

# COUNTRY POVERTY BRIEF

SOUTH ASIA

## NEPAL

October 2017

POVERTY		Rate (Number of Poor)	Period
National Poverty Line		25.2% (6.8 million)	2010
International Poverty Line 45.5 in Local Currency Unit or US\$1.90 (2011 PPP) per day per capita		15.0% (4.1 million)	2010
Lower Middle Income Class (IC) Poverty Line 76.6 in Local Currency Unit or US\$3.20 (2011 PPP) per day per capita		50.8% (13.7 million)	2010
Upper Middle Income Class (IC) Poverty Line 131.7 in Local Currency Unit or US\$5.50 (2011 PPP) per day per capita		83.0% (22.4 million)	2010
SHARED PROSPERITY			
Income or Consumption growth of the bottom 40 percent		N/A	N/A
INEQUALITY			
Gini Coefficient		0.33	2010
Shared Prosperity Premium	Difference between the income or consumption growth of the bottom 40 percent and that of the average	N/A	N/A
GDP GROWTH			
Annualized GDP per capita growth		N/A	N/A

Sources: WDI, SARTSD using LSS-III/SARMD/GMD. National poverty lines are provided by national statistical offices.

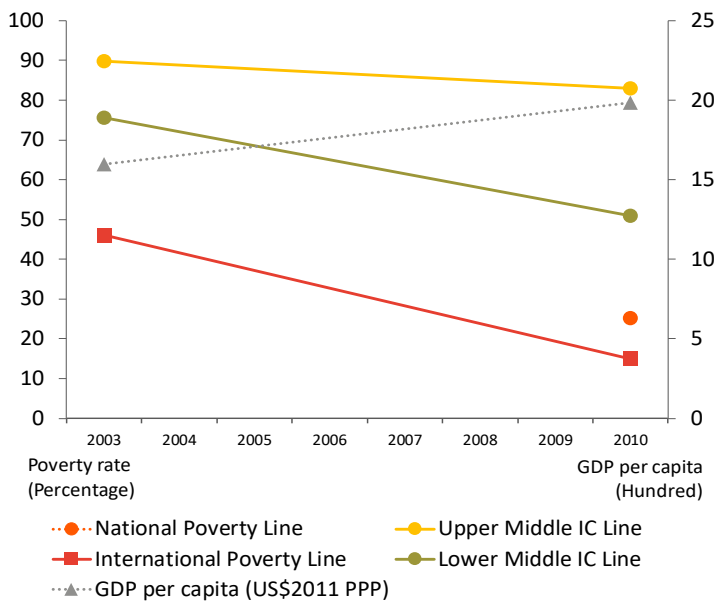
### PROGRESS ON POVERTY AND EQUITY

The three most recent rounds of Nepal Living Standard Surveys (1995, 2003 and 2010) showed a remarkable poverty reduction in Nepal. National poverty headcount rate was as high as 42 percent in 1995, but declined to 31 percent in 2003 and 13 percent by 2010. The impressive poverty reduction record led the government to revisit and raise the poverty line in order to better reflect the living standards of contemporary Nepal. Even with the revised poverty line that increased in its real value by 35 percent from the previous line, the poverty rate in 2010 was estimated at 25 percent.

Improving agricultural productivity was long regarded as instrumental to lifting the living conditions of Nepal's impoverished rural areas because poverty in Nepal has been predominantly rural. Rural areas accounted for 93 percent of the population and 95 percent of the poor in 1984/85. The share of labor force dependent on agriculture was 93 percent, the highest of any country listed in the 1989 World Development Report (World Bank 1989). However, a bulk of the observed poverty reduction has come because of exogenous improvements in economic opportunities for poor Nepalis outside Nepal's borders. Decomposition exercises show that poverty reduction in Nepal between 1995-96 and 2010-11 was mainly driven by a significant increase in remittance receipts as well as domestic labor income, in particular, non-agricultural income in rural areas.

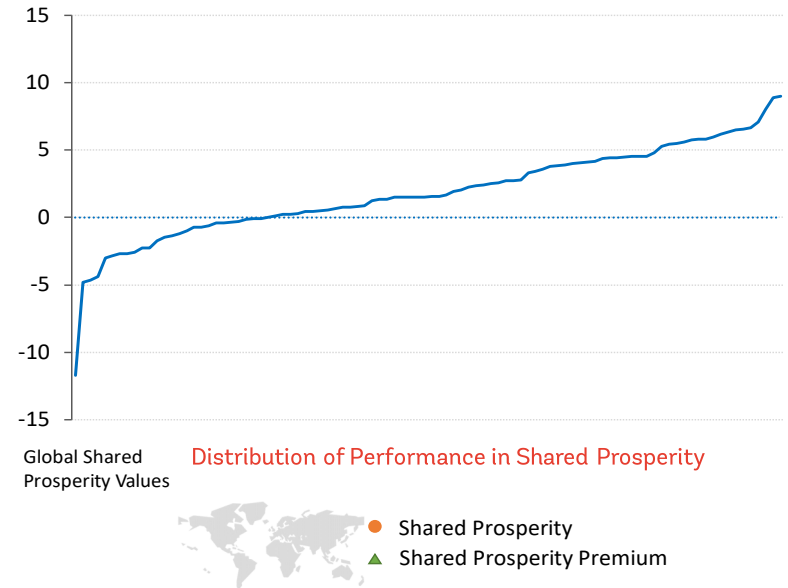
Between 2003 and 2010, the mean per capita expenditure grew at 3.8 percent. For those in the bottom 40 percent of the distribution, the analogous growth rate was much higher at 7.4 percent. Inequality as measured by Gini index in Nepal was at 33.3 in 2010, which is relatively low compared to other countries in the region.

## POVERTY HEADCOUNT RATE, 2003-2010



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

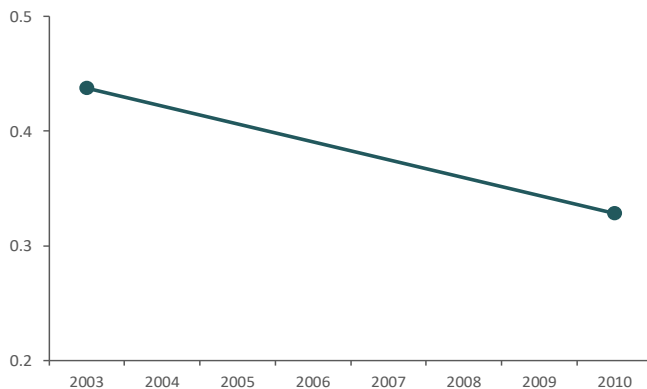
## SHARED PROSPERITY AND SHARED PROSPERITY PREMIUM



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

## INEQUALITY TRENDS, 2003-2010

Gini Coefficient



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

## % CONTRIBUTION TO POVERTY CHANGE

The decomposition is not displayed either because the change in poverty over the period of analysis is too small or the lack of availability of at least two household surveys.

## POVERTY DATA AND METHODOLOGY

National poverty estimates in Nepal are produced by the Central Bureau of Statistics (CBS) based on the Nepal Living Standard Surveys (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 needs. International poverty estimates are based on the international poverty line of \$1.90 per day in 2011 US dollars, converted to Nepali Rupees using the 2011 Purchasing Power Parity Index. National poverty estimates are useful for comparisons over time within Nepal or across different groups such as regions. International poverty estimates, on the other hand, should be used for comparisons across countries.

## 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 29 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.