Investing in rural people in Nepal

Nepal is a landlocked country with a rich diversity of ethnicities and cultures. Agriculture is central to the national economy, generating about 28 per cent of national GDP. Almost 80 per cent of households and 66 per cent of the national labour force depend principally on agriculture for their livelihoods.

The country’s agriculture sector is a mix of crop and livestock farming. Administratively, the country is divided into 753 municipalities, 77 districts and 7 provinces following the adoption of a new constitution in 2015.

Nepal’s GDP grew 7.9 per cent in 2017 and 6.3 per cent in 2018. As of 2018, the country had a per capita income of US$1,012, with about 21 per cent of the population living below the absolute poverty line, and about 29 per cent of the population being multidimensionally poor (Economic Survey 2018, Government of Nepal). Urban-rural disparities are high, and over 80 per cent of the population live in rural areas.

Nepal has strong potential for development. Its agricultural biodiversity means it can produce a wide range of crops (cereals, pulses, oilseed crops, fruits, vegetables, and other cash crops) at different locations throughout the country.

More than half of all Nepalese households have a family member who has migrated for work. An estimated 2 million Nepalese people work abroad (the majority being men), and their remittances make up 26 per cent of GDP. In Nepal, women are taking on increasing responsibility for both household and farm management.
Eradicating rural poverty in Nepal

Nepal’s first comprehensive poverty assessment was published in 1991, followed by three Nepal Living Standard Surveys (1995/96, 2003/04 and 2010/11) to monitor poverty. Poverty headcount rates were 42 per cent in 1995, 31 per cent in 2003 and 25 per cent in 2010. Nepal increased the poverty line threshold by 35 per cent in 2010 as compared to 1995. If the 1995 poverty line were used for 2010, with adjustments made for inflation, the poverty rate would be as low as 12.5 per cent.

Nepal started to measure multidimensional poverty from 2006. This value fell from 59 per cent in 2006 to 39 per cent in 2011 and 29 per cent in 2014. The urban-rural divide is evident. Only about 5 per cent of the country’s multidimensionally poor people reside in urban areas, and 95 per cent of Nepal’s poor people live in rural areas. Provinces 6 and 2 have the highest rate of multidimensional poverty – with 50 per cent of people being multidimensionally poor – followed by Provinces 5 and 7 (about 30 per cent). The major contributing factors to overall poverty in Nepal and in rural Nepal are malnutrition and insufficient years of schooling.

IFAD’s strategy in Nepal

Nepal was one of the first countries to benefit from IFAD loans, beginning in 1978. IFAD’s strategy in Nepal (COSOP 2013-2018, extended to 2020) supports the development policies and programmes of the government and other partners. It supports initiatives to facilitate the transformation of a subsistence-based rural economy into a sustainable, market-driven, productive sector generating equitable benefits for poor rural people and disadvantaged groups – in a context of climate change and a fragile and politically unstable environment – by promoting inclusive and resilient growth in rural areas.

Historically, IFAD’s investments have been concentrated in the remote hill and mountain areas, where poverty levels are high and access to infrastructure, services and markets is extremely limited.

Key activities include:
• providing rural infrastructure and services
• targeting the most marginalized ethnic and social groups
• improving income-generating opportunities for poor rural households
• supporting good governance and peace-building
• promoting community cohesion and resilience.

Ongoing operations
Agriculture Sector Development Programme

The growth rate of the agriculture sector has been uneven. The sector suffers from low investment and challenges in commercialization and modernization. Two thirds of the country’s labour force is engaged in agricultural production, but the majority are unskilled and lack knowledge of updated cultivation practices. Farmers are also vulnerable to extreme weather events and climate change. Poverty remains a rural problem, strongly associated with gender, ethnicity, caste and region.

The Agriculture Sector Development Programme (ASDP) will scale up the High Value Agriculture Project in Hill and Mountain Areas by continuing to use a market-driven approach to increase incomes and improve livelihoods. It aims to increase access to economic opportunities for poor farmers and small producers. It will also improve community infrastructure and services in hill and mountain areas, and reduce gender-, ethnic- and caste-related disparities through greater inclusion of disadvantaged groups in development.

The programme is implemented in all 10 districts of Province 6, and will target smallholder producers and landless rural people interested in engaging in targeted value chain activities. Women will constitute two thirds of beneficiaries, with disadvantaged households specifically targeted for inclusion. ASDP is expected to reach about 35,000 households directly and a further 40,000 households indirectly.

Samriddhi – Rural Enterprises and Remittances Project

The objective of the project is to reduce poverty and achieve sustainable peace through employment-focused, equitable and inclusive economic development. The project will diversify the range of economic activities accessible to poor rural households and unemployed young men and women by:

- promoting self-employment and small businesses and microenterprises that can generate better incomes and jobs – through both on-farm and off-farm activities
- providing vocational training and apprenticeships for gainful job placement
- developing mechanisms specifically targeting migrant households and returnees, so they can make the best possible use of their remittances.

In Nepal, most of the population live on low-input/low-output agriculture, which provides limited income. Wage labour and widespread migration have driven 3 million Nepalese, mostly from rural areas, to find work abroad.

The project is being implemented in 16 districts of Provinces 1, 2 and 3. It has recently been restructured, with partial cancellation of IFAD proceeds. The project provides decent jobs to 30,000 young people and promotes 10,000 enterprises. The project will also provide financial education to 170,000 people to support financial inclusion.

Adaptation for Smallholders in Hilly Areas Project (ASHA)

ASHA builds on previous successful IFAD-supported projects promoting community development, agricultural production and environmental protection. Over six years, it will strengthen the adaptive capacity of communities and institutions to contend with climate change risks.

The project is being implemented in seven vulnerable districts: Jajarkot, Kalikot, Dailekh, Salyan, and Rukum West (Province 6), and Rolpa and Rukum East (Province 5). The project targets the most vulnerable households based on the classification of vulnerability comprising poor women and men, landless households, and ethnic-minority and other socio-economically marginalized groups.
Improved Seed for Farmers Programme (Kisankalagi Unnat Biu-Bijan Karyakram)

Building on an approach already tested in the IFAD-supported High Value Agriculture Project in Hill and Mountain Areas, this programme targets an area of Nepal that combines high poverty levels and relatively high population densities with significant potential for agricultural seed and livestock production. In partnership with the private sector in the hills of Nepal, it aims to develop the formal seed sector as well as improve smallholder livestock.

The seven-year programme promotes competitive, sustainable and inclusive agricultural growth in the target area, contributing to overall economic development. It seeks to improve productivity through market-led demand for improved seeds and livestock, with an eye towards testing and scaling up a model of growth led by agriculture with increased access to financial services to the targeted beneficiaries.

The programme consists of three components:

- support for expansion of the formal seed sector – addressing the target area’s low seed replacement rates, and poor-quality seeds for vegetables and cereals, through development of the formal sector and truthful labelling of seeds
- smallholder livestock commercialization – addressing livestock development, with a focus on raising goats and buffalo, through breed and productivity improvement, nutrition management, veterinary services, farmer training and market linkages
- institutional and entrepreneurial development – promoting a conducive environment for private-sector enterprises by strengthening local institutions and building their capacity at different levels, providing financial and non-financial services to beneficiaries, and increasing outreach by microfinance lenders.

The first-phase programme area encompassed four districts in the Mid-Western region (Rukum, Salyan, Rolpa and Pyuthan) and two in the Western region (Gulmi and Arghakhanchi). All targeted districts are in hill areas, some with poverty levels considerably above national rural averages. The target group comprises 150,000 households in the first phase of the programme. In the second phase, starting from year four, the programme has scaled up its activities and expanded to other districts, targeting a total of 350,000 households.