Poverty Alleviation and Development:
Strategy, Policies, and Programmes

By

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Story Line

1. Development aims and measurements (2)

2. Theory, evidence and implications (7)

3. Institutional aspects (7)

4. Issues by production sector, and labor market development (12)

5. The case of PAF for supporting entrepreneurship, skilled employment, transformations (1)

6. Conclusions, lessons and messages (4)

Development Aims & Their Measurements

- GDP/ capita, productivity/ wages, justice and transformations

- NP-Constitution: Econ growth, just distribution, free from exploitation, priority to deprived people

- Poverty: Thresholds of expenditure, income, human poverty, MPI, PMTs

- Inequality: absolute and relative (Ginni-indices)

Theory, Evidence and Implications

Theory on Poverty & Approaches to Reduce

1. **Theories on reasons of poverty**
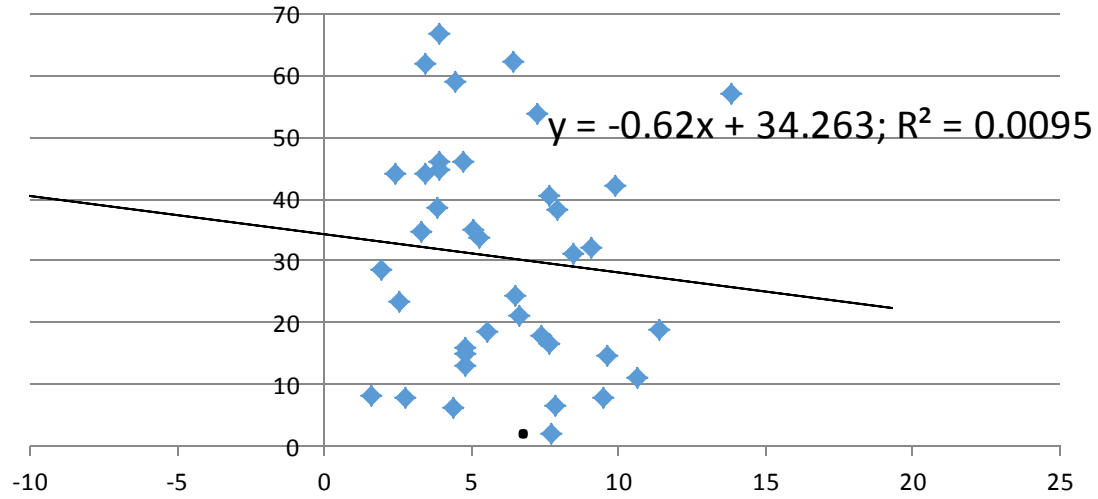   1) Personal failing/ meritocracy
   2) Structural failing
   3) Cultural characteristics
   4) Label, and
   5) Restriction of opportunities
2. **Approaches to reduce poverty**
   1. Microfinance
   2. Conditional cash transfer
   3. Unconditional and universal transfers
   4. Employment guarantee schemes
   5. Poverty reduction through property rights, and
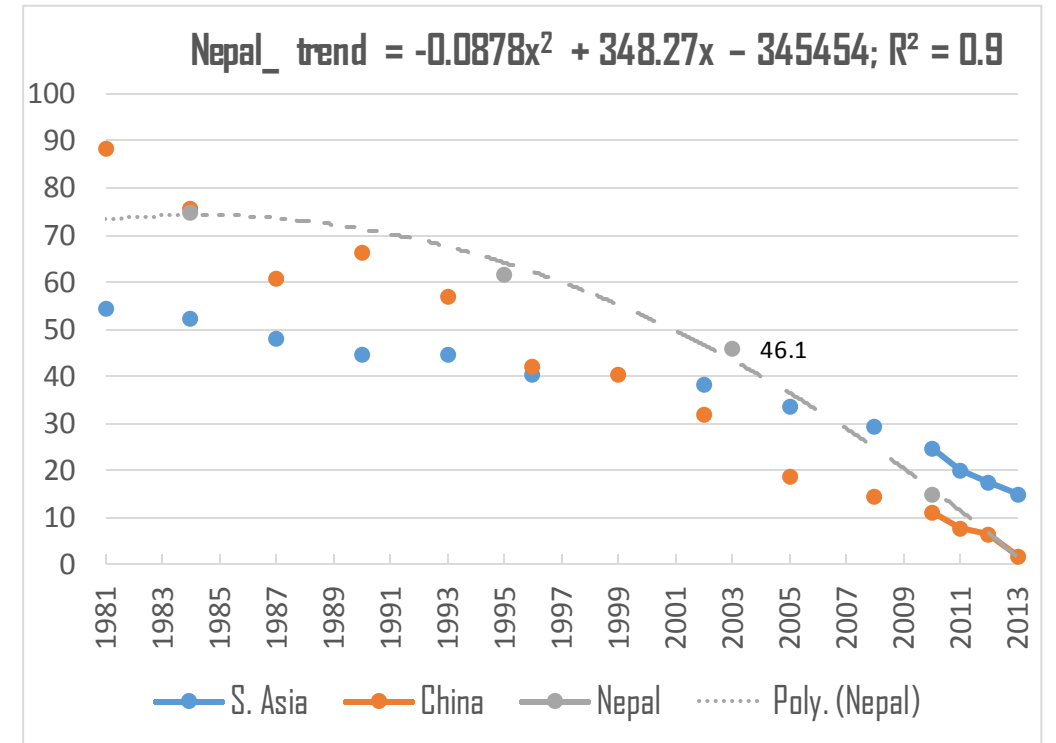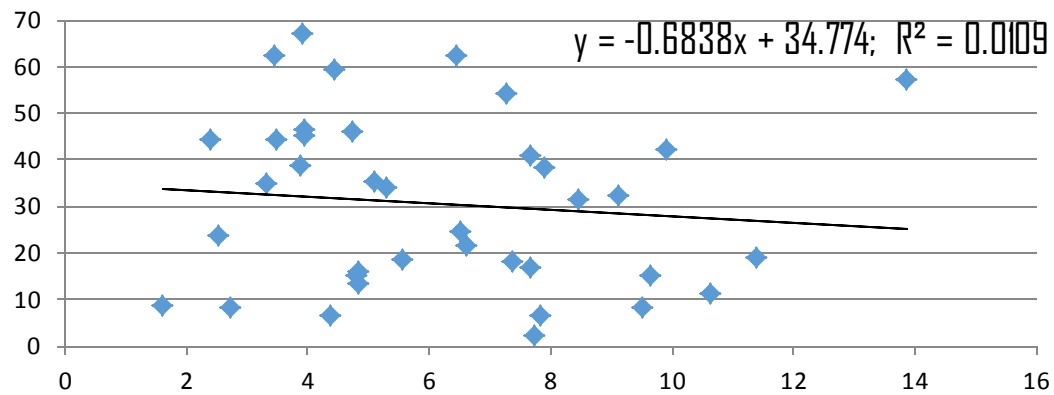   6. Governance reforms and poverty reductions

Poverty HCR, GDP growth rate, and trend (k-2011 $1.9/c/d, PPP): NPL, IND, BGD, PAK, CHN, 1961-2016

Poverty HCR % & GDP growth: NPL, IND, BGD,PAK, CHN)

y = -0.62x + 34.263; R² = 0.0095

Findings: ?

Nepal: Poverty HCR and GDP growth

y = -0.6838x + 34.774; R² = 0.0109

Nepal_ trend = -0.0878x² + 348.27x − 345454; R² = 0.9

46.1

S. Asia   China   Nepal   Poly. (Nepal)

NP: LDC economy: unstable, agrarian & de-industrializing, open and food-imports dependent; lacking transformations -1

| Years	1999	2009	2016
GDP per capita (current US$)	216	474	730
GDP growth (annual %)	4.4	6.1	0.6
Agriculture, value added (% of GDP)	41.3	32.7	33.0
Employment in agriculture (% of total emp.)	76.1	73.9 ..	
Manufacturing, value added (% of GDP)	9.5	7.6	5.8
Employment in industry (% of total emp.)	9.8	10.8 ..	
Net-exports of goods & service: % of GDP	-8.7	-27.7	-25.7
Net-exports of foods as % of GDP	-2.3	-3.6	-4.8

NP: Problem is with low mean of distribution, not the relative inequality !!

| Years	1995	2003	2010
Income share held by highest 10%	29.0	36.9	26.4
Income share held by lowest 20%	7.8	6.5	8.3
Income held by lowest 20% $/C/Y	80	67	85
GINI index (World Bank estimate)	35.2	43.8	32.8

Choice of minimum social welfare thresholds affects the poverty rates, trends, and urgency for addressing it !!!

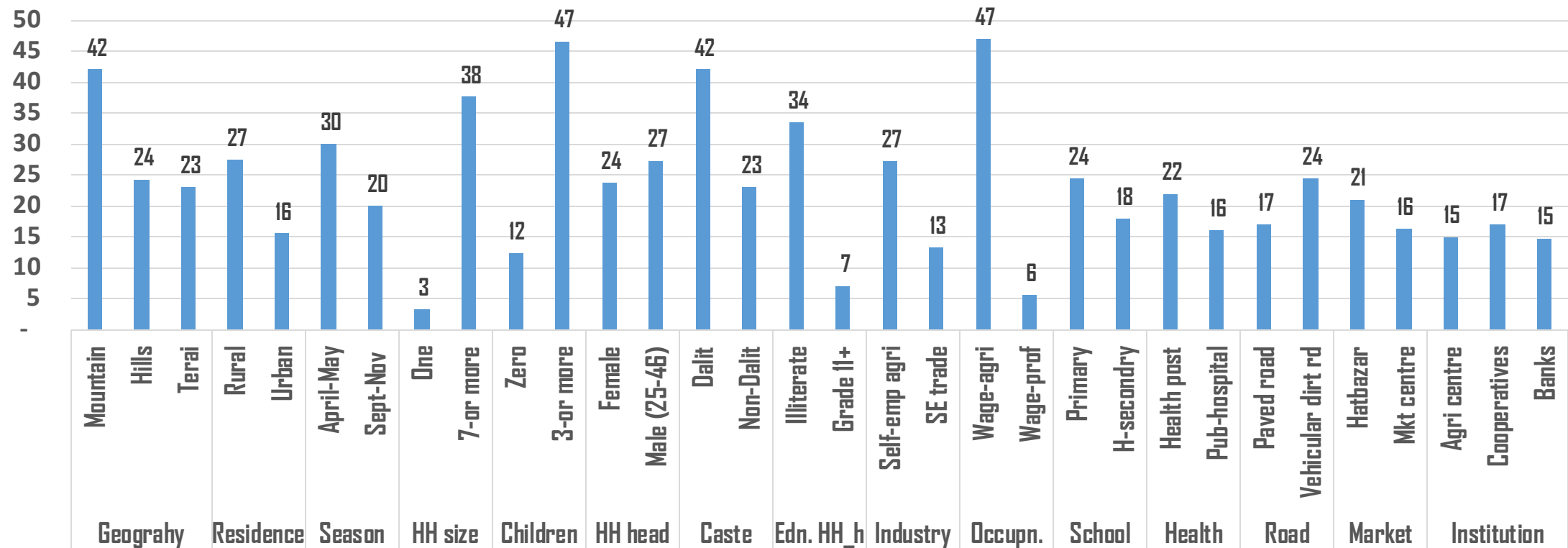

Incidenece to population (%)
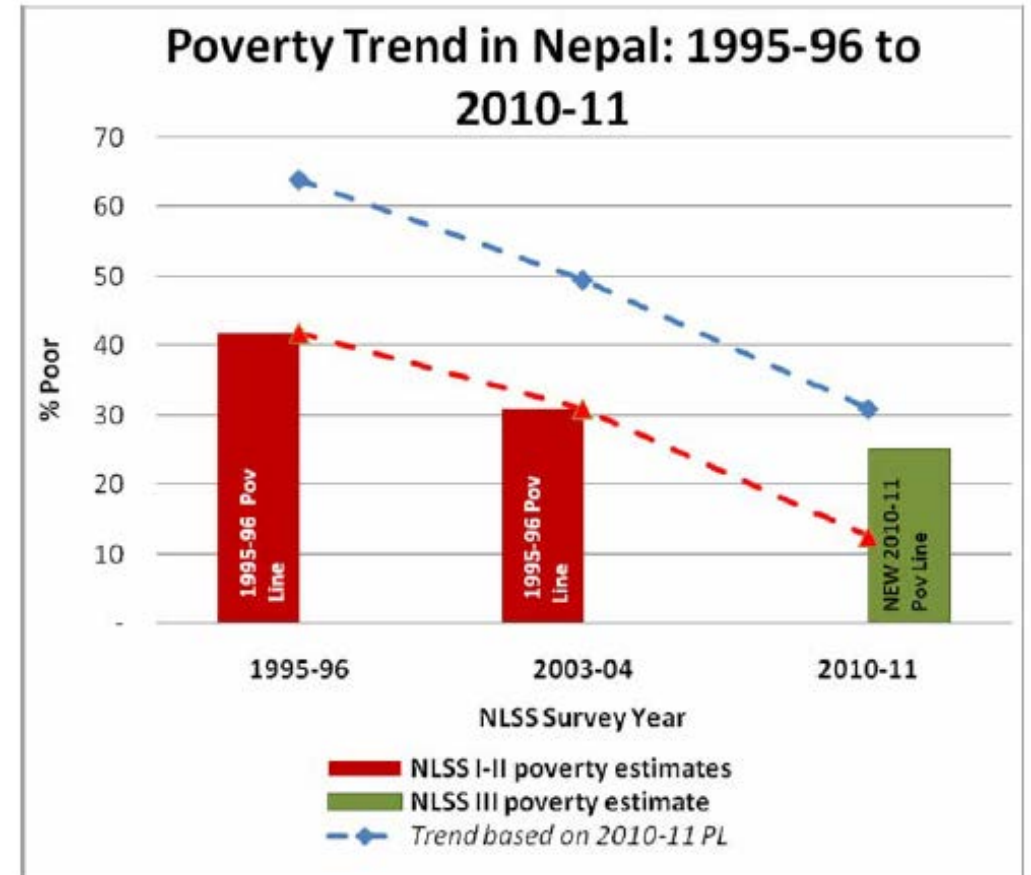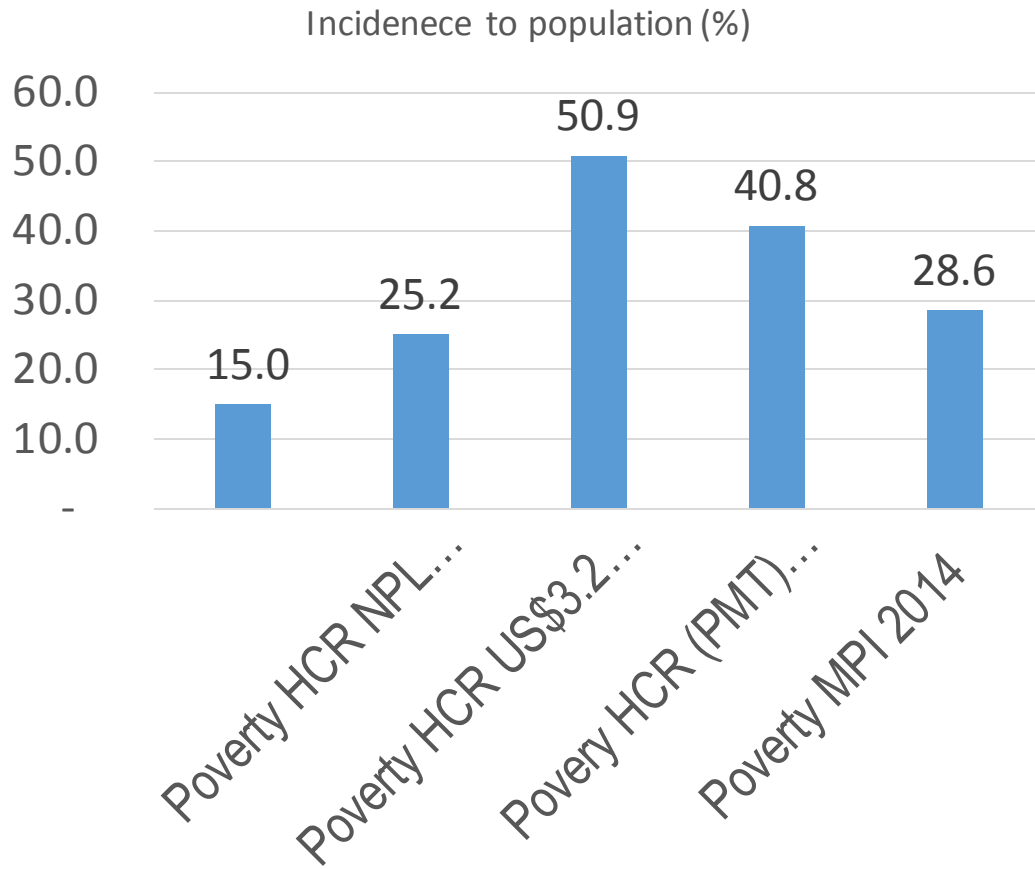
Overall Strategy, Working Policies and Programs

- Restricted to livelihoods approach

- Piecemeal based, no flagships

- Lacking vision of transformation

District-wise per capita GDP and poverty rate
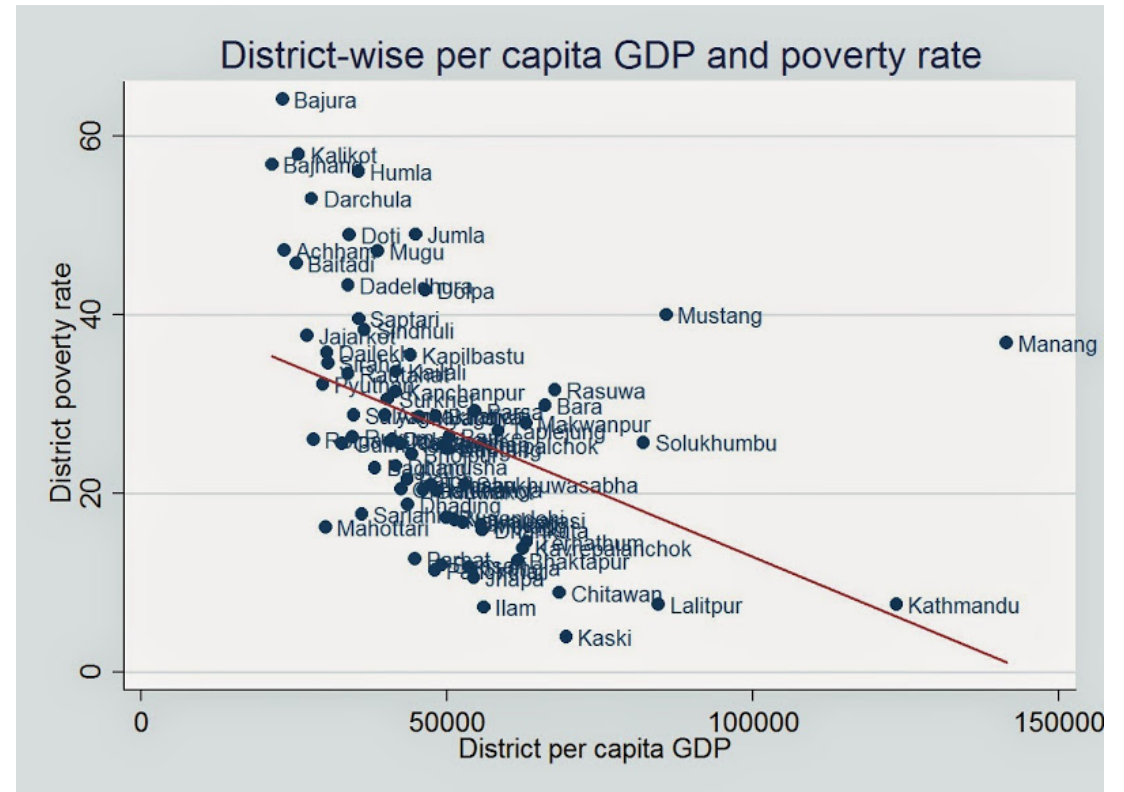
Correlates of Poverty, and Lessons for PA Programs - i

Incidence of poverty (%) NLSS 2010/11

Correlates of Poverty & Lessons for PA Programs-ii

1. **Geography:** Broad based
2. **Residence:** urbanization
3. **Season:** crop diversification and dry-land farming
4. **Demography**: smaller family, and less children
5. **Gender:** women empowerment
6. **Caste/ ethnicity:** inclusive
7. **Skills:** compulsory/higher, and vocational
8. **Industry:** manufacturing
9. **Occupation:** wage earning from industry/services
10. **School:** public facility
11. **Health:** public facility
12. **Transport:** vehicular roads
13. **Market:** permanent centers
14. **Institution:** line agency, cooperatives, and banks

Institutional Aspects

- Legal framework

- Development plans, strategy, working policy and programs

Nepal: Legal Framework for PA

- Constitution of Nepal

- Poverty Alleviation Fund (PAF) Act 2004

- National Poverty Eradication Policy 2074 BS (Draft)

- Cooperative Act 2074

- Social Security Bill

- Health Insurance Act (amendment?)

- Party to the UN-MDGs and SDGs/ Periodic Plans

I. Strategy

- Increase in productive employment and opportunities

- Mobilization of sector-policies for ensuring just distribution of empl'nt opportunities due to EG, and creating an equity-oriented dev.

- Mobilization of resources for PA & EG through effective coord'n and strength'ng of inter-/national investment/assistance, for'n aid & NGOs

- Conduction of feasible demand-based targeted programs and projects for PA and economic prosperity in different sectors

- Making PA-related policy and programs predictable through their restructuring and prioritization

III. Working Policy -1

1. Prod'n oriented activities will form core of the national PA programs (a)

2. Labor-intensive technology will be encouraged in the dev't-project preparation and implementations (a)

3. Natural resource's balanced mgt & utilizations will be emphasized to prepare a basis for PR and economic prosperity (b)

4. For the poor with ID cards, their capacity will be augmented through the medium of soc'l prot'n (b)

5. Agriculture, tourism, energy, infrastructure and small enterprises will be towards PA (b)

6. Capacity dev't, IG, & employment-oriented programs will be targeted to the poor and deprived HH in the mid-/far western and central terai (b)

7. Effective co-ord'n to be enforced amg various agencies' PA programs (b)

Working Policy -2

8. Evaluation of effectiveness will be carried out for the PA programs (c)

9. Relation/co-ordi'n will be increased with diff. gov./NGO agencies assisting in PA (c)

10. Gov./NGO's PA programs' coord'n & impl'tn will be made effective (c)

11. Areas for econ. prosperity will be identified/investment increased (c)

12.Poor HH will be identified & classified, & ID cards will be provided (c)

13. Conduction of prod'n oriented PA programs in diff area/ comm'ty(c)

14. Programs will be conducted targeting the rural and urban poors (c)

15. SSP will be studied, info-collected, profiled, and norms will be set. (c)

III. Major Programs -1

1. Development of PA-oriented technologies using the local resources and skills

2. With the preparation of PA policy and programs, production and employment programs that are targeted as per community and provinces

3. Prep'n of updates, application of one-window system and removal of overlap for the PA programs operated by the federal/ provincial/local/ donor/(i-)NGOs

4. Study and collect information about the different agencies SSP programs for preparing profiles, update database and prepare norms

5. Exp'n of the HH identif'n & ID card mgt & distrib'n; and for the identified HHs, conduction of targeted empowerment, capacity development and IG programs

6. Increasing the capacity and access to opportunities for the identified HHs, and updating the HHs about SS and identifications

7. Development of integrated system for funds (held by PAF, YSISEF, CDF and others) related to poverty for investing in the productive sector

III. Major Programs -2

8. Listing the PA programs run by Govt, Coops & NGOs, and the expansion of the successful, effective and good practices

9. Conduction of SDG-poverty related programs, & managing info. about other agencies' PA-related programs and monitoring

10. For the urban poverty reduction, increasing the IG, capacity development and access to opportunities

11. Profiling the PA-related legislations, and conduction of programs on legal awareness, capacity dev'nt and access to opportunities

12. Risk minimization & relief supply to poor HHs vulnerable to natural disaster/climate change, and ultra-poors, families and communities

13. Development of standards for basic minimum needs and thereby increased access to employment and opportinity.
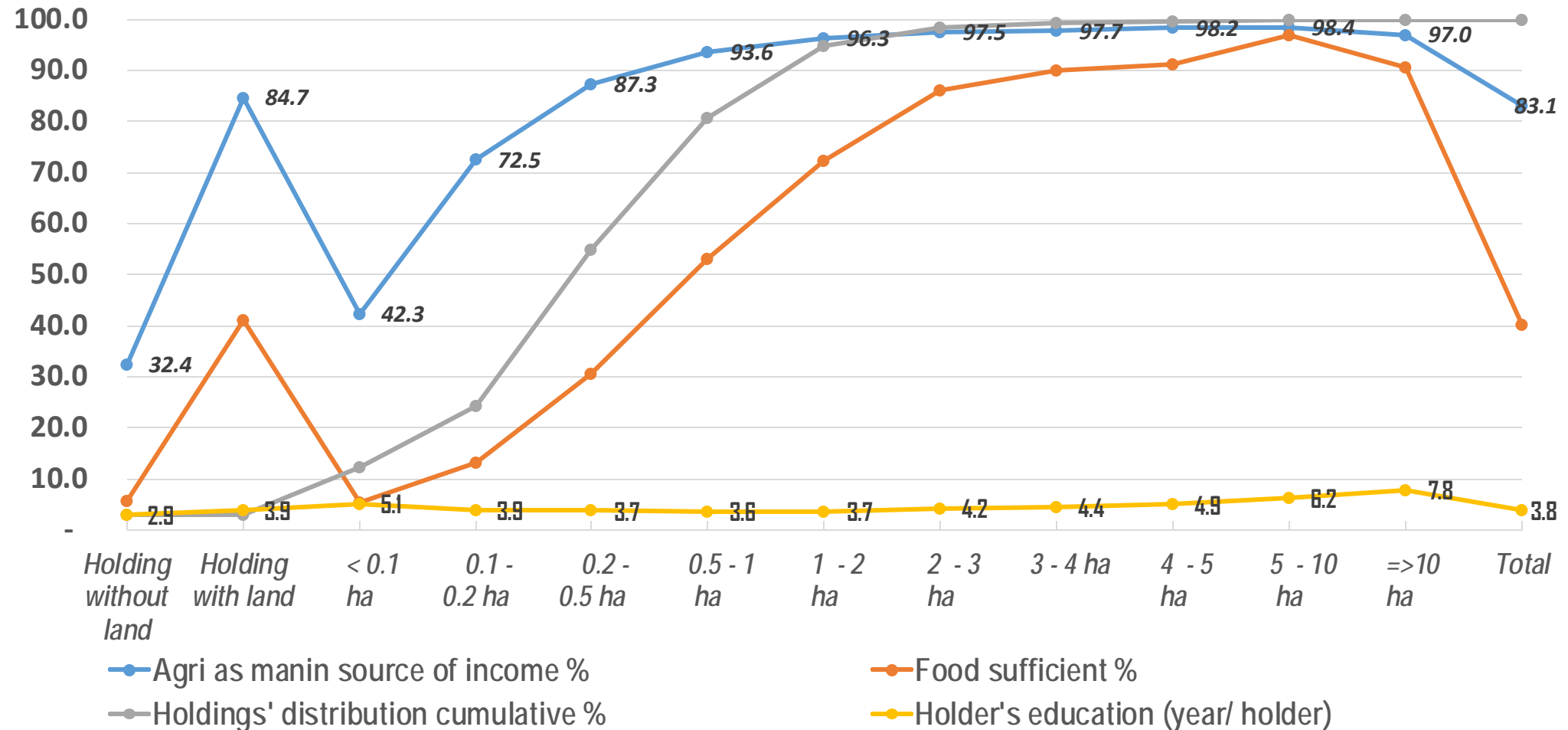
Issues by Production Sector

Issues by Industry: The Case of Agriculture

- Labor productivity and wages

- VA growth rates and rates of technical changes (endogenous theory of growth)

- Intervention areas

Agriculture: Structure, Function, & Capability

Farm size class and distribution, fand HH reporting food sufficiency, source of income, and education level

- Agri as manin source of income %
- Holdings' distribution cumulative %
- Food sufficient %
- Holder's education (year/ holder)

Agriculture: Growth Models, and Issues in Factor and Product Markets

- Product market: competitive?

- Labor market: low earnings

- Capital market: risk aversive

- Land market: institutional rigidity

- For. ex. market: unrealistic

- Technology/input market: low

NP_Agril value added per worker K-$ 2010

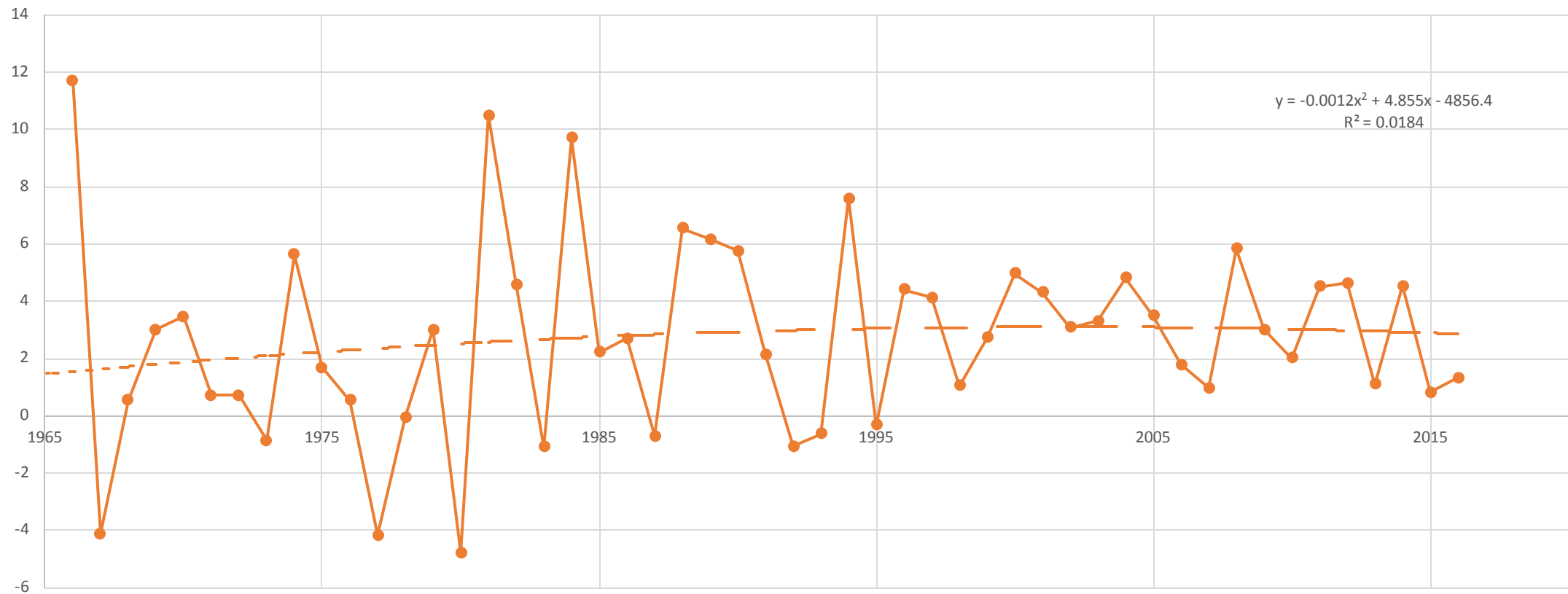$y = 3251.2\ln(x) - 24276$
$R^2 = 0.5544$
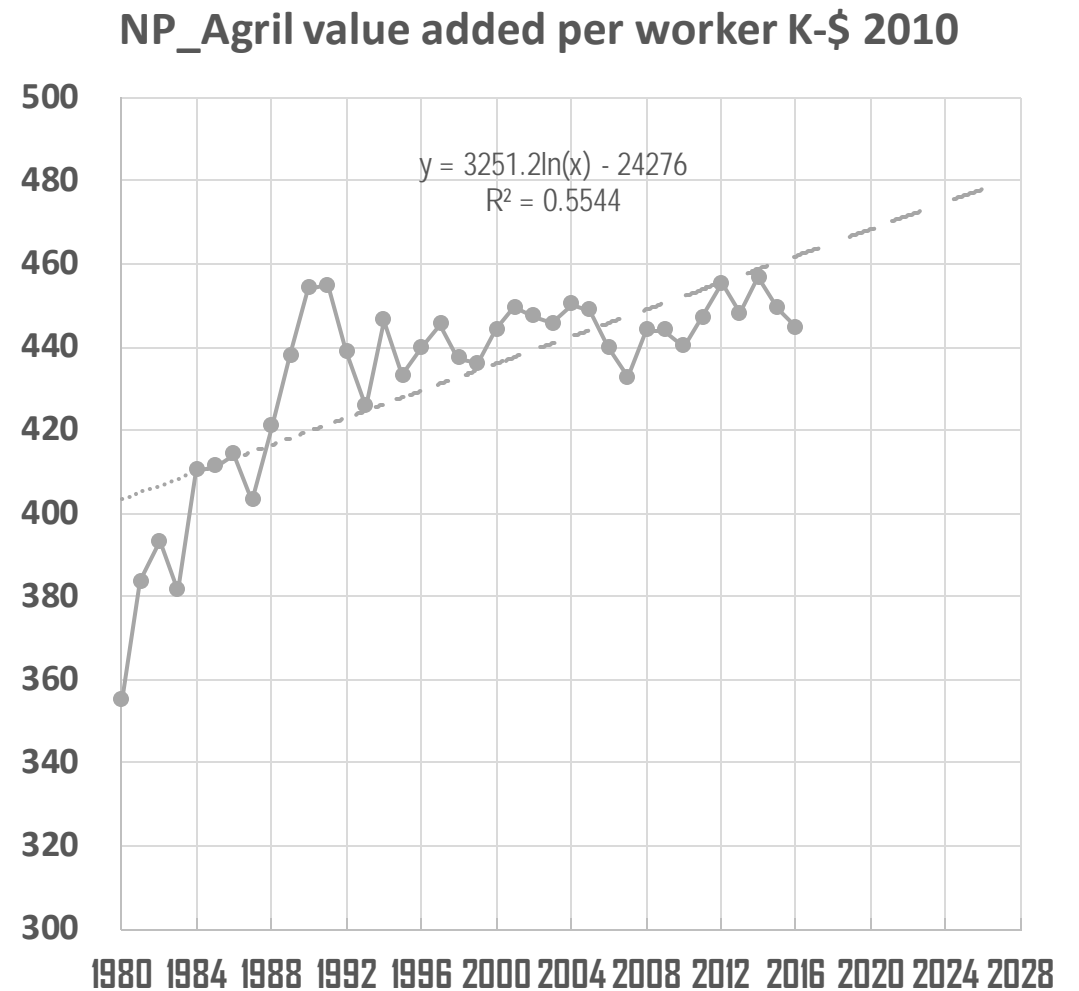
Poverty Reduction by Agricultural Growth: Endogenous Theory

- Index of GVA (not Agri-GDP)

- Index of primary factors: Land, labor, capital (irrigation, farm power):

  Livestock, aquaculture, forests remain to be added;

- Coefficients of factors, and their sums

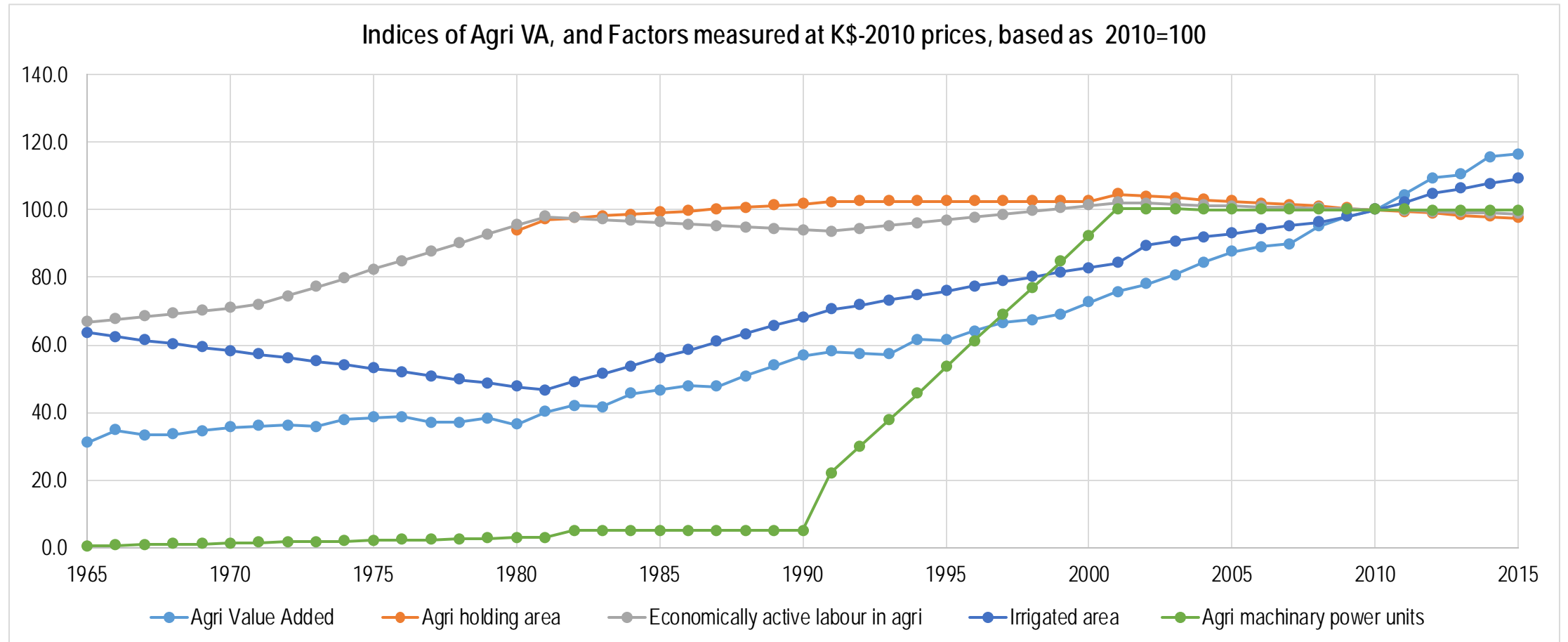- A decision on duration for analysis (1965-2016) into sub-periods?

Growth of Agricultural Value Added 1965-2016: Decelerating?

Agri growth rate (%/yr)

$y = -0.0012x^2 + 4.855x - 4856.4$
$R^2 = 0.0184$

Indices of Agri VA, and Factors of Production: Consistency?

Indices of Agri VA, and Factors measured at K$-2010 prices, based as 2010=100

Legend: Agri Value Added — Agri holding area — Economically active labour in agri — Irrigated area — Agri machinary power units

Total Factor Productivity in Agriculture: Accelerating?

TFP in Nepali agriculture 19650-2016 (2010=100)
{Land (α1=0.21), Labor (α2=0.34), Capital (α3=0.43); and ∑α=1.0)}

y = 0.0973x - 189.46
R² = 0.9042
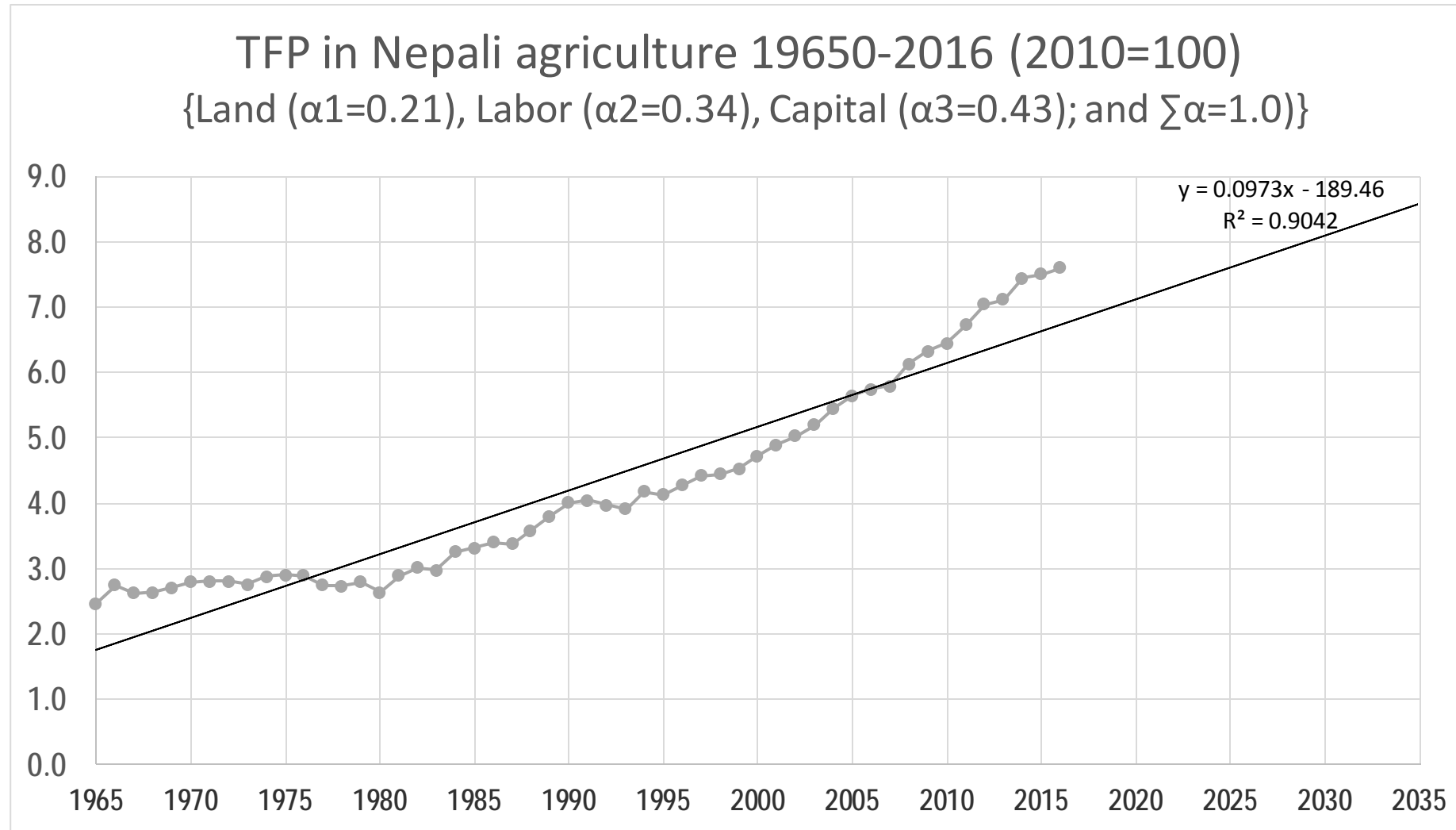
Factors Affecting TFP in Agriculture: (with ECM for GDP)

1. Effectiveness of education for farmers or agri-business community

2. Protection of land, and intellectual property rights

3. Favorability of labor market: skills, supply, productivity and wages

4. Macroeconomic stability: price-incentives, discount rate for innovations, tariffs, and exchange rates

5. Financial/insurance dev.: interest rates, deepening, and moral hazards

6. Market: free trade, competition among farms and firms, threats to entry

LR coeff.: dlnRXGDP = 0.112; dlnFSD= -0.035, dlnHGEN 0.007; dlnHTEC= 0.010; ECM-1= -0.296

Industry/Manufacturing: Lack of Transformation

- Dual sector economy with unlimited supply of labor
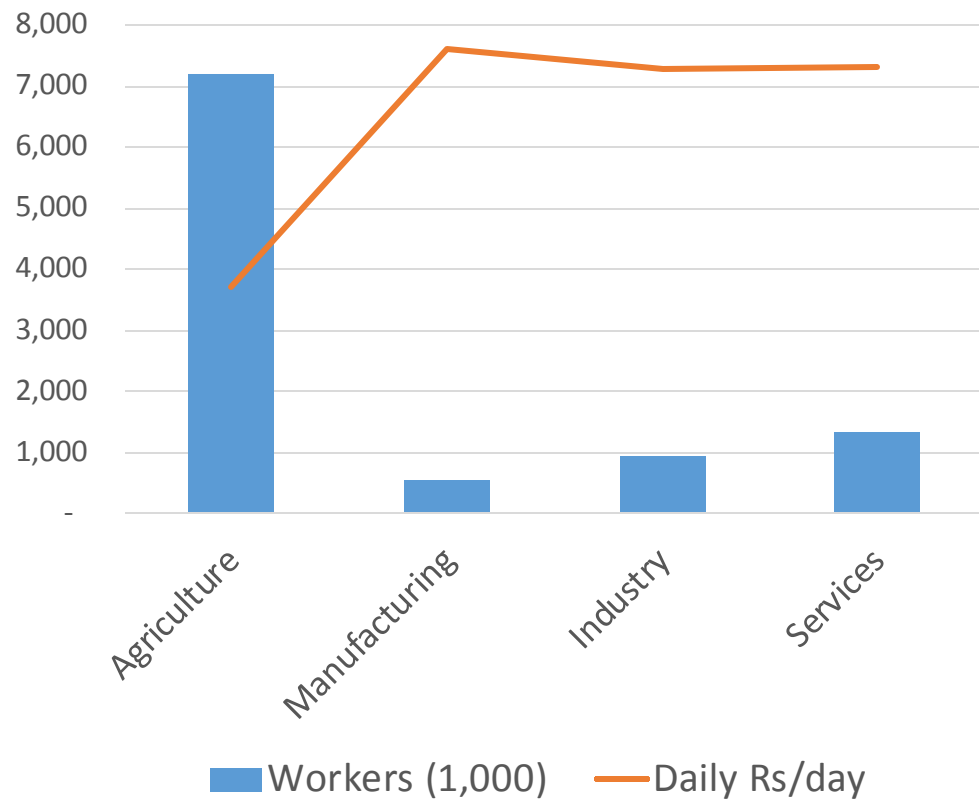
- Productivity and wages

- Issue wrt PA

Services Sectors: Unproductive Expansion

- Over expansion in relative shares of out put and employment
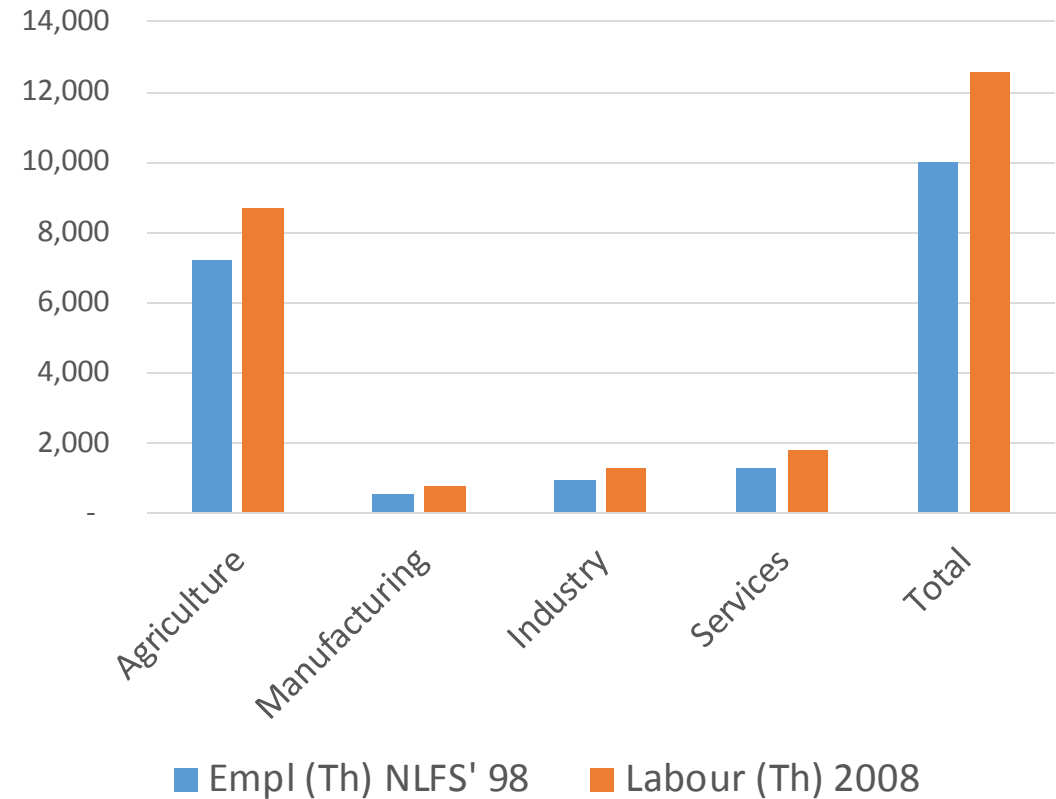
- Productivity and wages

- Issues wrt PA

Labor Market Development Programs (ALMP, PLMP)

(e-coef (l,w) = -3.1; r-sq 0.92; ref NLFS '98)

Labour uses, and wag rate; NLFS 1998

Labour uses in the domestic economy NLFS '98, '08

Labor Market Development Programs

- Out-migration of Nepali labor

- In-migration of Indian labor

- Labor skills, productivity, wages

- Issues
    1. International labor management
    2. Vocational skill development training
    3. Restoration of industrial peace
    4. Child labor minimization and prevention of nikrista child labor
    5. Occupational safety and health
    6. Statistics on unemployed labor
    7. Employment promotion programs

The Case of PAF (Poverty Alleviation Fund)

Contribution of PAF

- Present: coverage & graduation process (via Coops to NCDBL, SFDBL)

- Future strategy: PAF = 2E + FI + SP; for 2018-2030

- Target: 1.74 mn family

- Strategy: VCD_A

- Agency: PAF/PND Co/ PAB collaborate with LGs to co-opt MFIs, CBOs/chambers for CBDD & mkt-driven actions, mostly comm-corridors

- Cost: US$ 500 mn

Conclusions, Lessons and Messages (suggestive)

Conclusion, Lessons & Take Home Messages - i

1. Poverty HCR in Nepal ranges from about 21% to 50% depending the approaches and thresholds for minimum welfare; the legislations require to address PA comprehensively

2. Poverty HCR in the region (India, Nepal, B'desh, Pakistan, China) declined with a coefficient of (-) 0.68 % pts/unit of GDP growth rate %/yr, 1961-2016. Nepal's constraints to econ. growth may be eased with:

   - choice of a proper dev model wrt agency, surplus labor, econ structures,

   - macro-econ mgt for price-inflation, boost savings, investment (incl FDI),

   - Realistic exchange rates

   - Mgt of international trade wrt import-based revenue policy, open border, low tariffs

Conclusion, Lessons & Take Home Messages - ii

3) PA strategy, working policies and programs principally follow the livelihood approach, and lack a vision for transformation. The ad-hoc, discrete and sporadic PA projects need to be replaced by national flagship programs for human capability dev around the following issues.

- Concepts/ dimensions of poverty,

- structure of economy,

- occupational mobility upwards.

4) Agri transformation is slow pending innovation and technology: TFP growth rate is about 2.%/yr. Nearly 50% of agri-labor needs to be transferred mainly to manufacturing sector. The agril wage rates have stagnated owing to low farm productivity, and needs to be resolved through mechanization, and other technological progress. Investment on farmers' education and entrepreneurship should prime priority

Conclusion, Lessons & Take Home Messages - iii

5) De-industrialization need to be overcome for quality PA programs with:
- entrepreneurships,
- industrial peace, and labor skills,
- new technology,
- SMEs
- intermediate inputs, and
- export promotion.

6) Service sector contributed to cushion failure of agri & industry, but its over-expansion is temporary, less-dignified. Nevertheless, share of services in GDP/ employment may rise due to higher wages.

6) Labor market dev programs have capitulated to exporting labor, where the skill & employment programs need much needed boost

Conclusion, Lessons & Take Home Messages - iv

7) PAF has created a big momentum of PA through social capital covering the targeted 0.9 mn hh to halve the poverty depth and destitution, and to set a stage for VCD_A.

> PAF proposes to transform itself into a PND Co or a PA Bank Ltd, and collaborate with the LGs, NCDB/SFDBL & line agencies' front lines for coopting the MFI, CBOs and FNCCI chambers to expand its social business, pvt enterprises and employment skills covering about 1.74 mn hh at a cost of US 500 mn over 2018-2030; it deserves support by all agencies at home and abroad.

Thank You