

## **Policies for reducing horizontal inequalities in post-conflict Nepal**

**Bishwa Nath Tiwari**<sup>††††</sup>  
Tribhuvan University

**Steven Archambault**<sup>‡‡‡‡</sup>  
University of New Mexico

**Introduction:** Unequal development outcomes across different social and cultural groups in Nepal offered a basis for the Maoists to sensitise and mobilize excluded caste and ethnic groups for conflict in Nepal from 1996 to 2006. The social and economic situation of excluded castes and ethnic groups has not seen significant improvement since then. The state must end exclusion and reduce inequalities implementing pro-excluded group policies to prevent a conflict relapse. The research method adopted here is to present various socio-economic and political participation indicators across caste and ethnic groups to find out how unequal the groups, based on the concept of horizontal inequalities (HIs). HI is inequality between culturally defined groups with shared identities that are formed by religion, ethnicities, racial affiliations, or other salient features which bind groups of people together.<sup>§§§§</sup> To study the inequalities, secondary data has been used from the following surveys: Population census 1991 and 2001, Nepal living standards survey (NLSS) 1995/96 and 2003/04, and Nepal Demographic and Health Survey (NDHS) 2006. Additionally, political participation is compared for 1999 and 2005 extracting data from two sources<sup>\*\*\*\*\*†††††</sup>. The reason for choosing different base and reference years for various indicators is a lack of required data for a single year. The paper discusses current government efforts to reduce inequality and presents several policy recommendations for effectively reducing HIs.

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<sup>††††</sup> Professor, Central Department of Economics, Tribhuvan University, Kirtipur, Kathmandu, Nepal

<sup>‡‡‡‡</sup> Doctoral student, Department of Economics, University of New Mexico, USA

<sup>§§§§</sup> Stewart, Frances. 2000. 'Crisis Prevention: Tackling Horizontal Inequalities', *Oxford Development Studies*, Vol 28, No. 3, PP. 245 – 262.

<sup>\*\*\*\*\*</sup> Lawoti, Mahendra. 2002. *Exclusionary Democratization: Multicultural Society and Political Institutions in Nepal*. University of Pittsburgh, Pittsburgh

<sup>†††††</sup> Neupane, Govinda. 2005. *Nepalko Jatiya Prashna: Samajik Banot ra Sajhedariko Sambhawana* (in Nepali) – The Caste and Ethnicity Question: Caste and Ethnicity Structure and Possibility of Partnership. Centre for Development Studies, Kathmandu

**Unequal development outcomes – Poverty and inequality:**

Poverty in Nepal varies widely by both areas, and caste and ethnicity. The 2003/04 NLSS indicates that the poverty rate ranged from a low level of 3% in urban Kathmandu to as high as 45% in the Mid-Western Development Region, where the Maoist conflict started. Variation was greater between caste and ethnic groups. Only 19 % of Newar were poor compared to 58% of Dalits in 1995/96. The poverty rate among Janajatis ranged from 49% in the Hills to 53% in the Terai. Only three caste and ethnic groups had a poverty rate of one third or less; all others had a poverty rate above the national average of 42% in 1995/96. The situation was not different in 2003/04: Dalits were at the bottom with the highest rate (45.5%), and Newar were lowest (4%). Observed decreases in poverty incidence were uneven: large decreases in advantaged castes, like Brahmin, Chhetri and Newar, whereas there was little among some Janajati, Dalits and Muslims. Among the Janajatis, the decrease varied widely, with a higher decrease among Terai Janajati compared to Hill Janajati. Apart from incidence, the depth and severity of poverty was also higher among Dalits and certain Janajatis. In spite of a decrease in poverty incidence across all caste and ethnic groups, there remained a high gap in the poverty rate between them. Dalits, Muslims and some indigenous peoples were the most deprived groups in 1995/96, and they were again in 2003/04. Like the poverty rate, income and consumption levels also varied widely across different caste and ethnic groups.

**Inequality in social outcomes – Literacy and educational**

**attainment:** Those who are poor also lack capability. The literacy rate was also found highly unequal: only 11% of Terai Dalits were literate compared to 59% of Terai Brahmin and Chhetri in 1991. The situation has not improved even after a period of a decade in 2001. In fact, between 1991 and 2001, the increase in literacy rate hovered between 10 and 14% for most of the caste and ethnic groups, with Terai Dalits registering the lowest increase of 10%. Such inequalities prevail even in recent years. For example, the 2006 NDHS enumerated 81% of adult males as literate versus only 55% of females. The gap further widens at secondary and higher level of education: only 29% of females versus 54% of males.

**Unequal participation in state and non-state organs:**

The sharing of power or influence is unequal across individuals and cultural groups. Even in today's Nepal the power of an individual is governed not only by personal capabilities but also where one is born, which caste and ethnic groups one belongs to, or whether one is a female or male. Thus,

men of Hill Brahmin/Chhetri group and Newars dominate all three organs of state – legislature, executive and judiciary – and also non-state organs, like political parties, industrial, commercial, academic, professional, cultural, science and technology, and civil society organisations. The Brahmin, Chhetri, Thakuri and Sanyasi (BCTS) with a less than one-third of population shared about three-fourth positions of the Supreme Court and council of ministers. Newar and BCTS held about 90% of top positions in prominent Nepali NGOs and human rights groups in 1999. They comprised 80% of media elite including editors, publishers and columnists.

The predominance of the Brahmin/Chhetri group in the bureaucracy has increased from 70 to 90% between 1985 and 2002, whereas Muslims and Dalits are almost invisible in the government posts. Among higher-level officers in the police, 79% came from the Brahmin/Chhetris, 13% from Janajatis, 11% from Newar and 0.5% from Dalits. <sup>\*\*\*\*</sup> One of the reasons Dalit, Janajatis and women are under-represented in these institutions is that their representation in political parties was nominal, owing to cultural discrimination, among others. <sup>§§§§</sup> These inequalities between groups, or HIs, have further reinforced exclusion. In fact, exclusion and inequalities reinforce each other.

**Root causes of social exclusion and inequality – Caste and ethnicity-based discrimination:** At the root of exclusion lies the caste-based discrimination that originated during the 17<sup>th</sup> century when the Shah rulers of Nepal relied on caste hierarchies to consolidate diverse people into a nation-state. Further institutionalization of the system occurred under the Rana regime 1846–1951. *Muluki Ain*, the National Code of 1854, provided legal basis of such a caste-based hierarchy and made provisions of different incentive structures and obligations to each caste and sub-caste within the system.

**Narrow confines of Nepali identity:** Nepali Nationalism lacked respect for pluralism. The psychological distance between some castes,

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<sup>\*\*\*\*</sup>Deva A. 2002. *Study of Police Public Interaction with Reference to Weaker Sections of Society*. Report submitted to DANIDA/HUGOU, Kathmandu.

<sup>§§§§</sup>However, after April Janadolan 2006, the successive governments have been implementing inclusive policies which improve the representation of Dalits, Janajatis and Madhesi, and women in constituent assembly (CA) and bureaucracy. A list of such measures appears in UNDP/Nepal 2009. Now one-third of the 601-member CA in Nepal is women.

especially those of Madhes, and ethnic groups from Hills and the Nepali state and other citizens, was aggravated by discriminatory policies enacted in the 1950's and 1960's which codified the *Pahadi* (hill people) cultural norms embodied in the Panchayat slogan of “*ek desh, ek bhasha, ek bhasa*” (“one country, one dress, one language”). This “one-religion-one-language-one-culture policy” of the state created cultural exclusion through a lack of national recognition of other religions, languages, cultural symbols. It marginalized indigenous and minority languages, alienated Madhesis, and enabled the Nepali state to enforce its Hindu politics.

**Political exclusion or unfair political participation:** Political exclusion of excluded groups in state and society create inequalities, and make them sustain in other dimensions. In the absence of fair representation in the state organs, policies were not either pro-excluded or were not effectively implemented even if they were pro-excluded. The cultural discrimination and political exclusion give rise to several immediate causes of inequality; chief among them are discussed here.

**Differential access to opportunities and assets:** The historical legacy translated into differentiated capability and social and economic opportunities and created a social environment where certain occupations have been considered appropriate for excluded groups and others not. Dalits, Muslim and certain groups of Janajati were denied of taking profitable and respectable enterprise; a similar situation continues to a lesser extent today. Dalits have been assigned with menial works such as tailoring, black/gold smiths and cobblers, whereas Brahmin has been assigned with the task of learning and teaching. The untouchability puts limits on the freedom of Dalits to open an enterprise relating to food items or opening a restaurant.

**Wide gap in the attainment of education and health services:** Past deep-seated culture and tradition is a driver of the significant differences in the educational attainment between caste and ethnic groups, and between men and women. Women and also men of certain excluded groups have relatively lower education levels, receive a low quality education, and usually have limited access to vocational training opportunities. The practices of untouchability have been strong in health, education and other social sectors, especially in remote rural areas.

**Differences in employment opportunities:** Lower level of educational attainment of excluded groups is a very serious impediment to them to access employment opportunities. Rich people in Nepal are educated, they work outside agriculture or have agriculture only as a subsidiary occupation, and they are mostly professional and administrative workers. On the other hand, Janajati, with their 37% share in population in 2001, held only 3% of professional and technical positions and only 0.5% of administrative positions. Dalits have a 12% share in population, but only comprise 3% of professional workers and 0.3 % of administrative workers. Dalits have higher share in professional position than Janjati, because Dalits run their own enterprises, including sewing, shoe making and iron related activity. The shares of these two groups has somewhat improved from 1996 to 2001, but the improvement is still far below their share in population.

**Differential access to assets:** As high as 78 % of agricultural households in rural areas own some cultivated land but the size is usually quite small. Only 27 % cultivate more than one hectare. Most productive lands are owned by a handful of landlords who have a large number of tenant farmers. Most tenants do not have legal tenancy rights over the land they cultivate. With the state-sponsored policy of Hill migration, migrants acquired tribal lands. In some cases whole villages of Tharus moved to other forested lands.

**Government's recent efforts for addressing horizontal inequalities – Ending cultural discriminations:** After restoration of democracy in 1990, the Constitution of Nepal 1990 has been progressive on several fronts including the cultural ones; however, it has reinforced the message that Nepal is a Hindu Kingdom. But, the Interim Constitution 2007 is highly progressive and has several provisions to end such discriminations, including the following: 1) Nepal as a secular rather than Hindu state. 2) Nepali has been accepted as official language and all other languages as national languages. 3) Broadcast of news and other programmes in other languages apart from Nepali; and provision of textbooks up to primary level in some other languages. 4) Provision for holidays in major festivals of excluded caste and ethnic groups. 5) No discrimination in the provision of public services on the basis of gender, caste, ethnicity, and religion, among others.

**Reducing socio-economic inequality:** Although the issue of social inclusion was explicitly recognized for the first time in the Tenth

Plan/Poverty Reduction Strategy Paper (2002/03 – 2006/07), only 6 % of the total budget was allocated to social inclusion, and the plan failed to mainstream inclusion, by having programs with only narrow coverage and non-quantitative targets and by having no adequate system of regular monitoring and evaluation. \*\*\*\*\* The recently formulated Three Year Interim Plan (TYIP), which is in the last year of implementation, is cognizant of the relationship between inequality and conflict, and its main objective is to bring about perceptible improvements in the lives of general public by reducing existing unemployment, poverty and inequalities and thereby contributing to long lasting peace in the country. After April Janadolan (movement) 2006, the successive governments have been implementing inclusive policies. The representation of Dalits, Janajatis, Madhesi, and women in the constituent assembly (CA) and bureaucracy has improved; a list of such measures appears in UNDP/Nepal 2009. †††††

### **A. Policy recommendations for reducing socio-economic horizontal inequalities**

**1. Auditing of development policies to ensure gender and social inclusion.** To avoid negative impact of development policies on excluded groups and to assure that they contribute towards greater social inclusion, the government and non-government organizations must audit their development policies and programmes in terms of their effect on excluded groups. The practice of gender auditing is slowly being initiated in some sectors. This should be extended to cover all sectors and all other excluded groups.

**2. Affirmative action.** Affirmative action is necessary in the short term to enhance social inclusion. The Civil Service Act and recruitment policy of police force have recently adopted affirmative action; there are now more Dalits recruited in police force than in any other government sub-sector. Affirmative action should be extended to other public sector employment including among schoolteachers.

**3. Fiscal policies.** The existing HIs have shown that the ultimate

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\*\*\*\*\* Tiwari, Bishwa Nath. 2004. 'An Appraisal of Poverty Reduction Strategy in Nepal', in Madan K Dahal (ed). *Nepalese Economy: Towards Building a Strong Economic Nation-State*. Central Department of Economics, Tribhuvan University and New Hira Books Enterprises, Kathmandu

††††† UNDP/Nepal: *Nepal Human Development Report 2009: State transformation and Human Development*. United Nations Development Program, Nepal

impact of fiscal policies had not been favorable to socially excluded groups in the past. Therefore, such policies should consciously make efforts for reducing inequities. First, increase allocations to programs specifically targeted to women and excluded groups. Second, make income tax policy more progressive and strengthen enforcement to raise revenue for increasing public investments to address the problem of social exclusion. Third, increase allocation to agriculture, which provides employment to most socially excluded households. Give attention to promotion of technologies that are small farmer friendly and labor enhancing.

**4. Improve access to assets and resources.** Proper distribution of land can increase productivity and production, enhance human capital and improve participation of excluded groups in the political process. This requires: 1) Improved access to land as a basis for the poor and excluded to support their livelihoods and improve their voice. 2) Increased wage rate under the minimum wage policy. 3) Improved access to credit and other resources.

**5. Improve access to better employment opportunity.** Affirmative action, training and skill development support for youths from excluded groups should be expanded to increase their access to employment opportunities. Some of the key strategies are: 1) Revival of the economy and restoring private sector business confidence for increased investment during post-conflict. 2) Investment in the sector where the employment intensity is high. 3) Hydropower development as a potential source of employment generation. 4) Agriculture as the key to self-employment opportunities and empowerment of social groups but with modernization and commercialization.

**6. Increase workfare programmes.** Increased coverage of workfare programme and welfare programmes is necessary in the excluded areas where there are limited options. The only such major programme in Nepal is the Food for Work Programme called as Rural Community Infrastructures Works (RCIW), which has been effective in supplementing food deficit areas and generating some infrastructures in remote hills and mountains. Recently, the government has made a provision of employment guarantee scheme for the Karnali region – “Employment of One Member in Each Household”, however; the success of this program has yet to be seen.

**7. Improving access to credit.** The micro-finance initiative in the country has enhanced access to institutional credit to the poor and excluded groups but interest rates are still high. The Central Bank should monitor to make credit to poor and excluded groups at reasonable rates.

**8. Enhance access to foreign employment.** Foreign employment earnings have been a major factor in reducing poverty in Nepal. By augmenting skills of Dalits and excluded groups and introducing affirmative action, their access to foreign employment can be increased.

**9. Protect the interest of the excluded groups in the upcoming federal structure.** Nepal is heading for a federal structure. But, there is no guarantee that federalism will protect the human rights of all and will ensure a decent standard of living for everyone. Federalism has to include some constitutional devices for protect the interest of poor and excluded and for promoting a just society.

**10. Improve service delivery and promote equal opportunities.** Improved and equitable access to opportunities and government services including health and education, to both women and men, and to different caste and ethnic groups, is necessary for reducing poverty and promoting human development. This requires the following strategies (among others). 1) Enhance monitoring of the provision of services. 2) Promote decentralization for improved service delivery. 3) Improve disaggregated planning and monitoring for promoting inclusion. 4) Build capacity for developing human resources of the excluded groups.

**11. Reduce cultural discrimination.** Provision of no discrimination in public services by caste and ethnic groups was made in the 1990 Constitution, but it was not put into practice. For changing the mindset and behaviour of the people, following strategies need to be implemented: 1) Raise awareness and advocate against discriminatory practices. 2) Promote gender-sensitive working environment. 2) Build a strong nation-state. 3) Build capacity to incorporate local languages and cultural diversity.

**12. Ensure fair and effective representation in state organs.** There is a need for pro-poor and pro-excluded state policies and their effective implementation, to ensure a fair representation in all state organs. This can be done through state restructuring, improving the political



system so as to make the governance open to all, and by having a fair allocation of seats in the parliament to different caste and ethnic groups.

**Conclusion:** Nepal is at the stage of both the state building and nation building which are to be well articulated in the new constitution, which are being drafted by the CA members. While the state transformation can ensure fair representation, it is not necessary that it builds harmonious relationships between different groups. Therefore with the state transformation there is a need for social transformation. That requires nations building – building of a broad national identity and nationalism which can accommodate all 103 caste and ethnic groups. With such a broad-based national identity, promotion of “citizenship” is necessary. This requires provision of all the basic functions by the state effectively. However, the state can fulfil these functions when an individual works as a “citizen” in the country where she or he is very much responsive to the rights of others while looking for his and her own rights. Thus, the state transformation moves together with the transformation of society.