

Poverty & Equity Brief

South Asia

Nepal

April 2020

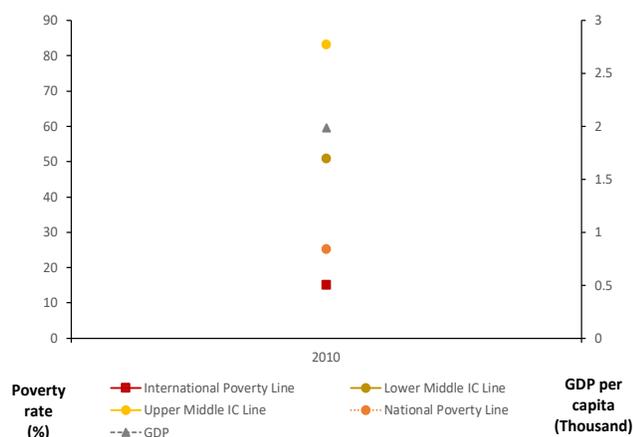
The poverty headcount, calculated at the national poverty line was 42 percent in 1995, which gradually declined to 31 percent in 2003 and 12.5 percent in 2010. The significant reduction in poverty revealed by the three Nepal Living Standard Surveys and increase in mean per capita expenditure led the government to revise the poverty line to better reflect living standards. With the revised poverty line which increased in the real value of the poverty threshold by 35 percent, the poverty rate in 2010 was estimated to be 25 percent. For the same year, the poverty rate was estimated to be 15 percent as measured by the international poverty line (PPP \$1.9/day). In 2018, the Multidimensional Poverty Index (MPI) reported that about 28 percent of Nepal's population was multidimensionally poor. Updated figures on monetary poverty in Nepal that reflect the aftermath of the 2015 earthquake, as well as a trade disruption, will be available once the analysis of the Annual Household Surveys (2013/14-2016/17) is finalized.

Now, with the COVID-19 pandemic, as well as the negative outlook for the global economy, a significant share of vulnerable households face the risk of falling back into poverty. The impact on poverty for Nepal is likely to be high due to three main channels. First, poverty reduction in Nepal has traditionally been aided by high rates of international remittances, which have been received by poor and non-poor households alike. Half of households at all points in the consumption distribution reported the receipt of remittances by 2011. Remittances also directly accounted for 27 percent of all poverty reduction from 1996 to 2011. With remittances at 25.4% of GDP in 2019, the current restrictions on the entry on migrant workers into GCC countries as well as other receiving countries such as Malaysia and South Korea will pose a significant risk to welfare. In addition, a weak economic outlook in the destination countries could have an independent effect on current migrants' earnings and remittance receipts. Second, the structure of the economy remains dominated by agriculture and increasingly informal services. While agriculture could provide a buffer in the short-terms, informal services are likely to be impacted negatively through both the income and price channels. In addition, the negative outlook for tourism sector (which is a major domestic employer) is likely to have direct and severe impacts on welfare of both households and small businesses. Finally, households in Nepal remain vulnerable to natural disasters, remittance income slowdowns, and health shocks--with the risk of the latter two being particularly high in the short and medium terms following the COVID-19 crisis.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	6.8	25.2	2010
International Poverty Line 45.5 in Nepalese rupee (2010) or US\$1.90 (2011 PPP) per day per capita	4.1	15.0	2010
Lower Middle Income Class Poverty Line 76.7 in Nepalese rupee (2010) or US\$3.20 (2011 PPP) per day per capita	13.7	50.9	2010
Upper Middle Income Class Poverty Line 131.7 in Nepalese rupee (2010) or US\$5.50 (2011 PPP) per day per capita	22.4	83.0	2010
Multidimensional Poverty Measure		28.2	2010
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		7.35	2003-2010
INEQUALITY			
Gini Index		32.8	2010
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		3.58	2003-2010
GROWTH			
Annualized GDP per capita growth		3.24	2003-2010
Annualized Consumption Growth per capita from Household Survey		3.76	2003-2010
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		6.69	2003-2010

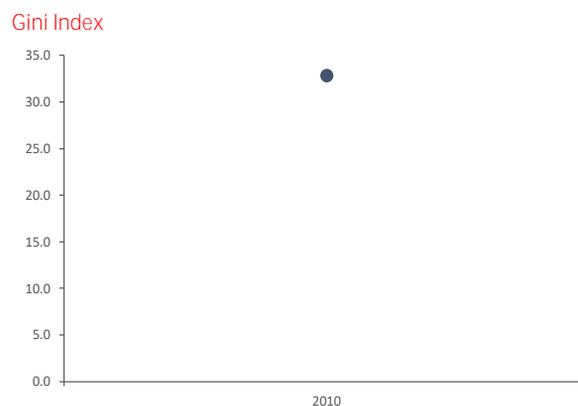
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2010



Source: World Bank using LSS-III/SARMD/GMD

INEQUALITY TRENDS, 2010



Source: World Bank using LSS-III/SARMD/GMD

KEY INDICATORS

Distribution among groups: 2010	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures (% of people):	2010
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	91	9	26	74	Monetary poverty (Consumption)	
Rural population	84	16	43	57	Daily consumption less than US\$1.90 per person	15.0
Males	85	15	39	61	Education	
Females	85	15	40	60	At least one school-aged child is not enrolled in school	9.5
0 to 14 years old	80	20	49	51	No adult has completed primary education	28.6
15 to 64 years old	88	12	34	66	Access to basic infrastructure	
65 and older	89	11	34	66	No access to limited-standard drinking water	16.8
Without education (16+)	83	17	44	56	No access to limited-standard sanitation	47.3
Primary education (16+)	88	12	38	62	No access to electricity	31.5
Secondary education (16+)	96	4	18	82		
Tertiary/post-secondary education (16+)	100	N/A*	N/A*	97		

Source: World Bank using LSS-III/SARMD/GMD

Source: World Bank using LSS-III/SARMD/GMD

Notes: N/A missing value, N/A* value removed due to less than 30 observations

POVERTY DATA AND METHODOLOGY

In Nepal, the Central Bureau of Statistics (CBS) produces the poverty estimates based on the Nepal Living Standard Survey (NLSS). The national poverty line for Nepal estimated at Rs 19,262 per person per year in 2010, is an absolute poverty line based on the cost of basic food and non-food needs. International poverty estimates are based on the international poverty line of \$1.90 per person per day in US dollars, converted to Nepali rupees using the 2011 Purchasing Power Parity.

The last national poverty update in Nepal, in 2010, was based on the 2010 Nepal Living Standard Survey. While the data from the next round of the survey are unlikely to be available until the end of 2020, the CBS has conducted five rounds of the Annual Household Survey (AHS) from 2012-13 to 2016-17. Meanwhile, the World Bank plans to prepare the poverty update report using the recent AHS before the release of the next national poverty rate estimates from NLSS-IV. In 2017, the Government of Nepal announced the Multidimension Poverty Index (MPI) as an official national poverty measure aligned with the Sustainable Development Goals to complement consumption-based poverty.

HARMONIZATION

The numbers in this report are based on SARMD. The South Asia Micro Database (SARMD) is a regional database of socio-economic indicators established in 2014 managed by SARTSD. It includes 40 surveys covering 8 countries. It follows the Global Monitoring Database (GMD) Harmonization guidelines, including the construction of the welfare aggregate which is used for the Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.