

Interplay Between Conflict, Poverty And Remittance: The Case Of Nepal

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ABSTRACT

In 1996, the Maoist launched the "Peoples War" in Nepal claiming that the constitution of Nepal was inadequate in ensuring freedom, justice and welfare for the Nepalese people. The insurgency spread throughout the country and in a period of 10 years, about 13 thousand people lost their lives. In 2005, the Maoists declared a cease-fire and entered a peace agreement with other political parties, ending the decade long war and putting forth a united opposition against the monarchy. In April 2006, King Gyanendra, the ruling monarch of Nepal ceded absolute power, bringing to an end the long standing monarchy in the country. Nepal is one of the poorest countries in the world with substantial variation within the country with respect to economic development and conflict intensity. In this paper, we will provide evidence of regional diversity and examine a possible relationship between the level of development and conflict intensity across regions. In the midst of the conflict, poverty rate in Nepal dropped by about 10%. We will look at remittances as a possible explanation of this phenomenon.

Keywords: Nepal; conflict; development; poverty; remittances

1. INTRODUCTION

Nepal has experienced several significant changes in the last two decades. A successful widespread uprising led to the establishment of multi-party democracy in 1990, bringing an end the era of absolute monarchy. The King of Nepal, King Birendra, now served as a constitutional monarch. Democracy was prevalent but unstable with coalitions between various political parties being made and broken all too frequently, resulting in constant changes in government. Corruption remained rampant. Dissatisfied with the current practice of democracy, in 1996, the Communist Party of Nepal-Maoist, launched the "Peoples War" in Nepal claiming that the constitution of the kingdom of Nepal was inadequate for ensuring freedom, justice and welfare for the Nepalese people. The initial agenda of the Maoists was a change in the constitution and the establishment of a republic along the Marxist-Leninist-Maoist line. The insurgency spread throughout the country. In a period of 10 years, about 13 thousand people lost their lives along with a significant loss of physical capital.

In 2001, a palace massacre resulted in the killing of King Birendra and his entire family. King Gyanendra, his brother, took his place as the constitutional monarch. In that same year, Maoist violence escalated and King Gyanendra dismissed the elected government and dissolved the parliament for four months. Maoist violence continued to rise and in 2005, King Gyanendra, dismissed the coalition government and assumed absolute power. That same year, the Maoists declared a cease-fire and entered a peace agreement with other political parties, ending the decade long war and putting forth a united opposition against the monarchy. Successful widespread uprising against the King's move resulted in bringing an end the long standing monarchy in the country. Nepal is now a democratic republic, run by a democratically elected interim coalition government, while the 400 member constituent assembly (i.e. parliament) is formulating a new constitution. At the time of writing this paper, further political disagreements in the coalition government had resulted in the resignation of the Maoist Prime minister and talks between coalition parties are underway.

The purpose of this paper is to explore the inter-relationship between conflict and poverty in Nepal. In the

midst of the conflict, the poverty rate in Nepal dropped by more than 10%, from 42% in 1996 to 31% in 2004.¹ Nepal’s Human Development Index (HDI- details provided later in the paper) also went up from 0.325 in 1996 to 0.534 in 2005 (United Nations, 2008). This phenomenon is contrary to what one would expect during a period of conflict. In this paper, we will examine some possible reasons for this contradictory occurrence. One possible reason is the role of remittances, which escalated from 26.6% of total household income in 1996 to 31.9 % of household income by 2003.

Section 2 provides some basic information on Nepal. Section 3 discusses data on regional differences in socio-economic development indicators. Section 4 discusses differences in conflict intensity across regions. Section 5 provides information on the changes in several socio-economic indicators and conflict intensity from 1996 (start of the conflict period). Section 6 considers the role of remittances and section 7 concludes.

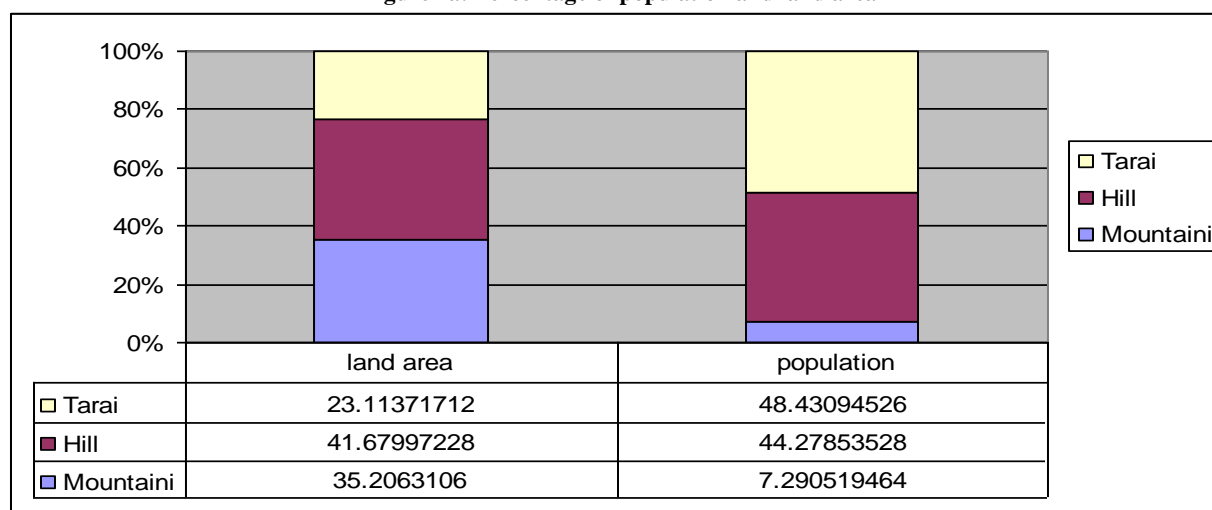
2. BASIC INFORMATION ABOUT NEPAL

Nepal lies between China and India. Its total area is 147.2 sq kilometers with a population of 28 million. Nepal is one of the poorest countries in the world, with a current per capita income of \$272 (\$1550 in terms of Purchasing Power Parity- ranked 150 out of 179 countries). In terms of Human Development, it ranks 142 out of 179 countries, with a Human Development Index (HDI) of 0.534. In Nepal, 23% of the population lives on less than a \$1 a day and 65% on less than \$2 a day (United Nations, 2008).

Geographically, Nepal is divided into three ecological zones, mountains, hills and terai (plains bordering India). In the mountains, altitude ranges from 4,877 meters to 8,848 meters above sea level. The hill region is between the mountains and terai with the altitude ranging from 610 meters to 4877 meters above sea level. The terai region lies in the southern part of the country and is primarily a low lying flat area bordering the plains of India. Over 70% of the land in Nepal is hills and mountains and 30% is terai. About 44 % of the population lives on hills, 7% on mountains and 49 % in the Tarai. Within these three regions, only 16% of the population resides in urban areas. About 66% of economically active population in the country is engaged in agriculture. Manufacturing contributes to about 14% of GDP, services 46%, with agriculture contributing 40% (refer to United Nations, 2008, World Bank 2008, Nepal Statistical Year Book, 2007).

Figure 1a indicates the percentage of land area and population encompassed by mountains, hills and terai. As seen below, the mountainous regions are sparsely populated mainly due to the nature of the geographical terrain.

Figure 1a: Percentage of population and land area



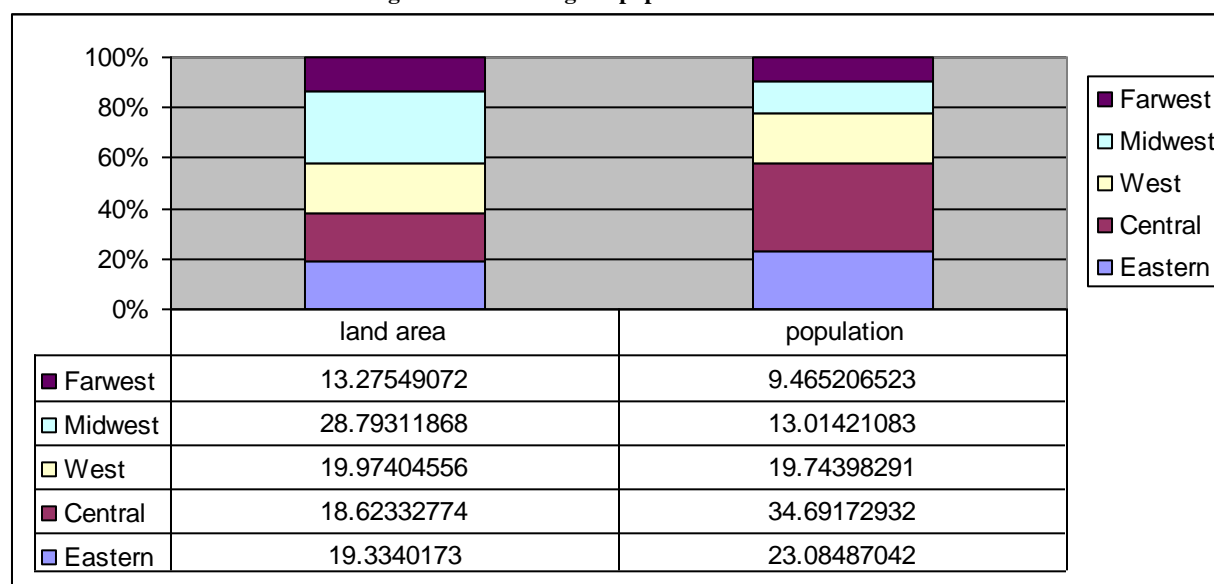
Data source: Central Bureau of Statistics, Nepal (2007)

¹ Poverty head count ratio at national poverty line (% of population), World Bank 2008

Besides the geographical divisions described above, Nepal is also divided into 5 development regions, Eastern, Central, West, Mid-West and Far-West, all of which house portions of mountain, hills and terai. Figure 1b provides the percentage of population and land area encompassed by these five development regions.

There is substantial variation among these development regions with respect to economic development and the intensity of conflict. The next section discusses these regional differences.

Figure1b: Percentage of population and land area



Data Source: Central Bureau of Statistics, Nepal (2007)

3. REGIONAL VARIATION IN SOCIO-ECONOMIC CONDITIONS

As depicted in figures 2 to 5 below, the Far-west and Mid-west regions are disadvantaged economically and socially compared to the East and Central regions. These areas also experienced greater conflict intensity. Also the mountain region and rural areas are economically and socially at a lower point than the other regions.

Figures 2a and 2b provide evidence of regional disparity in life expectancy (life exp), adult literacy rate (lit), malnourishment in children (mal), and percentage of population without access to safe water.² Figure 2a shows the country divided into urban and rural and also into mountains, hills and terai. As seen in the figures, there is substantial variation in basic indicators across the country. Urban areas have higher rates of life expectancy (life exp), adult literacy (lit) and lower percentages of malnourished children (mal) and those without access to water (water). Mountains are worse off than hills and terai with respect to these indicators. In figures 2b we see that the Eastern, Central and Western regions of the country are better off with respect to social and economic indicators. They have higher life expectancy and literacy, lower rate of malnourishment in children and a smaller percentage of the population without access to safe water.

² Malnourishment in children is defined as the percentage of children under five who are moderately to severely underweight (United Nations, 2004).

Figure 2a

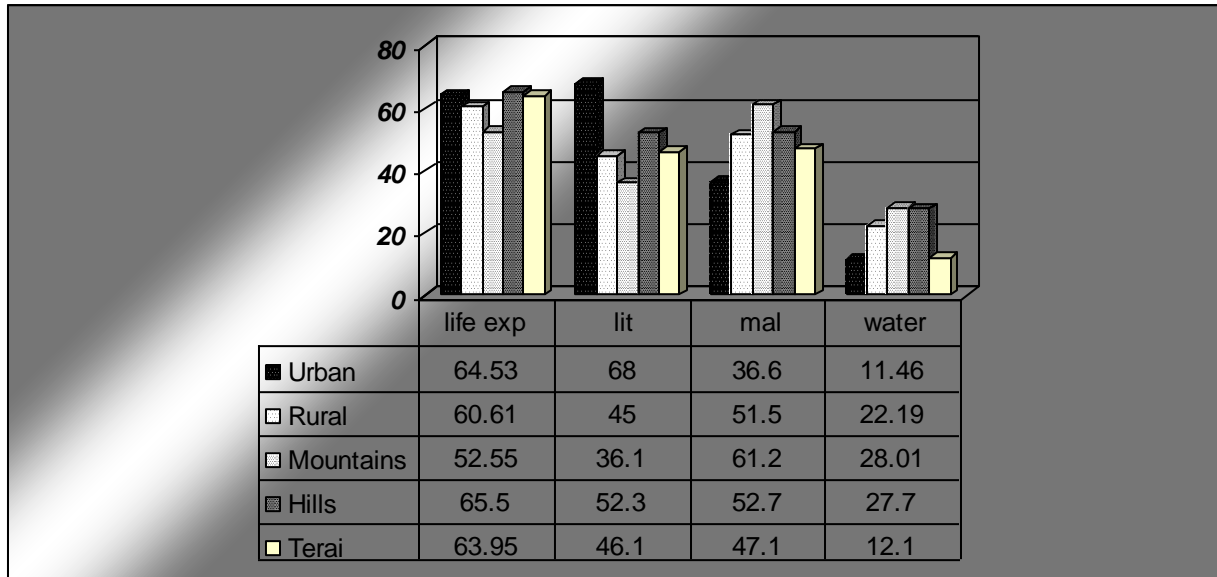
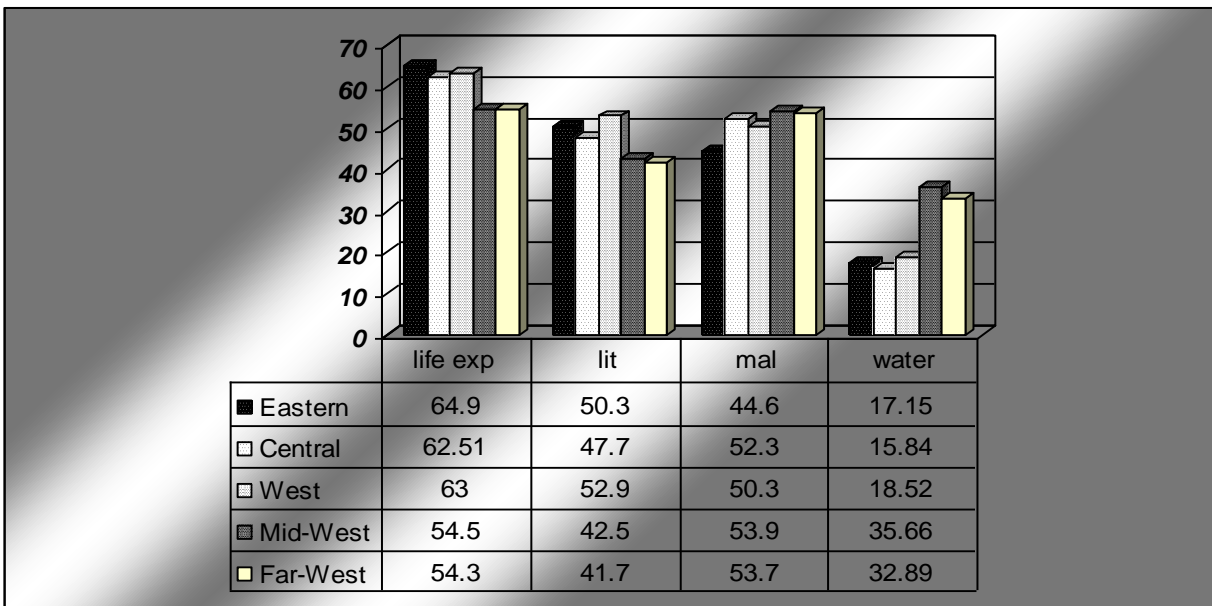


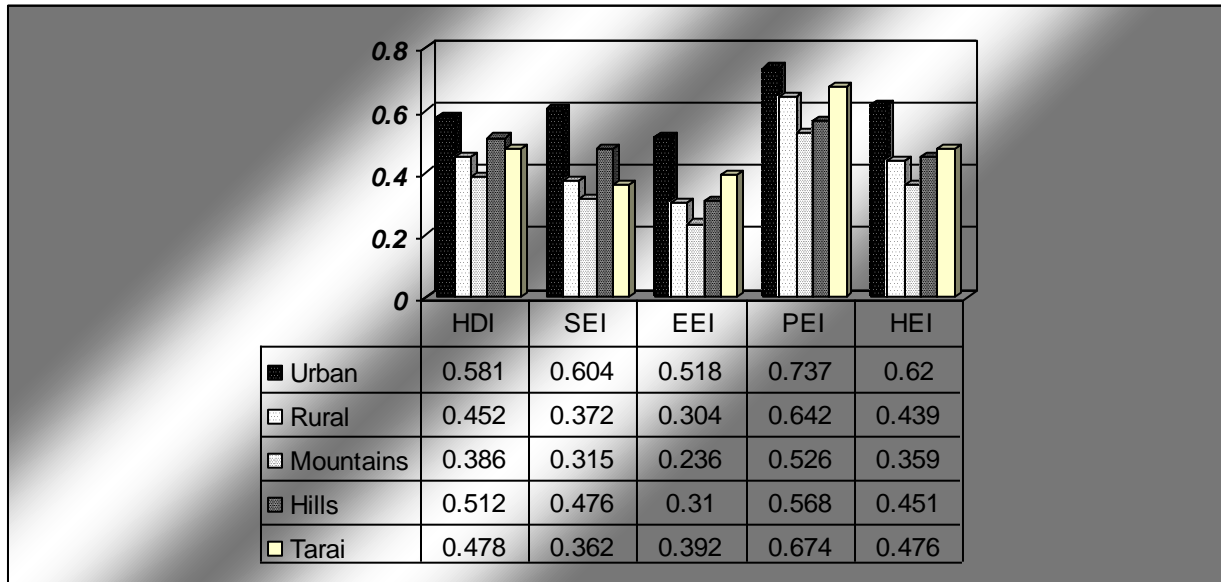
Figure2b



Figures 3a and 3b indicate the Human Development Index (HDI), Social Empowerment Index (SEI), Economic Empowerment Index (EEI), Political Empowerment Index (PEI), and the Human Empowerment Index (HEI). The HDI is a composite index that includes measures of life expectancy, literacy and GDP per capita. The SEI includes measures of literacy, infant mortality, malnourishment, sanitation, access to radio and telephone, and social mobilization outreach. The EEI includes access to electricity, land inequality, average land size, access to credit, non-agricultural employment and per capita income. PEI consists of voter turn out in national elections and number of contesting candidates. HEI combines SEI, EEI and PPI into a composite index. All indices range from 0-1 with high values depicting better outcomes (United Nations, 2004), As seen in Figure 3a, urban areas are significantly better off than rural areas with respect to all indices and mountains are worse off than hills and terai.

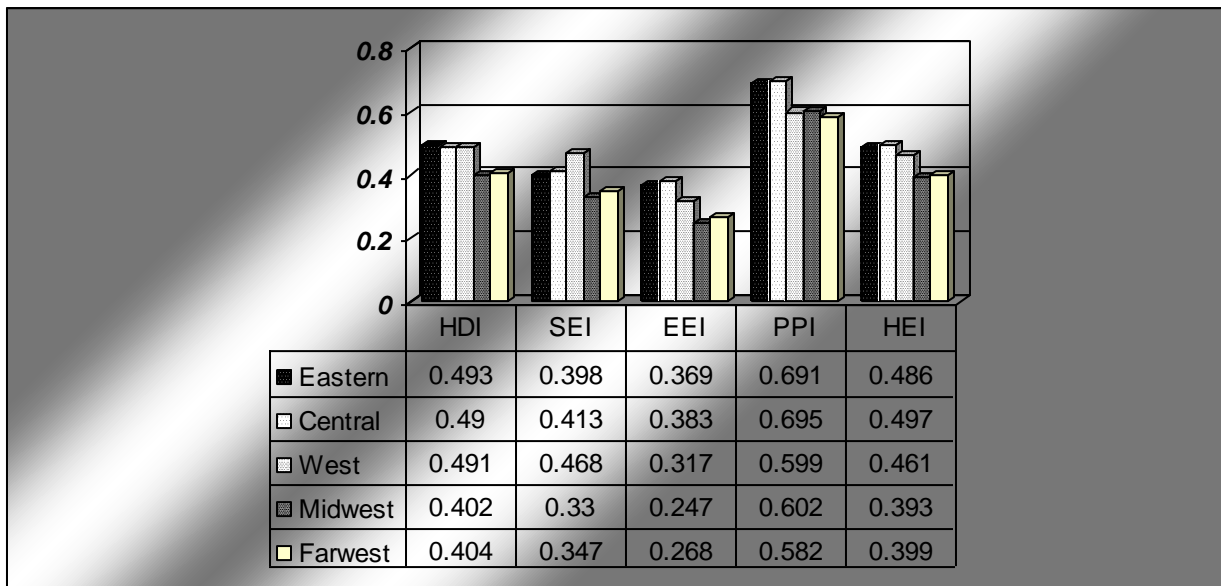
Figure 3b, demonstrates these indices for five development regions. The Eastern and Central regions are relatively better off with respect to all indicators and Mid-west and Far-west are the worse off.

Figure 3a



Data Source: Human Development Report of Nepal (United Nations-2004)

Figure 3b



Data Source: Human Development Report of Nepal (United Nations 2004)

Figures 4a and 4b show a measure of poverty (the human poverty index (HPI)).

Figure 4a

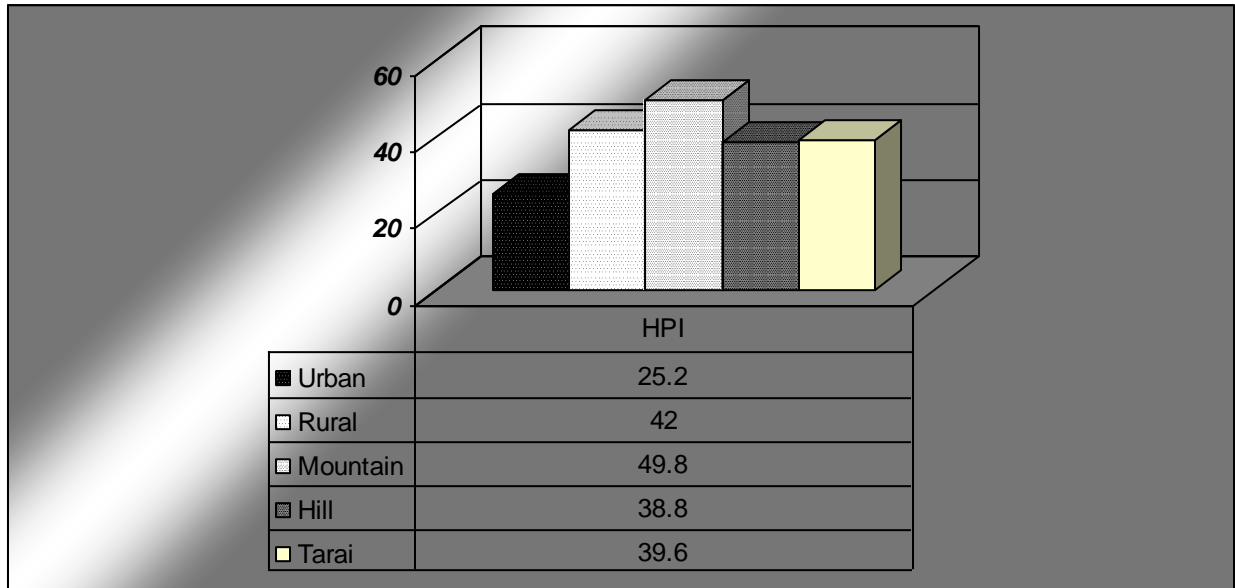
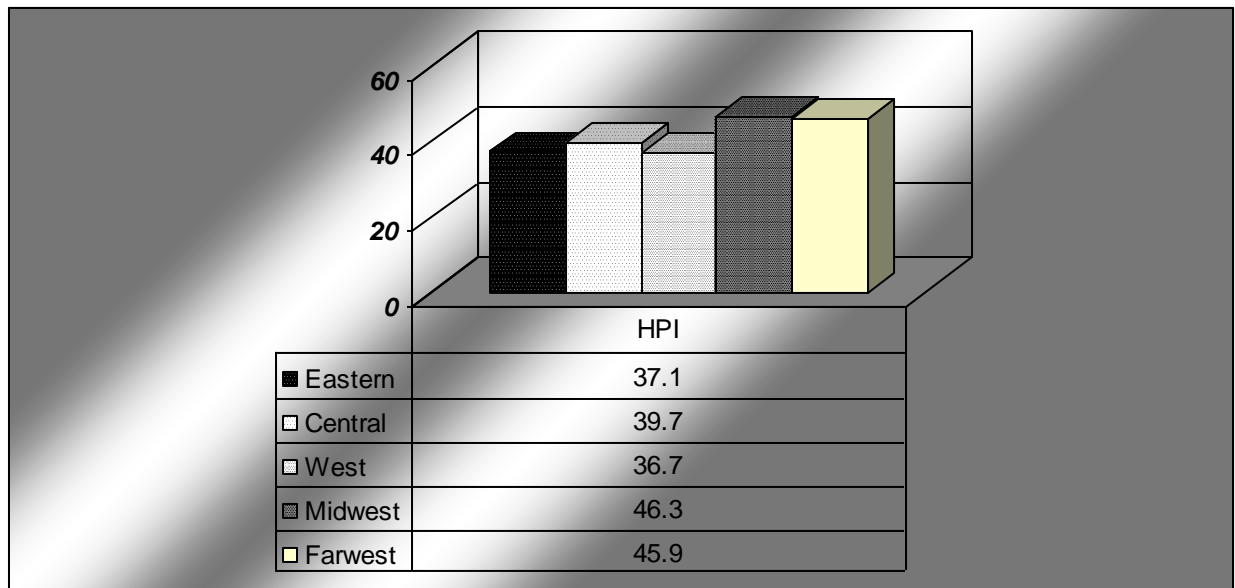


Figure 4b



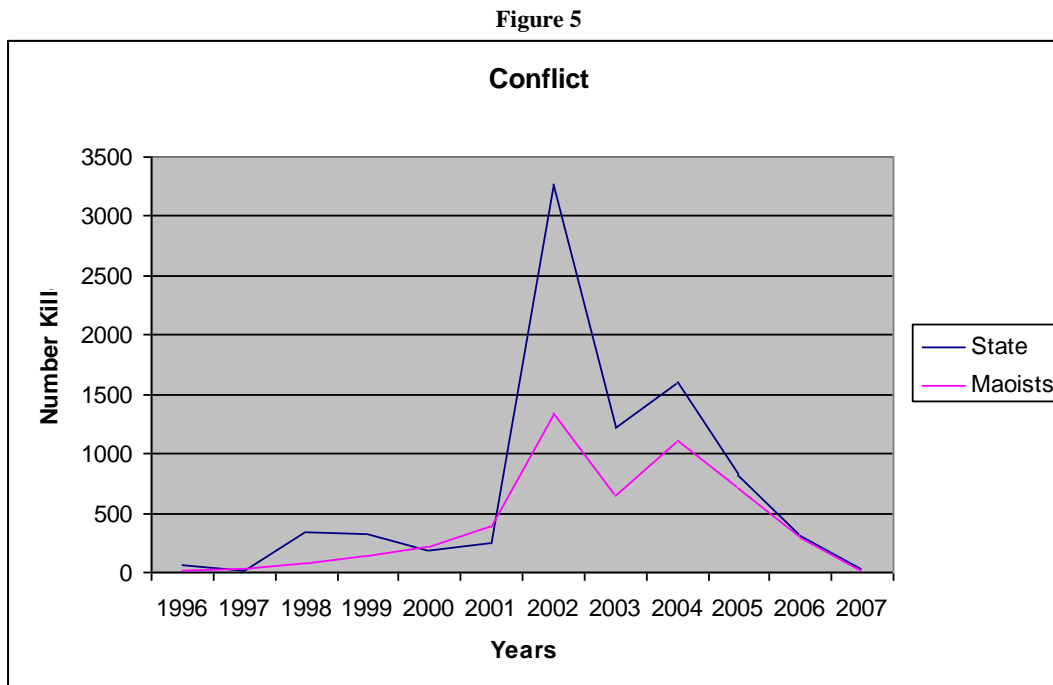
The HPI includes percentage of children malnourished, adult literacy rate, life expectancy and access to safe water, arriving at a composite index of the percentage of population defined poor (United Nations, 2004). From figure 4a we see that there is a wide disparity in poverty between rural and urban areas. Also, mountains have a higher percentage of poverty compared to hills and terai. From figure 4b, we see that the Mid-west and Far-west regions are poorer than the Central and Eastern regions of the country.

The above analysis indicates a wide disparity in socio- economic conditions across the country. We are interested in investigation whether this disparity across regions in the level of development was related to the difference in intensity of conflict across regions. The next section provides evidence of regional differences in conflict intensity.

4. REGIONAL DISPARITY IN CONFLICT

Conflict began in February 1996, when the Maoist attacked police posts in some remote, mountainous districts in the Midwest region of the country. The movement was initially a small insurgency confined to the remote and rural regions of the country. However, by 2002, it had spread throughout the country affecting almost all regions with different degrees of intensity.

Figure 5 below, shows the number of people killed by Maoist and the state (government) over time.



Until 2001, the state and Maoist violence were both limited and roughly of the same proportion. There was an intense increase in violence in 2002, with the state killings sharply exceeding that of the Maoists. At the end of 2001, the Maoist attacked an army post in Western Nepal. A state of emergency was declared, which was followed by King Gyanendra (the then constitutional monarch) dismissing the Prime minister and dissolving the Parliament in 2002. The Nepalese army (of which the King was the supreme commander) assumed responsibility of internal security. In 2003, a seven month cease fire was declared resulting in a reduction in violence. The violence went up again in 2004. In 2005, King Gyanendra seized absolute power. Conflict ended in 2006, with the Maoist entering a peace agreement with other political parties, putting up a united front against the King and his regime. Widespread apprising throughout the country resulted in the end of monarchy and establishment of multiparty democracy in the country.

Figures 6a and 6b show some indications of conflict intensity across regions. Figure 6a shows the number of people killed and injured as a percentage of population in that region. Figure 6b shows the number of people abducted and displaced as a percentage of population of the region. We see that the Mid-west region of the country experienced the greatest conflict intensity, followed by the Far-west region with respect to most conflict indicators.

Hence, from the analysis provided, we do see that the regions of the country that were the poorest and suffered from the lowest level of development were the ones that experienced a greater degree of conflict intensity. The next section looks that the change in socio-economic variables between 1996 and 2004.

Figure 6a

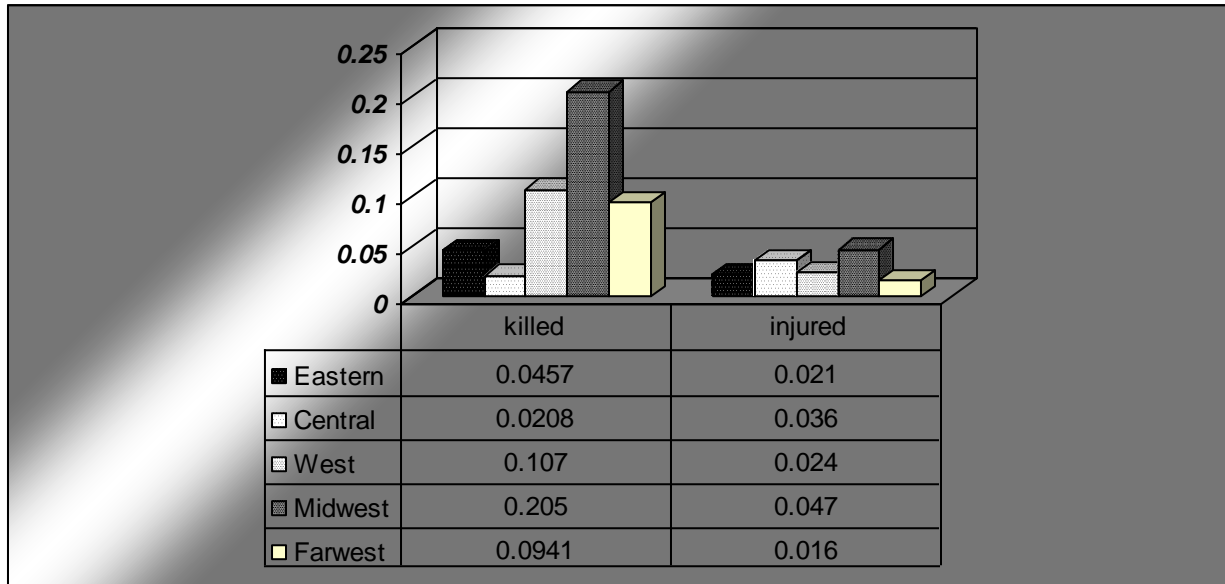
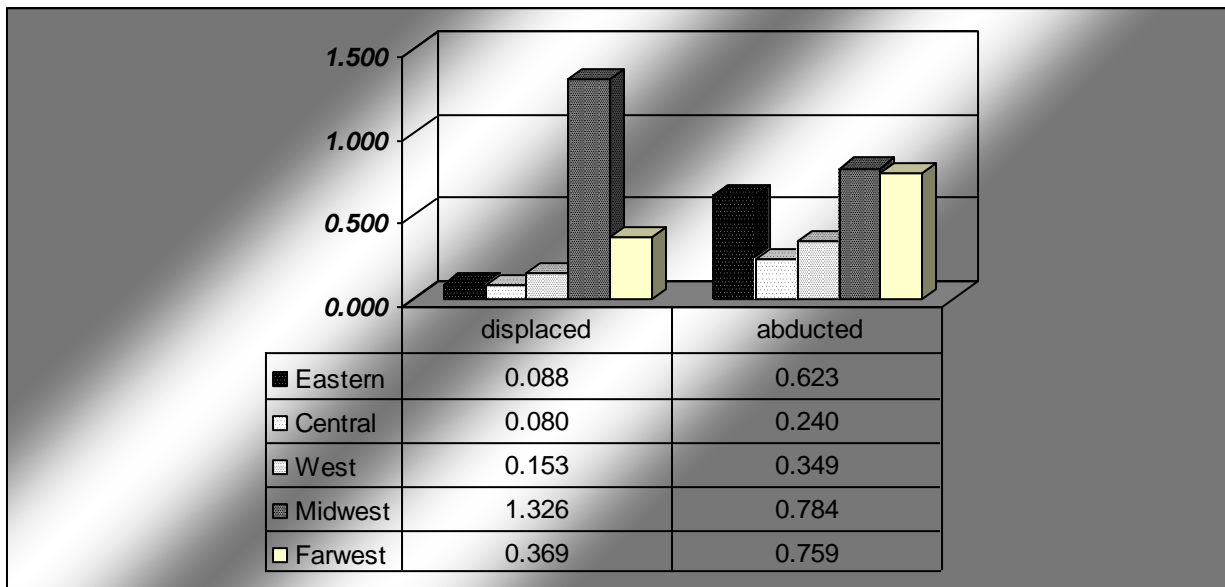


Figure 6b



Data Source: Human Rights Yearbook, INSEC- several years

5. CHANGE IN SOCIO ECONOMIC CONDITIONS OVER TIME

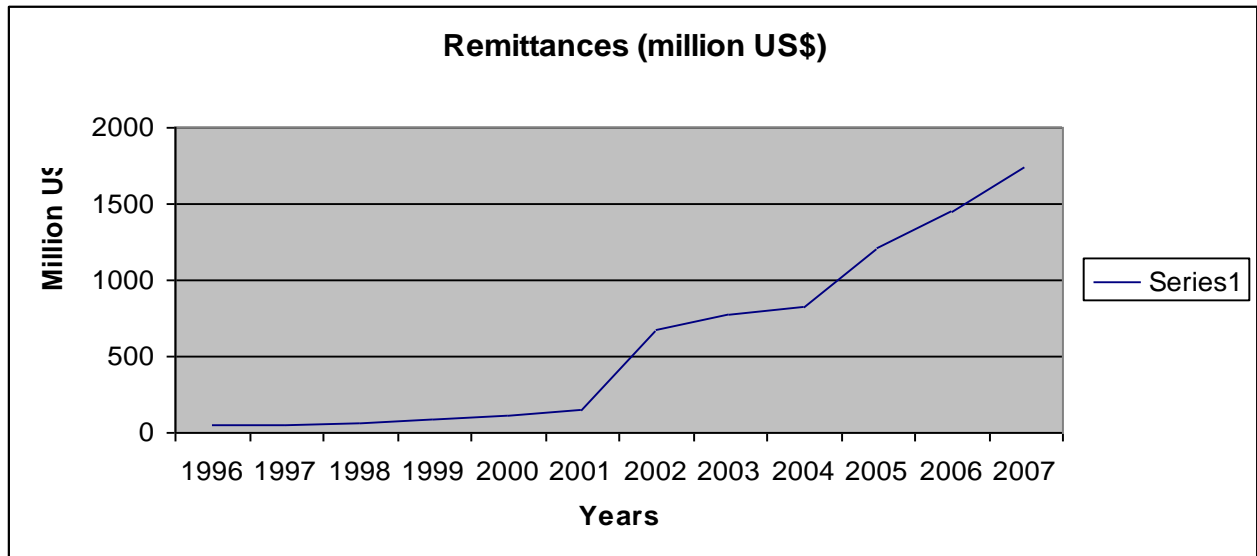
As indicated in the table below, compared to 1996, we find an improvement in all measures of development in the country. This is contradictory to what we would expect during a period of conflict

	HDI		PCI		HPI		REM		REMM	
	1996	2004	1996	2004	96	2004	96	2003	96	2003
Nepal	0.325	0.471	1186	1310	49.66	39.6	23.4	31.9	26.6	35.4
Urban	0.518	0.518	2450	2224		25.2	19.5	25.4		39.1
Rural	0.306	0.452	1093	1162		42	23.5	33.2		34.9
Mountain	0.271	0.386	911	1114	59.13	49.8		31.4		28.4
Hills	0.357	0.512	1299	1424	49.1	38.8		31.9		34
Terai	0.344	0.478	1131	1235	48.63	39.6		32.1		37.9
Eastern	0.339	0.493	1148	1202	45.26	37.1		33.4		34.1
Central	0.339	0.49	1442	1597	49.7	39.7		25.3		36.3
West	0.35	0.491	1082	1254	48.13	36.7		40		43.3
Mid-West	0.276	0.402	933	988	55.04	46.3		30.4		24.6
FarWest	0.286	0.404	916	1079	53.71	45.9		38.9		26.9

Human Development Index (HDI) has gone up in all regions of the country so has per capita income (PCI). Poverty (HPI) has gone down in all regions. One explanation for this is the role of remittances. During this time period, the percentage of households receiving remittances (REM) went up from 26% in 1996 to 35.4% in 2003. Remittances have now become a significant source of household income in many parts of the country. It contributed to 26.6% of recipient household's income (REMM) in 1996 and had gone up to 35.4% by 2003.

The figure 7 below shows total remittances inflow into the country overtime in millions of U.S. dollars. We see an upward trend in the inflow of remittances into the country.

Figure 7



Data Source: Migration and Remittances Fact Book, World Bank (2008)

7. CONCLUSION

Nepal has experienced significant diversity in its level of development in various regions of the country. We demonstrate that regions with the lowest level of socio-economic development suffered from the greatest degree of conflict intensity. This indicates some kind of a relationship between the level of development and the intensity of conflict. We also find that during the period of conflict, the poverty rate and human development levels in the country actually improved. Remittances inflow into the country seems to have played a major role in explaining this phenomenon.

AUTHOR INFORMATION

Priniti Panday is an associate professor of Economics at Roger Williams University in Bristol, Rhode Island. She completed her Ph.D. from the University of Cincinnati. Her areas of specialization are International Trade and Economic Development. She teaches Economics Principles, Intermediate Microeconomics, Development Economics and International Trade. She has published articles in various journals including *Applied Economics*, *Journal of Economic Development* and *International Advances in Economics Research*. She lives in Rhode Island with her husband and son.

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