

# Poverty & Equity Brief

South Asia

## Nepal

October 2020

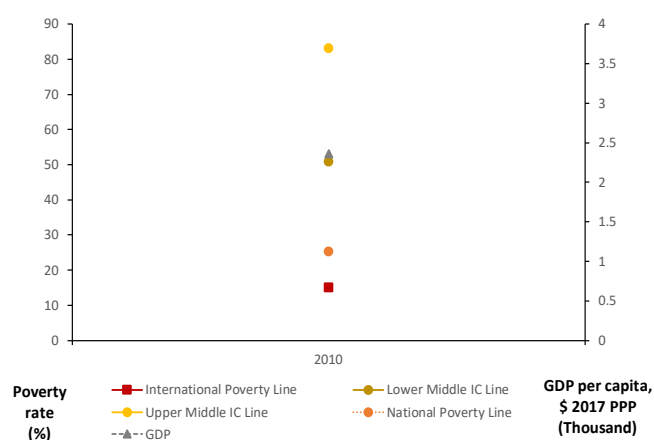
The poverty headcount, calculated at the national poverty line was 42 percent in 1995, which gradually declined to 31 percent in 2003 and 12.5 percent in 2010. The significant reduction in poverty accompanied by an increase in mean per capita expenditures reflected in the Nepal Living Standard Surveys resulted in the revision of the national poverty line to reflect these improved living standards in 2010. The revised poverty line increased the real value of the poverty threshold by 35 percent, and the poverty rate in 2010 was estimated to be 25 percent. At the international poverty line (PPP \$1.9/day), the poverty rate was 15 percent in the same year. In 2018, the Multidimensional Poverty Index (MPI) also reported that about 29 percent of Nepal's population was multidimensionally poor. Updated figures on monetary poverty at the national level will be available once the analysis of the Annual Household Surveys (2013/14-2016/17) is finalized. The fourth Nepal Living Standards Survey that was designed to be representative of Nepal's new provinces was launched in March 2020 but had to be recalled due to the COVID-19 pandemic.

A significant share of vulnerable households in Nepal face the risk of falling back into poverty due to COVID-19. Specifically, this pandemic is likely to have direct impacts on remittances, which have been a key driver of past poverty reduction; weaken labor markets in an economy dominated by agriculture and informal services; and impact non-monetary outcomes given the high share of private spending on health and education (Shrestha, 2017; World Bank, 2018). In this context, especially with the absence of recent poverty and microdata, there is also an urgent need to understand how socio-economic indicators that proxy welfare are evolving with this crisis. Data from the SAR COVID-19 monitoring phone surveys, which will soon become available, will help to track the evolving impacts of the pandemic on labor markets, access to assistance, as well as coping strategies.

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 76.7 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
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

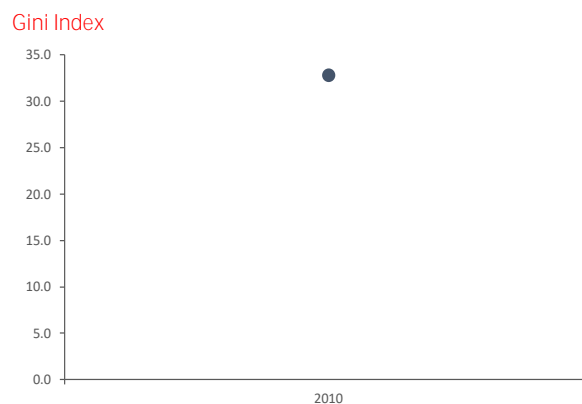
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2020, and Global Monitoring Database for the rest.

## 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: 2010 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	91	9	26	74	<b>Monetary poverty (Consumption)</b> Daily consumption less than US\$1.90 per person 15.0
Rural population	84	16	43	57	
Males	85	15	39	61	<b>Education</b> At least one school-aged child is not enrolled in school 9.5 No adult has completed primary education 28.6
Females	85	15	40	60	
0 to 14 years old	80	20	49	51	<b>Access to basic infrastructure</b> No access to limited-standard drinking water 16.8 No access to limited-standard sanitation 47.3 No access to electricity 31.5
15 to 64 years old	88	12	34	66	
65 and older	89	11	34	66	
Without education (16+)	83	17	44	56	
Primary education (16+)	88	12	38	62	
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.