

Poverty & Equity Brief

South Asia

Nepal

April 2023

Over the last decade, Nepal made significant progress in access to services, as well as health and education. Access to electricity rose from 76 in 2011 to 90 percent in 2019, and over 90 percent of households in 2019 reported access to improved water and sanitation. Infant mortality decreased from 10 deaths per 1,000 live births in 2014 to 6 in 2019, alongside improvements in literacy and school enrollment rates. Nepal's official Multidimensional Poverty Index (MPI), a measure of deprivation in non-monetary indicators, also reports a substantial decrease from 30.1 to 17.4 percent over the period 2014-2019.

Despite these improvements, high rates of vulnerability to falling back into poverty and extreme poverty (45 percent in 2010), and exposure to shocks remain an enduring characteristic of welfare in Nepal. Over the last decade, these shocks included the Gorkha earthquake and fuel crisis in 2015, floods in 2017, landslides, and the COVID-19 pandemic in 2020. COVID-19 induced substantial jobs and income losses, with 2 in every 5 workers affected, and the recovery has been slow and uneven, with women (69 percent relative to 83 percent for men) and those in agriculture and lower-skill occupations (65 and 73 percent) recovering more slowly. This recovery is also taking place in a context of a weak domestic labor market that relies overwhelmingly on informal and subsistence jobs and limited social assistance for the poor. Six months into the COVID-19 crisis, only 2 percent of households reported receiving any additional public assistance despite the severity of the impacts.

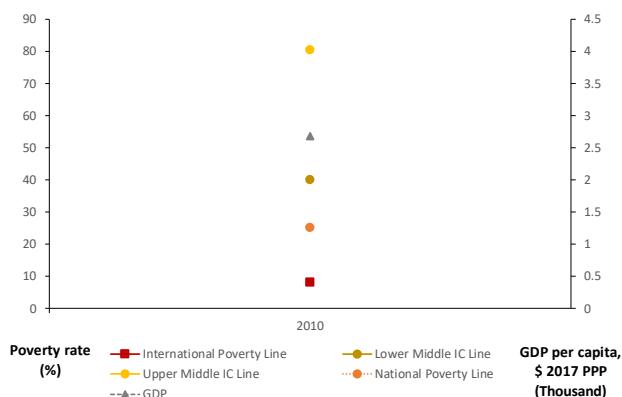
The labor market recovery has also been volatile. Analysis based on the second round of the SAR COVID-19 phone monitoring surveys suggests that the economic contraction induced by the pandemic had continued impacts on the labor market, even 18 months after the crisis. In the medium term, 30 percent of workers who recovered a job experienced more than one employment transition: recovered jobs were of lower quality (23 percent); and resulted in lower earnings (53 percent) compared to jobs that were lost. Amongst workers who were yet to recover jobs, 68 percent were discouraged, i.e. reported not actively looking for a job even though they wanted one. Amongst these individuals, a third reported extreme difficulty in meeting basic food and housing expenses. This group also reduced human capital investments: 8 percent reported reduced school enrollment in their household, and 11 percent reported that a child under 2 missed at least one essential vaccination since March 2020.

A decade-long gap in the production of official data on poverty in Nepal has made it difficult to assess the impacts of these shocks on economic welfare. Poverty in Nepal was last measured in 2010. The poverty headcount, calculated at the national poverty line, was 42 percent in 1995, declined to 31 percent in 2003, and 12.5 percent in 2010. These improved living standards led to the revision of the national poverty line, which increased the real value of the poverty threshold by 35 percent, resulting in an estimated 25 percent poverty rate in 2010. At the international extreme poverty line (\$2.15/day at 2017 PPP), the poverty rate was 8.2 percent; and overall inequality was fairly low with a Gini index for consumption of 33 in 2010. The fourth Nepal Living Standards Survey, which will be completed in June 2023 will be used to update official poverty measures.

	Number of Poor (million)	Rate (%)	Period
POVERTY			
National Poverty Line	6.8	25.2	2010
International Poverty Line 38.8 in Nepalese rupee (2010) or US\$2.15 (2017 PPP) per day per capita	2.2	8.2	2010
Lower Middle Income Class Poverty Line 65.8 in Nepalese rupee (2010) or US\$3.65 (2017 PPP) per day per capita	10.9	40.0	2010
Upper Middle Income Class Poverty Line 123.6 in Nepalese rupee (2010) or US\$6.85 (2017 PPP) per day per capita	21.8	80.4	2010
Multidimensional Poverty Measure	26.5		2010
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent	8.28		2003-2010
INEQUALITY			
Gini Index	32.8		2010
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth	3.60		2003-2010
GROWTH			
Annualized GDP per capita growth	3.51		2003-2010
Annualized Consumption Growth per capita from Household Survey	4.68		2003-2010
MEDIAN INCOME			
Growth of the annual median income/consumption per capita	7.62		2003-2010

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of April 2023, and Global Monitoring Database for the rest.

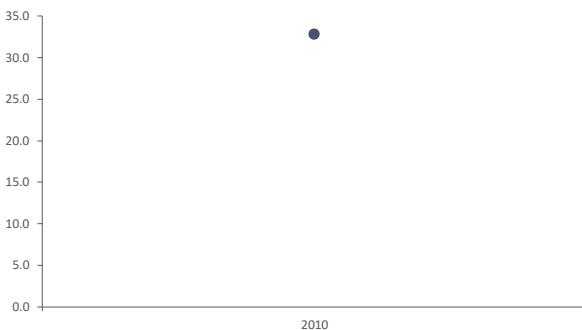
POVERTY HEADCOUNT RATE, 2010



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

INEQUALITY TRENDS, 2010

Gini Index



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

KEY INDICATORS

Distribution among groups: 2010	International Poverty Line(%)		Relative group (%)		Multidimensional Poverty Measures: 2010	(% of population)
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	95	5	26	74	Monetary poverty (Consumption)	
Rural population	91	9	43	57	Daily consumption less than US\$2.15 per person	8.2
Males	92	8	39	61	Education	
Females	91	9	40	60	At least one school-aged child is not enrolled in school	9.5
0 to 14 years old	89	11	49	51	No adult has completed primary education	28.6
15 to 64 years old	94	6	34	66	Access to basic infrastructure	
65 and older	94	6	34	66	No access to limited-standard drinking water	16.8
Without education (16+)	91	9	44	56	No access to limited-standard sanitation	66.7
Primary education (16+)	93	7	38	62	No access to electricity	31.5
Secondary education (16+)	98	2	18	82		
Tertiary/post-secondary education (16+)						

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 \$2.15 per person per day in 2017 US dollars, converted to Nepali rupees using the 2017 Purchasing Power Parity, which translates to 38.8 Nepalese rupees in 2010.

The last national poverty update in Nepal, in 2010, was based on the 2010 NLSS. The Annual Household surveys implemented from 2012-13 to 2016-17 by the Central Bureau of Statistics, which included data on consumption expenditures, were not used to update official estimates of monetary poverty in Nepal. The next poverty update is expected to come from the fourth round of the Nepal Living Standards Survey (NLSS IV), which was launched in June 2022 with an updated sample frame from the 2021 Census. This ongoing 12-month survey will be used to update national poverty estimates, and the first provincial poverty estimates following the transition to federalism.

In 2017, the Government of Nepal also announced the Multidimension Poverty Index (MPI) as an official measure of non-monetary poverty aligned with the Sustainable Development Goals.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See ppp.worldbank.org.

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.