

# Poverty & Equity Brief

South Asia

## Nepal

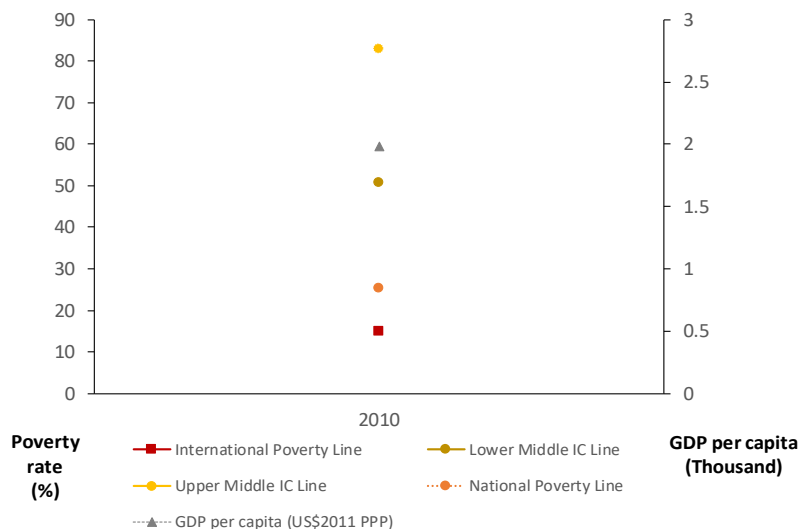
April 2019

The three most recent Nepal Living Standard Surveys (1995–96, 2003–04, and 2010–11) showed impressive poverty reduction in Nepal. The poverty headcount, calculated at the national poverty line was 42 percent in 1995, but declined subsequently to 31 percent in 2003 and to 12.5 percent in 2010. This record led the government to revisit and raise the poverty line to better reflect living standards. Even with the revised poverty line, which increased in real value by 35 percent from the previous line, the poverty rate in 2010 was estimated to be 25 percent while it was estimated to be 15 percent as measured by the international extreme poverty line in the same year. The ongoing analysis of the Annual Household Surveys (2013/14 – 2016/17), to be completed by May 2019, will provide updated pictures of Nepal's poverty in the aftermath of the 2015 earthquakes and the trade disruption. According to the Multidimension Poverty Index (MPI) report published in 2018, about 29 percent of Nepal's population is multidimensionally poor. Nepal remains predominantly rural and highly dependent on agriculture. The rural share of the population (81 percent) and the share of the labor force in agriculture (73 percent) are the highest in the region as of 2016, according to the World Development Indicators. Since poverty in Nepal is a predominantly rural phenomenon, improving agricultural productivity is instrumental to improving living conditions of Nepal's impoverished rural areas. Yet most poverty reduction is due to improvements in economic opportunities for poor Nepalis abroad. Decomposition exercises show that poverty reduction in Nepal between 1995 and 2010 was mainly driven by significant increases in remittance receipts as well as by rising domestic labor income, earned particularly in the non-agricultural rural sector. Between 2003 and 2010, mean per capita expenditure grew at 3.76 percent per annum. For those in the bottom 40 percent of the wealth distribution, the analogous growth rate was higher at 7.35 percent. Consumption grew almost twice as fast as consumption among the top 60 percent. Inequality as measured by the Gini index was 32.8 in 2010, which is relatively low compared to other countries in the region.

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	4.0	15.0	2010
Lower Middle Income Class Poverty Line 76.6 in Nepalese rupee (2010) or US\$3.20 (2011 PPP) per day per capita	13.7	50.8	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
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		3.2	2003-2010
Annualized Consumption Growth per capita from Household Survey		3.76	2003-2010

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of March 2019, and Global Monitoring Database for the rest.

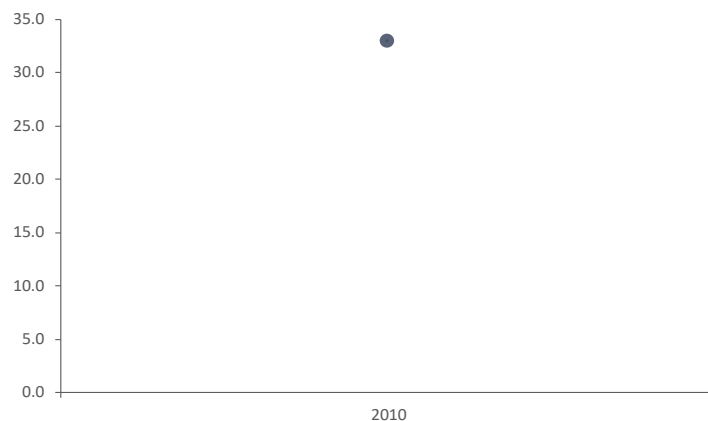
## POVERTY HEADCOUNT RATE, 2010



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)

	International Poverty Line (%)		Relative Group (%)		Year
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	91	9	26	74	2010
Rural population	84	16	43	57	2010
Males	85	15	40	60	2010
Females	85	15	39	61	2010
0 to 14 years old	80	20	49	51	2010
15 to 64 years old	88	12	34	66	2010
65 and older	89	11	34	66	2010
Without education (age 16 and older)	83	17	44	56	2010
Primary education (age 16 and older)	88	12	38	62	2010
Secondary education (age 16 and older)	96	4	18	82	2010
Tertiary/post-secondary education (age 16 and older)	100	0	3	97	2010

Source: World Bank using Global Monitoring Database

## POVERTY DATA AND METHODOLOGY

National poverty estimates in Nepal are produced by the Central Bureau of Statistics (CBS) based on the Nepal Living Standard Survey (NLSS). Nepal's national poverty line, 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 2019, the CBS has conducted five rounds of the Annual Household Survey (AHS) from 2012-13 to 2016-17. Before the release of the next national poverty rate estimates from NLSS-IV, the World Bank plans to prepare the poverty update report using the recent AHS. 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 compliment 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.