnel, politicians and party workers have also been targeted by the Maoists. There have been several attacks on high-ranking officials, including the assassination of the Chief of the Armed Police and a military colonel at his home in Kathmandu during 2003. Some foreign aid workers have been ordered to leave the villages where they were posted, and the US Peace Corps withdrew all volunteers from the country in 2004.

As a result of targeted attacks, local police and army personnel in affected areas have increasingly withdrawn to district headquarters, leaving members of local administrative bodies with little protection from the Maoists. As a consequence, in many places the functionaries of local administrative bodies have in turn moved to district headquarters. Therefore, it can now be said that in general the government is currently functioning within or from district headquarters. The Maoists have set up their own structures at 'regional', 'district' and 'village' levels. These structures include 'people's governments' and 'people's courts'. However, it should be noted that the Maoists'

boundaries do not usually coincide with established VDC and district boundaries.

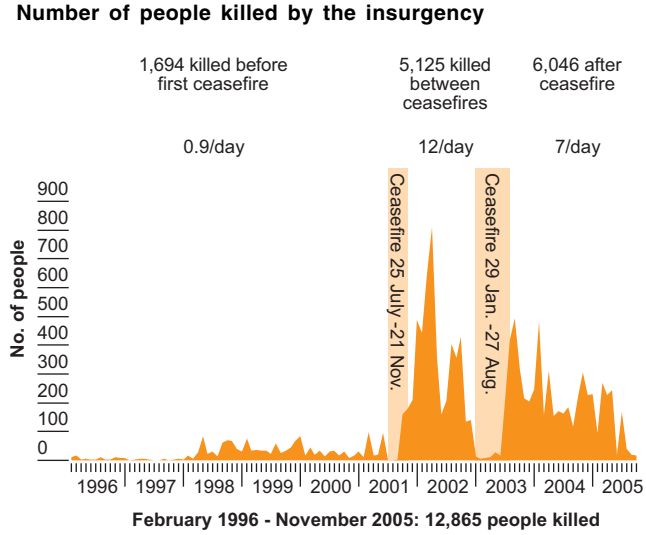
Figure 3 shows the number of people killed since 1996 by both parties to the insurgency; from February 1996 to November 2005, INSEC has reported 12,865 deaths [22]. Although the numbers must be viewed with caution, and are probably an underestimate, they do give an indication of the trends that have emerged.

Inevitably, people living in areas affected by the insurgency have had their lives disrupted. For all the Maoists declared intentions to improve local livelihoods and access to social justice, from the start they have levied 'taxes' and demanded 'contributions' from local inhabitants [23]. The funds collected through these forms of extortion have been used to procure weapons and supply the militias. Refusal or failure to contribute has resulted in the killing of defaulters or the destruction of their property [26]. Such actions breed fear in the community, and defiance of Maoist requests for money are rare. As well as demanding financial contributions, Maoists militias also expect free food and shelter from local householders when passing through their villages. The provision of such 'services' often leads to reprisals by agents of the security forces who view this 'help' for the Maoists as synonymous with sympathy for their actions.

The Maoists have also used the deliberate killing of civilians to spread fear and silence opposition [27]. Those targeted include politicians and local administrators, teachers and journalists, captured police personnel and suspected informants. Their bodies are often left in public places. 'Enemies of the revolution' are brutally tortured. The trend has been to accuse villagers of a 'crime' and torture them to force compliance with Maoist diktats or to ensure that they do not oppose Maoist methods [26]. There are many reports from civilians of severe beatings with sticks, stones and the butts of guns, the deliberate breaking of bones in the arms and legs, and the use of improvised instruments of torture such as hammers, nails and acid [27]. Similar reports were also noted by the Special Rapporteur of the Commission on Human Rights on Torture during his visit to Nepal in September 2005 [28]. The National Human Rights Commission has recorded that from January 2000 to April 2005 at least 275 persons went missing at the hands of the Maoists [29]. The Maoists have on occasion also included children as targets of deliberate killing and torture; for example, children have been burned alive inside buses attacked by the Maoists, and boys as young as 15 years have been included in village abductions and subsequent beatings [30]. There have also been media reports of Maoist executions of children for alleged crimes [30].

The security forces are also alleged to carry out extra-judicial killings of suspected Maoists, and a number of unarmed civilians, including children, have been killed in 'encounters' with either the police or the army [27]. For example, five unarmed boys from Nuwakot District were shot dead by the security forces as suspected Maoists one night in 2003; they were in fact returning to their village following the death ritual of a relative [30]. In addition, the security forces are allowed by the Terrorist and Destructive Activities (Prevention and Control) Ordinance (TADO) to detain people (including children), suspected of affiliation with the Maoists, for up to one year without trial. They have been accused of using brutal 'interrogation' methods on those arrested, including severe beatings and electric shocks. A number of people have died while in detention. The Special Rapporteur of the Commission on

FIGURE 3:



Source: [22]

Human Rights on Torture 'concluded unequivocally' after his visit to Nepal in September 2005 that '… torture and ill treatment is systematically practiced in Nepal by the police, armed police and the [Royal Nepalese Army] in order to extract confessions and to obtain intelligence …' [28]. Disappearances and unacknowledged detention are also reported, and include children [27]. As of April 2005, the National Human Rights Commission had registered 1545 complaints of missing persons detained or disappeared at the hands of security forces since 2000 [29]. Almost 600 of these were in 2004, and over 500 were registered in the first four months of 2005. In addition, as of 30 March 2005, INSEC had recorded 1232 disappearances by security forces, 133 of which were of women [22].

In response to particularly brutal Maoists activities, there have been some reports since 2004 of vigilante groups spontaneously erupting in villages along the *terai*. These mobs have tended to burn the houses of alleged Maoist sympathizers (sometimes hundreds of houses). In a few cases, suspected Maoists have been captured and injured or killed. There have also been reports of rapes. Their activities have resulted in large, though temporary, displacements of people across the Indian border. Reports indicate that in some instances the State has tolerated or colluded with the actions of such illegal armed groups [325].

Reporting of the insurgency has been difficult, with journalists and human rights activists targeted by both sides [26]. Nonetheless, members of these and other groups are considered part of an extremely vibrant human rights community in Nepal, and are generally still highly active.

Displacement

The Maoist insurgency in Nepal continues to affect the lives of children in many ways. See the sectoral chapters for more details. The most obvious and widespread is the migration of families or parts of a family from areas of conflict. It is normal for people who feel that their lives or livelihoods are threatened to move away from the perceived danger to places where they hope to find greater physical and economic security. Although some form of migration has long been practiced by rural families in Nepal, since the start of the insurgency in 1996, and particularly since the escalation of violence in 2001, it has become much more widespread. Rather than one or two members of a family migrating, whole families have been moving from village settlements to urban areas within Nepal and beyond [26]. Migration can increase a child's vulnerability to rights violations, particularly when a child is separated from his or her family.

Although there are official mechanisms for recording the movement of people within the country and across its borders, it has proved difficult to assess the numbers involved with accuracy. Reliable information on the number of internally displaced people (IDPs) is lacking; the most quoted estimate, made by the Global IDP Project in 2003 and still widely used (in late 2005), suggests that 100,000–200,000 people are currently displaced within the country [31]. A high-level mission to Nepal in 2005 by the inter-agency Internal Displacement Division of the UN's Office for the Coordination of Humanitarian Affairs (OCHA) referred to this estimate when stating that 'while the full magnitude of population displacement is unknown, best reliable estimates suggest that up to 200,000 Nepalese may have been internally displaced by the conflict '[32]. One reason for the difficulty in estimating these numbers is that the main pattern of displacement has so far been characterized by people taking up new residence in an urban area, often with family, friends or employers. As such, the displaced are not especially visible. Some concentrations of internally displaced people that resemble 'camps' have started to emerge since 2004, but these 'settlements' have so far been limited in size.

Some perspective of the changes affecting urban areas in conflict-affected districts can be gauged from a study conducted by the Nepal IDP Research Initiative. It found that the annual growth rate of 12 selected municipalities had averaged 5.2 per cent between 2001 and 2003, and some municipalities had reached a growth rate of 10 per cent [33]. This was well above the

average of 3.6 per cent for Nepal's municipalities between 1991 and 2001, and coincides with an escalation of violence in these districts. Indeed, about 24 per cent of new arrivals cited security concerns as their primary reason for moving [33]. National newspapers reported in 2002 that after a police post in Rolpa District was attacked by Maoists more than half of the 1300 people living in surrounding villages left the area in search of more secure conditions [23]. Kathmandu has seen a significant increase in newcomers (no figures are collected), with rental prices for housing increasing steadily as pressure on supply grows [34]. The Global IDP Project has noted that some estimates of the total number of internally displaced people since the beginning of the conflict, including those that have eventually crossed the border to India, reach as high as two million, although this has not been verified [31]. A more recent small-scale study conducted by the World Food Programme in Kathmandu found that nine per cent of migrants cited conflict-related reasons for moving to Kathmandu [35].

The displacement of whole families can cause serious disruption to the lives of individuals and result in many problems for those affected. So far, very little is known about the actual situation of the displaced in Nepal; to date, only small pilot surveys have been done. The inter-agency Internal Displacement Division mission to Nepal in 2005 stated that 'there is an acute lack of new and reliable information from across the country on protection and humanitarian concerns, including on the needs of internally displaced persons' [32]. Displaced people suffer dislocation from support networks that are readily available in their villages, and are likely to move more frequently within their new area of residence. A pilot survey of 200 displaced families in Kathmandu and Birendranagar found that many had moved several times after coming to the city, often searching for affordable housing [34].

Being displaced makes people more vulnerable to exploitation and less able to exercise their rights. They might find it more difficult to access services such as healthcare, education and the justice system. Lack of proper nutrition, unhygienic living conditions, heavy workloads and poor access to sanitation can lead to increased health problems for displaced people [26]. Their vulnerable situation can also increase the probability of their exposure to HIV/AIDS through high-risk behaviours. In addition, being in a stressful situation and possibly suffering from anguish they might have experienced before they fled, the displaced may also present serious psychological vulnerabilities. Although there is a mechanism for individuals to register as internally displaced persons, for a variety of reasons, most people do not do so. However, it is extremely difficult, if not impossible, for an individual living outside the district or VDC where he/she was born to obtain birth or death certificates, citizenship papers, landownership papers, and voter ID cards, etc. Women and children are at a further disadvantage as they are dependent on male family members to obtain such documents. The lack of these documents increases the vulnerability of these people to violations of their rights. Without these papers it is difficult for individuals to obtain paid employment in sectors where workers' rights are legally protected. This forces workers into the informal sector, where jobs are poorly paid and employees are vulnerable to exploitation.

UN Consolidated Appeal

In November 2005, the UN issued a Consolidated Appeal for Nepal to generate additional support from the international community. The appeal presents a variety of new projects to address current humanitarian gaps not covered by planned development interventions, in particular, the needs of the most vulnerable conflict-affected populations and the building of an in-country emergency and disaster response capacity. It covers the period October 2005 to December 2006, and is for almost US$ 65 million, with projects presented by 25 organizations.

It also covers the expansion of the Nepal Office of the High Commissioner for Human Rights the (OHCHR), following the signing of an agreement in April 2005 between the government and the UN High Commissioner for Human Rights. This agreement allows for an OHCHR presence in Nepal and its monitoring of human rights abuses and violations of international humanitarian law.

The low pay that must be accepted by some families leads to women and children taking up work as well as men.

An important effect of increased displacement is the pressure it places on basic services at urban destinations. Many towns in the mid- and far west of Nepal have been strained by the arrival of substantial numbers of internally displaced persons [33]. In some districts, schools in district headquarters have become seriously overcrowded, making conditions for teaching and learning extremely difficult [23]. In some district headquarters, the student-to-teacher in schools has more than doubled [23]. A study in Birendranagar found that many schools had 60–100 students in classrooms intended for 40 children [36]. The same study, however, found that for Kathmandu, which has seen the largest influx of displaced people, there is a lack of this type of information.

As well as whole families being displaced, an even greater number of young men have fled the countryside to avoid recruitment by the Maoists or harassment by the security forces, and to find work as employment conditions worsen in the countryside [23; 26; 37]. This departure of the most productive has placed an extra burden on those who remain, usually women. All 450 participants in recent focus group discussions said that the economic and household workloads of women have increased [37]. Farmland is often poorly managed, agricultural productivity is low and incomes dwindle, making it more difficult for rural households to cope [26]. As this happens, the remaining members of these households may be forced to opt for displacement as well.

Women and the conflict

Women have long borne the brunt of poverty and social injustice in rural Nepal, and many were initially willing to support the aims of the insurgency with its focus on fighting alcoholism, gambling and polygamy [23]. In an effort to mobilize women's support for the movement, the widows of Maoist militiamen are helped and their 'sacrifice' is publicly lauded [38]. It is believed that women make up almost a third of the Maoist fighting forces [23]. However, women are also the victims of insurgency-related violence. They have to contend with the separation of family members, the extortion, the fear and reprisals, the disruption to health and education services, and in some cases the death of husbands and sons.

Explosive devices

The use of explosive devices by both parties to the conflict has resulted in hundreds of deaths and injuries annually, both to combatants and to civilians. Initial surveillance indicates that the majority of casualties are caused by the extensive use of improvised explosive devices (IEDs) by the Maoists rather than by mines and improvised explosive devices used by the security forces [39]. However, should the conflict cause large-scale movements of people, the number of mine casualties could rise significantly.

Socket bombs (improvised hand grenades) tend to be the key unexploded ordinance (UXO) causing post-engagement risk to civilians. The Maoists also make use of larger IEDs such as pressure-cooker bombs to destroy buildings, pylons, telecommunication towers and other structures as well as in roadside ambushes of military and civilian vehicles, including buses and ambulances. Most devices appear to be detonated on command through the use of timers, radio signals or other mechanisms. Very few devices used by the Maoists appear to be victim activated.

The security forces are reported to be laying mines as defensive perimeters around military installations and infrastructure, such as bridges, dams and pylons, as well as around potential vantage points above military installations. Anecdotal evidence suggests that other components of the security forces, such as the armed police, are more likely to use improvised explosive devices than mines for defensive perimeters, and are less likely to map or to mark them.

One final hazard that should be mentioned concerns the siting and safety of ammunition storage areas in the Kathmandu Valley, given that it is in an earthquake zone. There is concern that there may be ammunition

storage depots within built-up areas, perhaps close to medical facilities and schools.

Nepal is not a signatory to the 1997 Anti-Personnel Mine Ban Convention, although the government did announce in June 2004 that it would form a committee to examine the issues involved. Nepal is also not a signatory to the 1980 Convention on Certain Conventional Weapons. Protocol V of this convention, which has not yet been entered into force, would make State parties controlling an area with explosive remnants of war responsible for identifying and clearing such munitions following the cessation of hostilities.

Gathering accurate and comprehensive data about incidents involving explosive devices remains a major challenge: there is no centralized collection system; there is confusion about nomenclature for describing devices; communication flow from some districts is severely limited; and information on such injuries is sensitive and may be recorded in the health system as having another cause. However, the annual death toll is believed to be in the low hundreds, and the injury rate between two and four times the rate of the death toll.

Demographic profile

The 2001 census estimated the population of Nepal at 23.15 million, with a male-to-female sex ratio of 99.8 [13]. The population is very young; almost half (46 per cent or 10.6 million) are children aged less than 18 years. About 39 per cent of the population is aged less than 15 years, and 14 per cent is under five years. This equates to nine million children under 15 years and 3.2 million under-fives [13]. Currently, over 6.1 million women are of reproductive age. Given the current fertility rate of 4.1, the Ministry of Health and Population projects that the number of births for 2006 will be about 900,000 [40]. The population growth rate between 1991 and 2001 was 2.25 per cent [13]. It is projected to rise at 1.98 per cent between 2001 and 2011 [41], and at 1.83 per cent from 2001 to 2016 [41].

The population density for the whole of Nepal was about 157.3 persons per km^2 in 2001 [13]. However, distribution is far from uniform. The *terai* is the most densely populated area (329.6 persons per km^2) and the mountains are sparsely inhabited (32.6 persons per km^2). About 49 per cent of the population lives in the *terai*, 44 per cent lives in the hills, and seven per cent lives in the mountains [13]. About 86 per cent of the population is classified as rural. The variations in population density mean that the costs of running social services differ a great deal from one part of the country to another.

Ethnicity, language and religion

The current social composition of Nepal exhibits great diversity. In the 2001 census, the people of Nepal were divided into more than 100 ethnic or caste groups [13]. For simplicity, these groups are usually classified by a particular characteristic into fewer categories. For example, the report on the census divides the people of Nepal into six broad cultural groups: caste-origin hill Hindu groups (38 per cent); caste-origin *terai* Hindu groups (21 per cent); the Newar (5.5 per cent); the *janjati*[1] (sometimes described as indigenous or ethnic minorities) (31 per cent); Muslim (4.25 per cent); and others (0.25 per cent) [13]. Owing to the difficulty of fitting markedly heterogeneous groups into broad common categories, other researchers have divided the groups somewhat differently. For example, in a recent study by the Tanka Prasad Acharya Memorial Foundation for DFID, the three divisions of caste-origin Hindus, *janjati*, and religious minorities and others are divided into seven sub-categories (Table 1) [42].

As can be imagined, this vast ethnic diversity has resulted in great linguistic plurality. The

1 A 1996 taskforce, formed to establish a Foundation for the Upliftment of Nationalities, defined *janjati* as a community having its 'own mother tongue and traditional culture, but not belonging to the Hindu caste system'. Another definition published in the Official Gazette in 1997 defines *janjati* as a community having an 'original and distinct language and culture' that is 'socially backward in comparison to other caste groups'.

TABLE 1: Castes/ethnic groups by residence with percentage distribution	
High-caste Brahman–Chhetri from the hills (31 per cent)	Brahman (hill), Chhetri, Thakuri, Sanyasi
High-caste Brahman–Chhetri from the *terai* (two per cent)	Brahman *(terai)*, Rajput, Kayastha, Baniya, Marwadi, Jaine, Nurang, Bengali
Middle-caste Hindu groups from the *terai* (13 per cent)	Yadav, Teli, Kalwar, Sudhi, Sonar, Lohar, Koiri, Kurmi, Kanu, Haluwai, Hajam/Thakur, Badhe, Bahae, Rajbhar, Kewat, Mallah, Nuniya, Kumhar, Kahar, Lodha, Bing/Banda, Bhediyar, Mali, Kamar, Dhunia
Hill Dalits (seven per cent)	Kami, Damai, Sarki, Gaine, Badi
Terai Dalits (five per cent)	Chamar, Musahar, Dhusadh/Paswan, Tatma, Khatway, Bantar, Dom, Chidimar, Dhobi, Halkhor, Dalit/unidentified Dalit
Newar and Thakali (hill *janjati*) (five per cent)	Newar, Thakali
Other hill *janjati* (23 per cent)	Magar, Tamang, Rai, Gurung, Limbu, Sherpa, Bhote,Walung, Byansi, Hyolmo, Gharti/Bhujel, Kumal, Sunuwar, Baramu, Pahari, Adivasi Janjati, Yakkha, Chhantal, Jirel, Darai, Dura, Majhi, Danuwar, Thami, Lepcha, Chepang, Bote, Raji, Hayu, Raute, Kusunda
Janjati from the *terai* (nine per cent)	Tharu, Dhanuk, Rajbanshi, Tajpuriya, Gangai, Dhimal, Meche, Kisan, Munda, Santhal/Satar, Dhangad/Jhangad, Koche, Pattarkatta/Kusbadiya
Religious minorities and others (five per cent)	Muslim, Churoute, Panjabi/Shikh, unidentified/others

Source: [42]

2001 census identified 92 languages spoken as a mother tongue [13]. The two main language groups are Indo-European and Sino-Tibetan. The Indo-European languages are spoken by 79 per cent of the population, and include Nepali (49 per cent), Maithili (12 per cent), Bhojpuri (eight per cent) and Tharu (six per cent). The Sino-Tibetan languages are spoken by 18 per cent of the population, and include Tamang (five per cent), Newari (four per cent) and Magar (three per cent). Nepali is the official language of the country. About half of the people whose mother tongue is not Nepali are reported to be bilingual in Nepali [13]. The language of instruction in school is Nepali, which can place children of other mother tongues at a disadvantage.

Although Nepal is often referred to as a Hindu kingdom, in fact, three forms of religion prevail in the country: Hinduism, Buddhism and animism. The first dominates among the Indo-Aryan peoples, while the second is practiced mainly by the Tibeto-Mongoloid peoples. The 2001 census found that 81 per cent of the population claimed to be Hindu, 11 per cent claimed to be Buddhist, four per cent claimed to follow Islam, and four per cent claimed to be Kirat (a religion traditionally observed by Rai and Limbu ethnic groups) [13]. However, in reality, the boundaries between the different faiths are blurred by the way people practice their beliefs, often without clear distinction between the three religions. While there is relatively little crossover between Hinduism and Buddhism, almost all ethnic groups, with the exception of extremely orthodox Hindus, make some use of traditional healers *(shaman)*. Over the years, and particularly since the restoration of democracy, there has been a steady increase in the number of people who do not consider themselves to be Hindu (Table 2). Some peoples have followers of either Hinduism or Buddhism, for example, the Newar, and some peoples are shedding their Buddhist roots to become more Hinduized, as a consequence of social upward mobility.

TABLE 2: Percentage of population by religion (from 1981, 1991 and 2001 censuses)

	Hindu	Buddhist	Islam	Kirat	Christian	Other
1981	89.50	5.32	2.66	–	0.03	2.49
1991	86.51	7.78	3.53	1.72	0.17	0.28
2001	80.62	10.74	4.20	3.60	0.45	0.39

Source: [13]

CASTE

Caste distinctions are prevalent in all Hindu cultures. They tend to be stronger in the caste-origin Hindu communities and weaker in the Hindu *janjati* groups. Although discrimination on the basis of caste is illegal according to the Country Code of 1963, it is still common across Nepal, particularly in the more orthodox communities where Dalits are considered 'untouchable'. Untouchability is manifested by a refusal to accept food or drink, including water, from a Dalit. This means that high-caste Hindus will not marry Dalits, will not allow Dalits to enter a room where food is prepared and cooked, will not invite Dalits to their lifecycle rituals and ceremonies, and will not take water from the same sources as Dalits. Dalits are also forbidden to enter Hindu temples. Contravention of these prohibitions requires high-caste Hindus to perform cleansing rituals to purge themselves of the 'pollution'.

As a consequence of their perceived 'impurity', Dalits are considered to be low-born by high-caste Hindus, and are often disadvantaged within local power structures. Membership of a 'lower' caste can restrict a child's or parent's ability to gain access to education, healthcare, economic opportunities, capital, justice and other things necessary for a living and the possibility of improving one's situation. This can be clearly seen in the findings of one study where Brahman–Chhetri groups and Newar–Thakali groups scored highest on indicators for living conditions, and access to education, professional and technical jobs, and decision-making [43]. Most members of these groups were living in cement/mortar houses with modern toilet facilities, had access to electricity and, used liquid petroleum gas or kerosene as cooking fuel. They also enjoyed the best education and employment opportunities, and had disproportionate access to decision-making positions. Dalits, particularly *terai* Dalits, and *terai janjati* fared the worst on most indicators [43]. Regional variation was significant in differentiating households within each caste. For example, Brahman–Chhetri and Dalits of the Mid-Western and Far Western Development Regions were more disadvantaged than the same castes in other development regions [43]. The urban–rural and ecological divides also resulted in substantial variations, with *terai* communities and urban households having better access to market and modern amenities than other groups, irrespective of caste [43].

HOUSEHOLD POVERTY

Poverty is widespread in Nepal, where all but a small minority of households can be considered poor by many international

Millennium Development Goals for poverty

- In 1996, 34 per cent of the population had an income below US$ 1 (PPP) per day. By 2004, this had decreased to 24 per cent.
- In 1996, the poverty headcount ratio (percentage of population below the national poverty line) stood at 42 per cent (urban 22 per cent; rural 43 per cent). By 2004, this had fallen to 31 per cent (urban 10 per cent; rural 35 per cent).
- In 1996, the poverty gap ratio (incidence x depth of poverty) was 11.8 per cent. By 2004, it had fallen to 7.6 per cent.
- In 1996, the poorest quintile accounted for 7.6 per cent of national consumption. By 2004, this quintile accounted for 6.2 per cent of national consumption

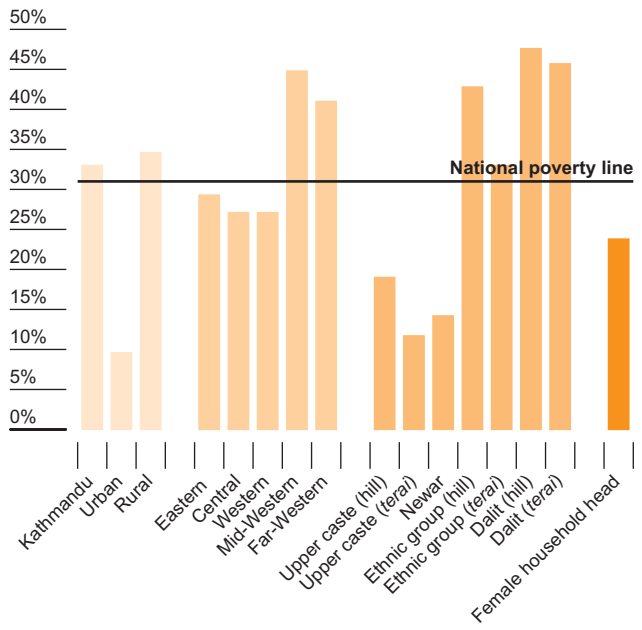
Sources: [44; 46; 76; 77]

standards. It can be particularly serious for children and women, as their low status in society makes them the most vulnerable to its impacts.

The National Living Standards Survey 2003/04 found that 31 per cent of Nepal's population was below the national poverty line [44]. Approximately 7.5 million people live in absolute poverty, defined as a level of income insufficient to procure a basket of minimum food (2124 kilocalories per person per day) and non-food items [45]. Most of the poor—over 90 per cent—live in rural areas. Poverty is also more severe and intense in remote areas, especially in the Mid-Western and Far Western Development Regions [46]. Poverty was also found to be higher among Dalits and ethnic minorities (*janjati*) (Figure 4) [43].

FIGURE 4:

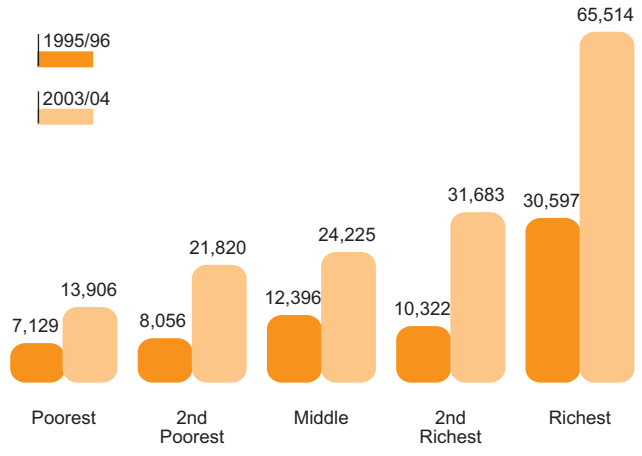
Population below the poverty line



Source: [44]

FIGURE 5:

Average remittance among recipient households



NRs 70 = US $ 1 (as of December 2004)
Amounts in nominal Nepali rupees.

Sources: [44; 48]

The National Living Standards Survey 2003/04 found that nominal per capita consumption for the poorest quintile was NRs 4913 (or US$ 66 at an exchange rate of NRs 74) compared to NRs 42,236 among the richest quintile [44]. The share of consumption by the richest 20 per cent of the population increased marginally from 50 per cent in 1996 to 53 per cent in 2004 [44].

The Tenth Five-Year Plan has identified several key factors contributing to rural poverty in Nepal [47]. Economic growth and development have been skewed, urban-centric and inequitable; the rural poor have had little access to basic social and economic services and infrastructure; there has been widespread social exclusion of certain caste and ethnic groups, women, and those living in remote areas; and there have been high levels of poor governance.

However, the number of people living below the poverty line has been reduced (from 42 per cent in 1995/96), even against the backdrop of the conflict. There are three possible reasons for this. Firstly, Nepal's GDP growth averaged 4.8 per cent between 1996 and 2001. Secondly, agricultural production—the largest sector in the economy—grew at 3.7 per cent per year during the same period. Finally, remittances from overseas have increased by about 30 per cent a year since the late 1990s [46]. However, it should be noted that economic growth since 2001 has slowed.

Remittances are becoming an increasingly important contributor to the national economy. The National Living Standards Survey 2003/04 found that the remittance amount per person had increased over threefold in the last eight years from NRs 625 to NRs 2100 [44]. The proportion of

households receiving remittances has also increased, from 23 per cent to 32 per cent. However, the gap between rich and poor has not been reduced (Figure 5). About one-third of remittances are from India, nine per cent from the Gulf countries, and three per cent from Malaysia. Remittance amounts from the Gulf and Malaysia are four times larger than those from India. The poorer Mid- and Far Western Development Regions have the greatest share of remittances from India. While remittances increase the income of a household for spending and may give female migrants greater power, the absence of one or both primary caregivers over longer periods of time can also disrupt normal family life and expose women to exploitation.

Female-headed households were not found to be particularly disadvantaged with only 24 per cent below the poverty line. One possible explanation is that these households benefited from the remittances sent by the absent male household head [45].

Loans are often taken out by families to meet the costs of social obligations such as weddings or crises such as crop failure or serious illnesses, with about seven in 10 households having loans and/or outstanding debts [44]. The majority of borrowing is from non-formal sources: relatives (55 per cent) and private moneylenders (26 per cent) [44]. The tendency to borrow from relatives instead of moneylenders has increased recently, possibly reflecting the growth in remittances. Interest rates vary, but average from 10 per cent to 17 per cent for institutional borrowing to about 35 per cent or more from informal sources.

Community structures

Obviously, households do not exist in isolation; they are all part of a community at some level. A community can be defined either by its geographical boundary or its socio-economic status or a particular interest; and can differ in size and cohesiveness. In most communities, it is those with the greatest wealth, land or influential contacts who control the power structures and dictate community activities. These people may or may not be from a 'high' caste. Discrimination by power groups often leads to marginalization of particular sub-groups within a community. Marginalization is not simply a product of poverty; it is also the product of social and economic exclusion. Entrenched gender discrimination also puts girls and women at a disadvantage in terms of accessing power and resources.

Although there are examples of traditional forms of community cooperation for labour or credit (*parma, guthi, rodi, dhikuri,* etc.), most of these institutional structures are weakening and disappearing as a consequence of modernization, urbanization and conflict. In their place, community-based organizations have been formed to benefit members in terms of savings and credit, use and access to forests, use and access to water supplies, adult literacy, access to information, local environmental improvement, health inputs particularly for mothers of small children, etc. These self-help or user groups are now widespread and are often well organized; some are even forming federations at village and district levels.

Community-based organizations

The Decentralized Local Governance Support Programme (DLGSP), formerly the Participatory Decentralized Development Programme (PDDP) and Local Governance Programme (LGP), has mobilized communities to establish nearly 20,000 savings and credit groups in 60 districts [50]. Nearly 500,000 people, about half of whom are women, are members of these community-based organizations. These groups have saved NRs 386.75 million (US$ 5.5 million), which is used to provide loans to group members.

Forest User Groups (FUGs) also have an extensive network in Nepal. There are over 13,000 FUGs, mostly in the hills and mountains, managing about 25 per cent of Nepal's forested land. FUG membership is estimated to be about 1.5 million households, which is about 35 per cent of the total population. For a nominal fee, FUG members can use forest products for household use. Timber and fuelwood are sold at auction, and the proceeds are deposited into a community fund. In 2001, it was estimated that as much as US$ 10 million was being generated by these groups each year as income from managing forests [51].

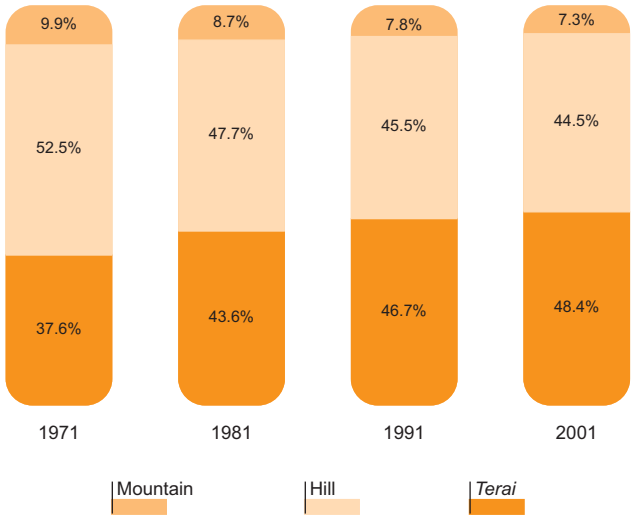
Some would argue, however, that for most Nepalis the priorities of the family will almost invariably override the interests of the community when choices have to be made [49]. Most village communities in Nepal cannot be viewed as integrated, harmonious, cooperating institutions. To reach those who are marginalized within their community, development practitioners have to address the power disparities and social fragmentation within the Nepali village.

MIGRATION

Migration has long been used by households in rural communities as a coping strategy to overcome family poverty, especially in the hill and mountain districts of the Far Western and Mid-Western Development Regions. One typical pattern is for one or two male members of a household to migrate for seasonal work to a close-by or favoured location in Nepal or India for between three and six months. When the season ends, migrants will return to their families with their earnings. Many residents of one location in Nepal tend to migrate to the same destination. This ensures that migrants have access to some sort of support network, and that families can maintain a channel of communication with their migrant members through the comings and goings of other members of their communities. Another pattern of migration is for a member of a household to move to an urban area for labouring work in construction and manufacturing sectors. Carpet factories around the Kathmandu Valley have acted as a strong draw for migrant workers from across the country. Often these migrants do not return to their villages. Instead, once they are settled, they bring the rest of their family to their migrant destination and start a new life together there. There is also a substantial amount of international migration to India and countries in South East Asia and the Middle East. This is usually by one member of a family, who will send remittances to the rest of the family in their home village.

FIGURE 6:

Trends in population distribution by ecological zone



Source: [13]

The 2001 census looked at migration flows within Nepal, and into and out of the country. The number of inter-regional life-time migrants has increased fourfold and the number of inter-district life-time migrants has increased sevenfold since 1971, suggesting that internal migration has been steadily increasing [13]. Most inter-regional migration is to neighbouring regions. In general, the mountains had the highest levels of out-migration, followed by the hills; while the *terai* had the highest levels of in-migration (Figure 6). Consequently, the proportion of people living in the *terai* has risen over the years. Rural-to-rural (68 per cent) and rural-to-urban (25 per cent) are the two major migration streams. Internal migrants from rural areas constitute 32 per cent of the population in Kathmandu Valley towns, 23 per cent in the *terai* towns, and 17 per cent in the hill towns [13]. The age–sex structures of migrant populations tend to show a high proportion of people aged 20–34 years and a larger proportion of males than females [13].

The main reasons for migration are marriage (27 per cent), agriculture (16 per cent), employment (11 per cent), study and training (nine per cent), and trading (six per cent) [13]. However, the census did not capture data on causes for migration such as poverty, unemployment, food insecurity, or the conflict.

Migrant populations are more literate than non-migrant populations [13]. Although non-migrant populations have higher levels of primary and pre-SLC secondary education

than migrant populations, migrant populations have higher levels of SLC and post-SLC education than non-migrant populations. This indicates that migrants are either the under-educated or the well-educated. This is borne out by the occupational patterns of migrant and non-migrant populations. Migrants are over-represented in occupations such as legislators and senior civil servants, professionals and technicians, and under-represented in occupations such as skilled and semi-skilled labourers [13]. The high-caste Brahman and Chhetri are the most likely to migrate, while Dalits are under-represented in migrant populations.

In recent years, an increasing number of Nepalis have been migrating overseas for employment, with recent estimates at about 800,000 [52]. India has always been a popular destination for daily, seasonal and long-term migrants. However, countries in the Middle East and South East Asia are also becoming common destinations. The 2001 census found that 77 per cent of Nepali external migrants went to India, 16 per cent went to Middle Eastern countries, and four per cent went to East and South East Asian countries [13]. The proportion going to Middle Eastern countries has shown a particularly large increase from less than one per cent in 1991. As 'other' destinations have become more popular, India has declined as a proportion; it was 93 per cent in 1981 and 89 per cent in 1991 [13].

There is limited migration of foreign nationals to Nepal. In 2001, this population was estimated to be 600,000 [13]. The overwhelming majority of foreign-born nationals residing in Nepal are Indians (96 per cent), with other Asian nationals making up three per cent [13]. The most significant groups after Indians who live in Nepal are people from the Tibet Autonomous Region of China, people of Nepali-origin from Bhutan and Myanmar, and people from Pakistan (Kashmir).

Although the usual intended purpose of migration is to make a family better off, it can also result in families becoming more vulnerable to violations of their rights. This is especially true for families that have not used migration before and where migrants do not have access to a support network. When families are broken up and scattered by migration, for example, as a consequence of the conflict, members both at home and at migrant destinations can find that they are living in worse conditions, that they are more vulnerable to exploitation and abuse, and that they engage in risky behaviours that can increase their vulnerability to HIV/AIDS. Parents and children who lack the academic qualifications, training and skills required for formal jobs often end up in the informal sector [53]. Young migrants, in particular, face the consequences of intense competition for a limited supply of jobs, which may result in extremely low daily wages and harsh conditions, making them vulnerable to trafficking, abuse and exploitation. The Child Labour (Prohibition and Regulation) Act does not cover the informal sector or self-employment. Therefore, there is no monitoring or regulating mechanism to protect children in these situations.

Rural–urban disparities

With significant rural-to-urban migration, the towns and cites of Nepal are growing rapidly. Although opportunities and services in such places are often better than in rural areas, there is also a danger that urban resources may become over-stretched by such fast expansion. The 2001 census estimated that 13.9 per cent of the population live in urban centres [13]. Urban growth rate is the highest in South Asia at 6.6 per cent for 2001, and the urban–rural growth differential averaged 4.9 per cent between 1991 and 2001 [13]. The urban growth rate for 2011 is projected to be 5.2 per cent, with 20 per cent of the total population living in urban centres by then [41]. In 1991, there were 33 urban centres. By 2001, this had risen to 58 urban centres (although this increase is partly due to a change in the definition of urban centres) [13].

All human development and economic development indicators tend to be higher in urban areas than in rural areas. Selected measures of human development for urban and rural areas in Nepal show that the performance of urban areas is better than rural areas [13]. Urban GDP per capita (in PPP) is almost twice that of rural areas. The

human development index and other indices, including gender-related indices, show a similar picture (Table 3) [54].

A comparison of basic facilities in urban and rural areas also presents noteworthy differences (Table 4) [44]. About 87 per cent of urban households have an electricity connection compared to less than 27 per cent of rural households. Water supply and sanitation facilities are better in urban areas than in rural areas. There is an overwhelming dependence on firewood as a source of fuel in rural areas (77 per cent) compared to urban areas (31 per cent).

While the extent of urbanization is still relatively small in Nepal compared to many countries, the country's capacity to manage even these low levels is put under pressure by the high growth rate [13]. Unregulated and unguided urbanization is a problem in many large cities such as Kathmandu, Pokhara and Bharatpur. The absolute level and quality of urban infrastructure and services is often insufficient. Drainage, sewerage, water supply, and electricity are becoming serious problems in many urban areas. Urban congestion, increases in industrial and vehicle emissions, and air and noise pollution are also becoming evident. Unplanned urban sprawl is characteristic of most urban areas. Although little information is available on urban slums, this is an increasing concern in large centres such as Kathmandu and Pokhara, particularly in light of the conflict.

The institutional capacity of municipalities to manage urban infrastructure and urban growth remains severely constrained [13]. The legal basis and institutional capacity to enforce land-use and zoning laws as well as environmental standards have still to be created. The revenue potential of urban areas remains unexplored and unexploited. However, urbanization is likely to remain the most significant aspect of the spatial distribution of Nepal's population in the coming decades. Indeed, the rural-to-urban migration that accompanies urbanization will continue to increase, as the transport infrastructure continues to expand, as the pressure on limited land resources in rural areas continues to increase, as literacy rates in rural areas continue to rise, and as the search for gainful employment in non-farm sectors gathers momentum [13]. The conflict is also expected to add to this migration flow.

TABLE 3: Selected measures of human development in urban and rural areas

	Urban	Rural
GDP per capita (PPP) US $ (2001)	2224	1162
Human Development Index (2001)	0.581	0.452
Gender-related Development Index (2001)	0.562	0.430
Gender Empowerment Measure (2001)	0.425	0.365
Human Poverty Index (2001)	25.2	42.0

Source: [54]

TABLE 4: Basic facilities in urban and rural areas, 2003 (percentage)

	Urban total	Kathmandu Valley only	Rural total
Electricity connection	87	99	27
Piped drinking water	68	88	39
No sanitation facility	19	1	70
Firewood used as fuel	31	3	77

Source: [44]

NATIONAL ECONOMY

According to the Ministry of Finance, Nepal's GNP per capita measured US$ 300 in 2004/05 [17]. The World Bank estimate for GNI is US$ 260 for 2004 [55]. By either account, Nepal is one of the poorest countries in South Asia, and is ranked among the 50 least developed countries in the world.

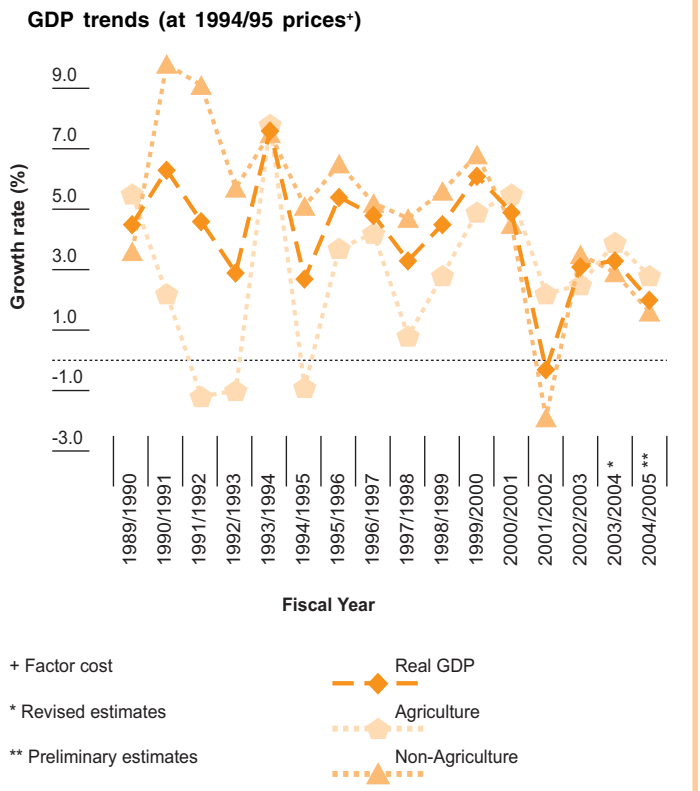
Since the early 1990s, the national economy has managed to grow modestly in most years (Figure 7) [17]. Nevertheless, although the annual per capita GDP growth rate averaged 2.5 per cent between 1986 and 2001, this was barely higher than the population growth. Throughout the 1990s, the non-agricultural sector accounted for three-quarters of the growth. The agricultural sector, which used to account for 70 per cent of GDP in the mid-1980s, now constitutes only 39 per cent [17].

During the last 15 years, growth in the agricultural sector has shown much variation, ranging from -1.2 per cent to 7.8 per cent. Most variation can be attributed to weather conditions, policy initiatives, and displacement of the productive population from rural areas as a consequence of the conflict. On a per capita basis, agricultural output remained stagnant for the 35 years to 2001 [52]. As long as the majority of the rural population, particularly the poor, depends on agriculture for its livelihood, the relative volatility and slow growth of agriculture will be a challenge for reducing poverty in Nepal.

The non-agricultural sector has also seen much variation, with a range from -1.9 per cent to 9.8 per cent. After strong growth in the early 1990s, the non-agricultural sector has faltered, especially since 2001. Factors that have influenced growth trends in this sector include the rise and fall of the garments and carpet industry, the impact of various security concerns, the commissioning of new electricity plants, and the expansion of telecommunication services. Tourism has constituted 3–4 per cent of GDP over the past 15 years, but has been hit in recent years by concerns about the conflict. There have been notable variations over the last five years, with a low point in 2001/02 of a negative growth of 2.1 per cent of GDP. Tourist arrivals are down by 22 per cent since the peak year of 1999, although 2003 and 2004 showed some recovery in numbers and may point to an improving trend [17]. These variations have impacted on incomes in the tourism industry directly as well as on those in ancillary industries (food production for hotels, handicrafts, etc.).

Nepal can be characterized as a small economy dependent on trade and exports. Since the mid-1990s, the country has had a trade deficit. The volume of imports has been about two and a half times larger than the volume of exports. Exports have fallen since 2001 [52]. India is Nepal's biggest trading partner, making up more than half of Nepal's exports and half of its imports [52]. Imports include industrial raw materials and construction materials such as steel, aluminium, polyester fibre, cotton, and cement; electrical and electronic goods; tobacco; cosmetics;

FIGURE 7:



Source: [17]

fertilizer; salt; and drugs. Major exports include various categories of textiles and clothing; carpets; and some commodities [56]. The Nepalese economy is also strongly geared towards trade in services—mostly tourism, but also increasingly labour services (i.e., out-migration and its associated remittances). Remittances currently constitute about 12 per cent of GDP [52].

The expiration of the Agreement on Textiles and Clothing at the end of 2004 is expected to impact negatively on Nepal's carpet and garment industries, which grew during the 1990s when Nepal benefited from quotas set by developed country markets for exports from least developed countries. More efficient exporters from elsewhere in the world are now displacing Nepal, as Nepal's trade partners become frustrated with the country's political insecurity. This situation has direct implications for household incomes and thus children, as many women are employed in the textile, garment and carpet sectors.

Nepal joined the World Trade Organization (WTO) in September 2004. Since then, WTO-conforming legal and institutional

systems have been established, although enactment of legislation has been stalled by the absence of a parliament. Studies on the impact of joining the WTO are planned for various industries. Commitment to the WTO agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) will have implications on the import of medicines (and reduce possibilities for the local production of such), but may also provide opportunities for patenting and marketing indigenous medical knowledge.

Although the rate of inflation has been contained to below five per cent since 2000, ever-rising prices of essential items in Nepal have exerted increasing pressure on families with limited incomes [17].

Economically active population

In the 2001 census, about 47 per cent of the population aged 10 years and above claimed to be economically active (i.e., providing labour for the production of economic goods and services) [13]. During the previous 10 years, the labour force grew faster than the population. There has been a general shift in employment from the agricultural to the non-agricultural sector. However, agriculture is still the largest sector, accounting for 66 per cent of the total labour force. Commerce accounts for 10 per cent and manufacturing for nine per cent [13].

The percentage of self-employed fell from 75 per cent in 1991 to 63 per cent in 2001 [13]. Self-employment activities comprise agricultural labour, non-agricultural family enterprises and off-farm work in urban areas. A larger population of women (71 per cent) are self-employed than men (57 per cent). Unpaid family workers constitute a rising nine per cent of the employed population, accounting for 13 per cent of economically active women.

The unemployment rate in Nepal is increasing, and currently stands at over nine per cent of the economically active population [13]. Under-employment is also a serious problem. However, under-employment rates have fallen from previous estimates, with 84 per cent of the labour force in 2001 working for at least eight months of the year compared to 65 per cent in 1991 [13]. Under-employment affects women more than men. Generally, under-employment is higher in rural areas than in urban areas, and higher in the hills than in the *terai.*

Agriculture and forests

Over two-thirds of Nepal's labour force is engaged in agriculture. However, for many, it does not provide a sufficient livelihood, with 80 per cent of those below the poverty line depending on this sector for their living [44]. Moreover, the conflict is having a profound impact on the agricultural sector, as landowners are displaced to urban areas and agricultural production falls as a consequence [57].

The National Living Standards Survey 2003/04 found that landholdings are becoming smaller, having reduced from an average size of 1.1 hectares in 1995/96 to 0.8 hectares in 2003/04. Moreover, the quality of agricultural land, water and forest resources is diminishing, thus reducing food security. About 28 per cent of Nepal's area is classified as cultivated land (including grassland) [58]. The national cultivated landholding per capita in 2001 was 0.175 ha [13]. In the *terai,* which has the greatest area of cultivated land but also the greatest proportion of the population, the average per capita landholding in 2001 was 0.167 ha. Average per capita landholding in the hills was 0.162 ha, and in the mountains was 0.307 ha.

Small landholdings mean that most households are subsistence farmers. The 2001/02 National Census of Agriculture found that about 80 per cent of Nepal's cropped area is planted with cereals (rice, wheat, maize, millet, etc.) [59]. The remainder is planted mainly with legumes, oilseeds, tubers, and vegetables. Cash crops make up an extremely small proportion. Rice is the most important crop, with 92 per cent of holdings growing it [59]. This is followed by wheat and maize. Agricultural land is either flat or terraced, and may be irrigated or rain-fed, although the latter is more common.

Industrial crops such as sugarcane, tobacco, jute, cotton, tea and coffee are grown in localized or area-specific parts of Nepal. Fruit and vegetable cultivation are prevalent at the subsistence level, but large-scale farming is limited. Kitchen gardening and the growing of fruit and fodder trees on unused and marginal land is widespread, and provides an important opportunity to increase food production and consumption, and generate income at the family level.

Livestock raising is an integral part of the mixed farming system in Nepal, with 90 per cent of holdings owning some [59].
The most common types are chickens, cattle, goats and buffalo. Sale of livestock and livestock products can supplement a household's income.

Forests supply fodder for livestock, fuelwood for energy, and various non-timber forest products that are exploited commercially or for home use. The National Forestry Inventory of 1999 indicated that forest covers 29 per cent of Nepal's land area. Most forestland is owned by the State. Some is protected in national parks and reserves, and some is managed by the Department of Forests for commercial use. However, much is left unmanaged and is of poor quality. To increase productive use of forestland and meet demand for forest products, the government started a programme in the 1990s to handover the management of suitable forestland to local communities. By 2004, about 25 per cent of national forestland was being managed by community forest user groups [51]. In addition to officially classified forestland, about 37 per cent of agricultural holdings grow some forest trees for private use and sale [59].

Food security

Subsistence farming does not ensure an adequate livelihood for most households in Nepal. The 2001/02 National Census of Agriculture shows that, among landholding households, over 60 per cent are food deficit for some period during the year, and among these 78 per cent are food deficit for at least 4–6 months a year [59]. The census also shows that while many food-deficit households will earn an off-farm income locally (68 per cent) and/or will utilize strategies such as migration and sale of assets to raise money to buy food (30 per cent), a significant number will also borrow money to cover expenses for food purchasing (12 per cent) [59].

The average yield per hectare of basic crops was 2.3 t per ha between 1997/98 and 2001/02 [13]. The yield per hectare of rice was 2.5 t. Total production of basic crops averaged eight million tonnes a year. However, national agricultural production is too low to meet consumption needs. Although Nepal was a net exporter of food grains in the past, population growth means that since the late 1980s it has had to import increasing quantities. Although the amounts that are imported fluctuate each year, depending on the size of the harvest—indeed, in some years there has been a small surplus—the FAO/UNDP has calculated that deficit for the 1990s averaged 5.2 per cent of requirement [60]. In addition, the food that is available is often of poor nutritional value. Consumption of cereals and roots crops makes up a far larger proportion of the average diet than is recommended, with a significant shortfall in animal sources such as meat, milk and eggs [60]. The Nepal Living Standards Survey 2003/04 revealed that nearly 32 per cent of households nationally perceive their food consumption to be 'less than adequate' [44].

Across the country, the hills and mountains have tended to be food deficient, while the *terai* has produced a surplus. For example, in 2000/01, 36 of Nepal's 75 districts were food deficient, with all but two of these districts being in the hills and mountains [60]. This was a fairly good year. In 1995/96, 55 districts were food deficient, including six *terai* districts [60].

While the climatic and physical nature of the country means that differing rates of agricultural production are inevitable across the eco-regions, limitations in the transportation and food distribution systems also add to imbalances between the *terai* and the hills and mountains. Indeed, high transportation costs and easy access to markets in India means that surpluses usually

do not reach deficit areas in the hills and mountains in meaningful quantities.

In an effort to improve food distribution across the country, the government established the Nepal Food Corporation in 1974, following a serious drought [60]. However, the volume of cereals distributed by the Nepal Food Corporation to remote food-deficit areas has always been small, meeting only a modest part of the deficit. Moreover, there is limited distribution to the needy, with much of the supply going to government functionaries such as the police and military. The Nepal Food Corporation's generally ineffective response to improving food security for the majority in food-deficit areas has resulted in the government initiating a process of reform that includes the curtailing of subsidized cereal distribution; this is part of a larger economic reform package required under the Second Agriculture Programme Loan of the Asian Development Bank [60].

NATURAL DISASTERS

Naturally occurring changes to the physical environment are common in Nepal, both on a small and large scale, and can be exacerbated by human activities. Sometimes these events can trigger disasters for local and regional populations. The impact that a disaster has on the lives of those it affects will depend on their vulnerability and resilience. Those with few or no resources find it more difficult to recover from events that might be minor for those with greater resources and resilience. Emergency preparedness is rare, although some efforts are being made to establish improved forecasting and early warning systems. Efficient meteorological data collection and analysis have helped to improve prediction of weather-related events, and the monitoring of glacial lakes provides early warning of outburst floods. The most common phenomena that result in disasters are associated with the heavy monsoon rains—floods and landslides. Drought can also cause widespread damage. Nepal is located in a seismically active region, and earthquakes are frequent and can be large.

EM-DAT, the international disaster database run by USAID's Office of Foreign Disaster Assistance (OFDA) and the Center for Research on the Epidemiology of Disasters (CRED), identifies floods as the most common natural disaster in Nepal. During the last 70 years, there have been 25 recorded floods that have affected over 2.2 million people and caused an estimated US$ 990 million of damage [61]. In 1993, one flooding event affected 550,000 people and in 2004 another affected 630,000 [61]. Flooding affects the *terai* more than the hills. In the hills, the monsoon rains cause frequent landslides. These result in varying levels of damage that might affect only a few people to many hundreds. The EM-DAT records 14 major landslides since 1934, affecting 360,000 people [61]. Small landslides occur throughout each monsoon on steep and denuded hillsides. This type of land is often owned by the poorest in a community; loss of their land can push already vulnerable families into crisis.

For subsistence farmers, drought can spell disaster. Although they occur less often than floods or landslides, droughts can affect far larger areas of the country and many more thousands of families. The EM-DAT records four major droughts since 1934, affecting over 4.4 million people [61].

Lying as it does on the junction of the Indo-Australian and the Eurasian tectonic plates, Nepal is prone to earthquakes. Many minor quakes are recorded each year; sometimes these result in localized damage, especially to poorly constructed buildings. The last big earthquake occurred in the east of the country in 1988, killing over 700 people around Dharan [61]. In 1934, an earthquake measuring over seven on the Richter scale hit Kathmandu. Thousands of people were killed and 40 per cent of buildings in the valley were damaged [62]. Although Nepal has legislation to ensure that newly constructed building are earthquake proof, it is not enforced. Predictions suggest that if the 1934 earthquake happened today, the consequences would be devastating (see box) [62].

Kathmandu valley earthquake scenario

The Kathmandu Valley Earthquake Risk Management Project estimated what would happen if the shaking of the Great Bihar Earthquake of 1934 was repeated in the Kathmandu Valley today. The estimate predicts approximately 40,000 deaths and 95,000 injured. More than 60 per cent of buildings would be destroyed, leaving 600,000 to 900,000 residents homeless. Moreover, 95 per cent of the water pipes and 50 per cent of the pumping stations and water treatment plants would be seriously affected, hampering water supply for several months. Almost all telephone exchange buildings and 60 per cent of telephone lines would be defective for at least one month, as well as approximately 40 per cent of power lines and all electricity substations. In addition, it is estimated that almost half of the bridges and many narrow roads in the valley would be impassable due to damage or debris. Tribhuvan International Airport would be isolated due to destruction of access bridges and roads. One serious consequence could be that the arrival of international relief teams and assistance by air would be delayed and complicated due to collapsed structures.

Source: [62]

NATIONAL INFRASTRUCTURE

Nepal's landlocked situation and its generally rugged terrain have made the development of modern transportation and communication systems extremely difficult, and much of the country remains relatively inaccessible. Many villages are only accessible on foot. In the hills and mountains, distances are measured by the number of days it takes to walk from the district headquarters or the nearest motorable road. In some VDCs, it can take five days to visit all settlements. Hill travel is further complicated each year by the monsoon, when turns footpaths into streams and landslides wash away trails.

To a large extent, the type of access that a town or village has will determine the extent to which it develops. Those parts of the country that can be reached by road have better services than those that cannot; areas in the hills or mountains that have an airstrip but lack roads are better off than those that have neither. The more remote a village, the more difficult it is to deliver supplies for health posts or schools, or to persuade government or development staff from the towns to work there.

Transportation system

The most extensive part of the transportation network is concentrated in the *terai*, with feeder roads leading into the hills. Mountain areas are accessible only on foot or, in some areas, by air. Vehicles dominate as the mode of transport, with nearly 460,000 vehicles registered by March 2005 [17]. Railways, electric trolley buses and ropeways have extremely limited coverage. Highways play a crucial role in Nepal's socio-economic development, and have been given special attention in development plans. The total length of roads in Nepal reached just over 17,200 km in March 2005, of which just over 28 per cent was black-topped [17]. The 1050-km Mahendra Highway links the country from east to west along the *terai*. By March 2005, 60 district headquarters had been connected to the road network [17].

Air transportation

The improvement of air transportation and the construction of air fields has also been given emphasis in national development plans. Efforts have been directed at both the improvement of domestic air services and the development of the Tribhuvan International Airport in Kathmandu. The establishment of about 42 airfields throughout the country has been significant for national integration, development and the promotion of tourism. By 2005, 23 private airlines companies, including helicopter services, were operating domestic services, and one (Cosmic Air) was also flying internationally to India [63]. The government

had signed Memoranda of Understanding or Air Service Agreements with 34 foreign airlines or countries. Twenty-one foreign cities in 13 countries were directly linked to Kathmandu, contributing significantly to the expansion of Nepal's external trade [63].

Energy

There is a considerable imbalance between resource endowment and use in Nepal. Hydro-power has great potential, but it is not widely exploited, resulting in continued heavy reliance on other energy sources. The per capita energy consumption at around 15 GJ is one of the lowest in the world [65]. The country's energy consumption is expected to reach over 8600 tonnes of oil equivalents in 2004/05 [17]. Traditional energy sources account for 87 per cent of consumption, commercial sources account for 12.5 per cent, and the rest is supplied from renewable sources [17]. In 2003/04, fuelwood represented 78 per cent of energy sources and petroleum products represented nine per cent. Other sources include agricultural by-products, animal waste, coal, and electricity. Collecting fuelwood is traditionally considered a woman's job in Nepal.

Although electricity is available in all districts of the country, it is only accessible to a small percentage of the population, and the service can be erratic. About 40 per cent of households have electricity nationwide but, in rural areas, coverage is only a quarter [44]. In 2004/05, there were estimated to be about 1.2 million electricity consumers [17]. The main supply of electricity in Nepal is hydro-power (552 MW), followed by thermal power (57 MW) and solar power (100 kW) [17]. Some electricity is also imported from India. Of total electricity consumed in 2003/04, the industrial sector used 38.5 per cent, followed by households (37 per cent), commerce (six per cent), export (eight per cent) and miscellaneous (10.5 per cent) [17].

Millennium Development Goals for information and communication technologies

- In 1990, there were 0.32 telephone lines and cellular subscribers per 100 people. By 2003, this had risen to 1.78 per 100 people.
- In 1993, there were 0.05 personal computers in use per 100 people. By 2002, this had risen to 0.37 per 100 people.
- In 1990, the Internet was yet to reach Nepal. By 2002, there were 0.34 users per 100 people.

Source: [64]

Communications infrastructure

Postal services cover the whole country, and the international money order service includes India, Jordan, Qatar, Thailand and Hong Kong [17]. This is important for overseas workers sending remittances to their families.

Telecommunications have expanded rapidly over the last decade to include mobile telephone, Internet and email services as well as more traditional terrestrial telephone and fax services. There are also an increasing number of satellite telephone providers. Nepal Telecommunications Corporation is the government operator, with a wide variety of private licensees. Since 1995, there has been a nearly fivefold increase in the number of telephone lines from just under 83,000 to over 433,000 [17]. By 2004, over 57 per cent of VDCs had a telephone connection [17].

For its population, Nepal has a remarkable variety of print media. As of mid-March 2005, about 4050 publications of various types had been registered with the government [17]. These included 298 daily newspapers, 1400 weeklies and 1230 monthly magazines; over 2800 of these are in Nepali, 336 in English, and the remainder are in other languages including Hindi, Newari, Maithili, Bhojpuri, Tibetan, Tharu, and Urdu [17].

Television services have also expanded in recent years. In 2004, Nepal Television (NTV) could reach 65 per cent of the population [17]. Three private Nepali television companies are also broadcasting. National television transmission extends throughout the day and well into the night. In addition, there are 326 cable television operators licensed, showing a huge variety of international programmes in many languages around the clock [17]. Just over 13 per cent of all households own a television (59 per cent in urban areas and eight per cent in rural areas) [1].

Radio Nepal's short-wave transmission reaches 100 per cent of the population, and its medium-wave transmission reaches 83 per cent [17]. Since the early 2000s, FM transmission has been opened up to the private sector, and there are now at least 48 private FM stations [17]. About 44 per cent of households own a radio, and 39 per cent of all women and 55 per cent of all men listen to the radio everyday [1].

Following the State of Emergency on 1 February 2005, the Nepali media were subjected to severe restrictions. Many journalists were imprisoned, newspapers were heavily censored, and FM stations were banned from broadcasting news. While the degree of censorship has been relaxed since the lifting of the emergency, many journalists still feel under threat and fear reprisals from the government. In May 2005, an ordinance was promulgated that restricted media ownership and broadcasting operations, and laid out fines and punishment for publication of anything deemed defamatory to the King or the royal family. The airing of news by FM radio stations is formally banned by the media ordinance; however, the Supreme Court ruled in August 2005 that no action could be taken against FM stations that defied the ban.

THE TENTH FIVE-YEAR PLAN

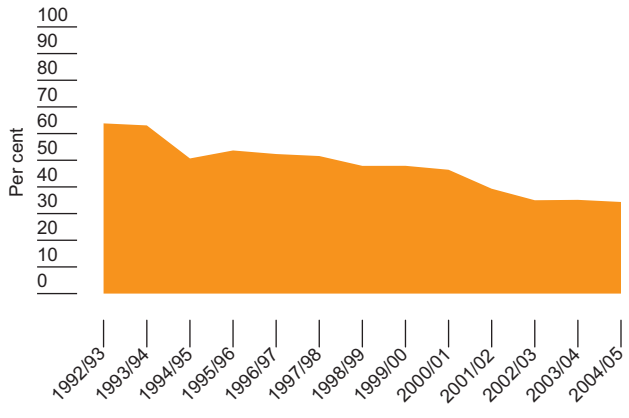
The overall goal of the Tenth National Five-Year Development Plan (2002/03–2006/07) is to reduce poverty. The main strategies—the 'four pillars'—of the plan are (a) broad-based economic growth that focuses on rural areas; (b) social sector development, including human development; (c) social inclusion of the poor, marginalized groups, and regions; and, (d) good governance, as a means of both delivering better development results and ensuring social and economic justice. The Tenth Plan also seeks to redefine the role of the State by limiting public interventions, enlisting the private sector, NGOs, INGOs and community-based organizations in service delivery, and promoting community participation and accelerated decentralization. Different from past plans, the Tenth Plan has also incorporated the Medium-Term Expenditure Framework; this framework identifies priority projects for meeting targets, and ensures that adequate resources are allocated to them. The plan also envisages 'normal case' and 'low case' scenarios: the former envisages a resolution to the current conflict and an annual GDP growth rate of 6.2 per cent, while the latter assumes the continuation of insecurity and a lower GDP rate of 4.3 per cent.

The budget allocations for the Tenth Plan are set out in Table 5. The Tenth Plan budget allocations seek to maintain the emphasis on the social sector, increase the allocation to the agriculture sector, and reduce allocations to sectors where private investment is expected, such as finance services, tourism, manufacturing, electricity and transport.

Over the years, the proportion of the budget spent on regular expenditure has been rising at the expense of development expenditure. In the early 1990s, the share of the development budget in government expenditure was nearly two-thirds. Now, two-thirds is spent on the regular budget covering recurrent costs, and the budget for development activities has declined to one-third (Figure 8) [66]. The shift is attributable to increased spending on security in the regular budget [67]. Between 1997 and 2003, security expenditure rose nearly threefold, while development expenditure declined [67].

FIGURE 8:

Development expenditure as a proportion of total government expenditure



Source: [66]

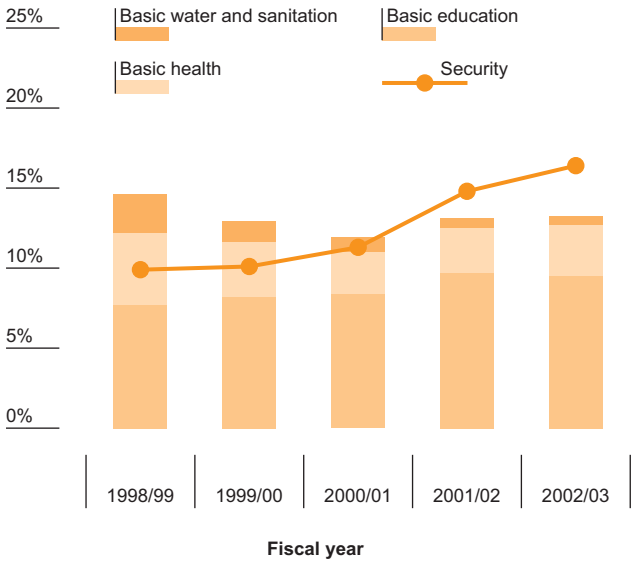
TABLE 5: Sectoral allocation of development expenditure for the Tenth Plan (NRs in billions)

Sectors	Achieved in Ninth Plan		Tenth Plan target 'normal case'		Proposed in Tenth Plan 'lower case'	
	Amount	Per cent	Amount	Per cent	Amount	Per cent
Agriculture, Irrigation and Forestry	32.7	19.2	56.2	24.0	42.6	32.9
Non-agriculture	137.1	80.8	177.8	76.0	135.8	76.1
Social Services	61.1	36.0	90.4	38.6	69.0	38.7
Industry and Mining	2.7	1.6	2.3	1.0	1.7	1.0
Electricity, Gas and Water	30.8	18.1	36.0	15.4	27.0	15.1
Trade, Hotel and Restaurant	3.2	1.9	3.5	1.5	2.7	1.5
Transport and Communication	29.8	17.6	36.4	15.6	28.3	15.9
Finance and Real Estate	6.6	3.9	2.7	1.2	2.1	1.2
Miscellaneous	2.9	1.7	6.5	2.8	4.9	2.8
Total	169.8	100.0	234.0	100.0	178.4	100.0

Note: Social services includes education, health, drinking water and local development

Despite the reduction in the development expenditure, the expenditure on social sectors, and particularly basic social services, has not declined significantly (Figure 9). Of concern is the gradual increase on security spending, which has overtaken spending on basic social services. Following the 20/20 Initiative at the World Summit for Social Development in 1995, Nepal has attempted to allocate 20 per cent of its national budget to basic social service programmes. Nepal's public expenditure on basic social services increased from about 10 per cent in 1992 to about 14 per cent in the mid-1990s, and has since then fallen to around 12 per cent [68].

FIGURE 9:



Source: [68]

As with many other developing countries, Nepal depends heavily on foreign aid for supporting its development activities. Foreign aid has been between NRs 15 billion and NRs 20 billion since the late 1990s, and constitutes about 20 per cent of government expenditure in the Tenth Plan. In 2004/05, it totalled nearly NRs 35 billion (or about US$ 285 million), with 66 per cent as grants and 34 per cent as loans [17]. Foreign aid comprises approximately half to two-thirds of the development expenditure. A study estimated that, for Nepal to meet the Millennium Development Goals, US$ 7.6 billion of foreign aid would be required between 2005 and 2015 [69].

Nepal's fiscal management has been prudent throughout the 1990s, with public sector debt relatively stable at around two-thirds of GDP [52]. The ratio of net outstanding loan to total

GDP was 47 per cent in 2003/04 [17]. In 2004/05, net outstanding foreign loans totalled NRs 233 billion [17].

Role of NGOs and INGOs

After the advent of multiparty democracy, the country witnessed an explosion of NGOs. The current number of NGOs is difficult to estimate. Approximately 18,000 NGOs are registered with the Social Welfare Council [70]. However, some sources estimate that the actual number could be double, at about 30,000 [71]. The capacity of local NGOs is variable. The majority work in the social services sector. They have been successful at channelling external resources to provide various kinds of services, especially in the areas of community health, sanitation, out-of-school education, birth registration, etc. However, they have had limited success in lobbying and advocacy for children's and women's rights, and in reaching disadvantaged groups.

NGOs are effective at mobilizing local resources and carrying out effective, low-cost social mobilization; and they are seen by communities as legitimate actors in lobbying and advocacy, as they display accountability and responsiveness to their target groups. Importantly, they are able to carry on their activities in conflict-affected areas. Some NGOs have reached a certain level of sustainability, and a few are beginning to become independent. However, the majority still depend on external sources for funding and capacity building.

A significant amount of money is spent by INGOs in Nepal on providing basic services at various levels. Most INGOs implement through local NGOs, by building local capacity. Some implement directly and a handful work through the government. There were about 125 INGOs registered with government in 2004/05 [72]. The estimated annual expenditure by INGOs is NRs 5–6 billion a year [72]. This is the equivalent to about 15 per cent of the government's development budget. Ministry of Finance estimates are slightly lower, since many INGO budgets are not reflected in the government budget.

The government promulgated a new 'Code of Conduct' for the I/NGO sector in November 2005. While the need to improve coordination and transparency in this sector is widely accepted, the move sparked widespread protests as the code sets a range of restrictions with regard to membership, objectives, programming, access to funding, and more. The main bilateral donors and UN agencies in Nepal stated together that they believe the Code of Conduct provides a means for undue political interference and that by undermining the independence of I/NGOs it is likely to hinder critical development activities [73].

Administrative structure

The Constitution of the Kingdom of Nepal was promulgated on 9 November 1990, and is based on democratic principles, the multiparty system, and a constitutional monarchy. According to the Constitution, there are two Houses of Parliament: an Upper House consisting of 60 members, and a House of Representatives consisting of 205 members. A five per cent quota for women representatives is mandated in the Constitution. However, parliament has been dissolved since May 2002, and the passage of government bills has been by ordinance.

His Majesty's Government, the official designation for the government of Nepal, consists of a Council of Ministers, led by the Prime Minister. However, since February 2005, this cabinet has been under the leadership of the King. Each Minister heads a ministry, although Ministers may hold more than one portfolio. The civil service, which assists the Ministers in carrying out the ministries' functions, is headed by Secretaries. The number and various levels of civil servants in a ministry depends on the latter's functions. For certain ministries, the civil service may consist of departments or similar bodies. Many ministries, although not all, have representatives at the regional and district levels. The number of permanent civil service positions has increased from 7000 in 1950 to 97,272 in 2004/05 [74]. The estimated total number of government functionaries is over 400,000, including military, police staff and teachers.

Administratively, Nepal has five Development Regions, 14 zones, 75 districts, about 4000 VDCs (this term is used interchangeably to mean both the area that is administered and the committee that carries out the administration), and 36,000 wards or settlements. The *ilaka* is an administrative service level between the district and the VDC level. There are nine *ilaka* per district. Constituency boundaries used for elections have been developed across administrative divisions and have been delineated with regard to population size rather than existing *ilaka* boundaries.

At the district level, District Development Committees (DDCs), Municipal Councils and Village Development Committees (VDCs) are elected to carry out development work in districts, towns and villages. There are also ward-level committees. In the absence of elected officials, the functions of these committees have been assumed by government employees: the Local Development Officer at the district level, the Executive Secretary in municipalities, and the Village Secretary at the village level.

The five Development Regions contain regional offices for almost all the ministries and central departments. At the district level, each of the departmental or ministry offices oversees the plans and programmes for that sector. The role of the Chief District Officer (CDO) in each of the 75 districts is to maintain law and order in the district, and oversee the work of district-level line agencies. The Local Development Officer (LDO) is responsible for coordinating development at the district level. A marked feature of the district-level structure, noted time and again, is the lack of coordination between, and duplication of activities among, district-level offices and programmes. Ministries such as education, health and agriculture have their services available at the DDC/VDC level.

DECENTRALIZATION

The Local Self-Governance Act 1999 has provided a powerful impetus for decentralized governance in Nepal. It provides unprecedented latitude and leverage to local government bodies (DDCs, municipalities, and VDCs) to mobilize their own resources (taxes, service charges, fees, etc.) and implement development activities. In the social sector, this law makes important provisions for women, children and disadvantaged sections of society to participate in the development process [75]. However, in the absence of elected government bodies since July 2002, and with increasing security risks for government officials travelling outside district

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headquarters, decentralization efforts have been somewhat hampered.

Important policy reforms have been introduced at the national level. A Decentralization Implementation Plan (DIP) has been prepared to operationalize provisions in the act through time-bound actions. Since 2002/03, the government has attempted to devolve four sectors—primary education, primary health, agriculture, and postal services—to local bodies [75]. Over 50 DDCs have prepared periodic plans of 5–6 years duration [75]. Local bodies have become organized into associations and are raising their voices to protect their interests. They have been pushing for a higher degree of decentralization.

The essence of Nepal's decentralization plan is to take decentralization beyond mere policy reform and technical and bureaucratic deconcentration of responsibilities. It envisages a social movement that will change the balance of power and transform society. Elected officials, by virtue of their representation, are held accountable by the people of their constituency and are expected to facilitate the social movement. Although the vision of decentralization is clearly recognized by the sections of the government system that are most closely involved in implementing the Local Self-Governance Act, it is yet to be fully internalized throughout the government system and by some stakeholders in the development arena. In the absence of a unified vision, sectoral ministries and their line agencies have at times shaped their own versions of decentralization. This had led to a range of implementation modalities that have reached different points on the decentralization continuum [75]. Inconsistencies between the current legal and policy frameworks have also posed challenges. However, gaps have been acknowledged and there are efforts underway to try to remedy any misalignments.

At present, each VDC receives a block grant of NRs 300,000 per year to spend as it chooses. At present, there is no variation in the size of the grant based on VDC size or population. DDCs also receive an annual block grant from the central government. This amount varies from district to district, depending on needs and absorption capacity. These funds can be spent as the local government sees fit, and come in addition to funds from line ministries that have trickled down to the district level.

THE REGIONAL CONTEXT

Nepal has been a member of the South Asian Association for Regional Cooperation (SAARC) since the association was established in December 1985. SAARC comprises Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. It was established with the objectives of promoting the welfare of the people of South Asia and effecting an improvement in their quality of life; accelerating economic growth, social progress and cultural development in the region; and strengthening collective self-reliance among the member countries.

SAARC is essentially an economic grouping of countries which, due to similar levels of poverty and related development conditions, have decided to work together to accelerate the pace of regional socio-economic development. SAARC's current activities cover the areas of agriculture, forestry, health, population, women in development, rural development, telecommunications, meteorology, transportation, science and technology, postal services, sports, arts and culture, and prevention of drug trafficking and abuse. Social and cultural cooperation are considered to be necessary for greater economic and political cohesion. The SAARC Summit held in Male, the Maldives, endorsed the Goals for Children and Development for the 1990s and declared the 1990s to be the Decade of the Girl Child. The Seventh SAARC summit, held in Dacca in 1993, endorsed plans of action prepared by SAARC countries to achieve the goals of the 1990 Child Summit. The decade 2001–2010 has been declared the SAARC Decade of the Rights of the Child. The most recent SAARC summit in Islamabad in January 2004 adopted a social charter giving broad directions for social strategy and policy in the member states.