

Moving in the right direction

Development and change on the ground in Nepal

Key messages

- In 2012 and 2015, SLRC surveyed nearly 3,000 of the same people, across nine sites in three districts in Nepal, in order to directly track change in their lives and livelihoods
- Between the two waves, many households became wealthier and more food secure, more satisfied with basic services, and less negative towards government.
- But deep problems persist: perceptions of government are still overwhelmingly negative and livelihoods have improved at a faster rate for some groups than others, which suggests an underlying pattern of widening inequality.

Nepal has experienced major changes in recent years. In 2006, a decade-long conflict came to an end with the signing of a Comprehensive Peace Agreement, which was followed by a further decade of gradual yet uneven transition.

In April 2015, the country suffered its deadliest earthquake since 1934, which killed more than 8,000 people and injured a further 21,000. The economy was shaken too, with estimated losses of up to US\$6 billion – equivalent to roughly one-third of national gross domestic product (National Planning Commission, 2015; Nepal Rastra Bank, 2015).

Just months later, a new Constitution was finally signed into law, following years of political deadlock. Although the period of its promulgation was marked by both violent protest and bouts of high inflation, the signing was received by many as cause for hope and cautious optimism.

So what has happened in the lives of ordinary citizens during this time of significant environmental and political change? And what progress have these citizens seen on the ground? This briefing paper summarises the findings of a two-wave longitudinal panel survey that tracks developments and changes across three dimensions: 1) people's livelihoods (household wealth, food security, income-generating activities); 2) access to and experience of basic services (health, education, water) and transfer-based support (social protection, livelihoods assistance); and 3) relationships with government (perceptions of local and central actors, levels of civic participation).

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Figure 1: Map of study districts

Our approach

We surveyed nearly 3,000 individuals at two different points in time: first in 2012, and then again at the same time of year in 2015. Although the survey is not nationally representative, based as it is on village-level samples from nine sites across three districts (Bardiya, Ilam, Rolpa – see Figure 1), the longitudinal panel approach allowed us to directly observe changes in people’s lives over a three-year period, and identify factors that share an underlying association with these changes. Compared to a more conventional cross-section approach, this enables us to better understand potential causal relationships.

The survey collected quantitative data at both the household and individual level, with slight adaptations made to the survey instrument between waves in order to capture changes in context or circumstances. Overall, we were able to track and re-interview 90% of the original 2012 sample, which represents a low attrition (or drop-out) rate.

What did we find?

Concerning change between 2012 and 2015, five key findings emerge from the survey analysis.

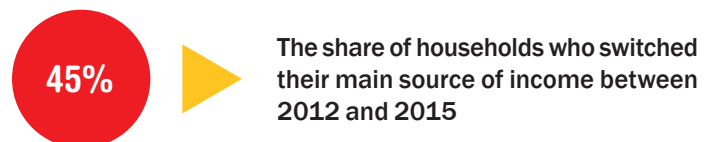
1. Improvement in people’s livelihoods

Although many households experienced no significant change in their livelihood status between 2012 and 2015, more than 50% of the sample got wealthier (i.e. increased their asset portfolio) and 40% became more food secure. Proportionally, relatively few households became worse off in these respects.

So how can we account for these largely positive changes? Two clusters of variables emerge from the regression analysis. The first concerns the changing economic circumstances of the

household, with both receipt of remittances and shifts in income-generating activities (e.g. taking more on via diversification or substituting one activity for another) associated with better food security and greater asset ownership. Casual labour is one exception, as households taking on this activity experience a decline in food security; another exception is loan-taking, which is associated with worsening outcomes against both indicators.

There is also a lot of economic mobility at play here. For example, just under half of all sample households switched their main income source between survey waves. Evidence also suggests that some livelihood activities such as ‘selling goods’ can be quite transient and temporary, in contrast to activities such as agriculture where participation appears relatively durable.



The second cluster of variables relates to risk, safety and security, with those respondents who felt that their local environments had become safer – a subjective rather than material indicator of the local security situation – also becoming more food secure. The opposite is true for households who started seeing fighting in their local area or experiencing health shocks.

2. Better experiences with frontline delivery are linked to increasing satisfaction with services

Between 2012 and 2015, respondents generally became more satisfied with the services they were accessing, from already high starting levels (see Table 1).

Table 1: Satisfaction with basic services

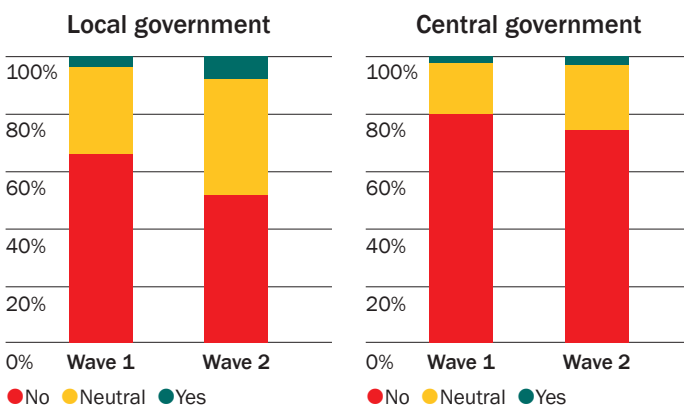
	Proportion of sample reporting satisfaction with service	
	2012	2015
Health	73%	81%
Education	85%	93%
Water	89%	90%

By way of explanation, we find that this improvement in satisfaction is linked far more to the nature of people’s frontline experience with a service, than with factors of physical access and convenience (e.g. how long it takes to reach a given facility). With health, for example, greater overall satisfaction is associated with perceived improvements in specific aspects: the number of qualified personnel, availability of medicine and waiting times all proved influential. While evaluations of the equivalent facilities and services of a school did not seem to shape overall satisfaction with education services, a positive link emerges where people started paying official fees to the provider. Satisfaction with both health and water services fell amongst individuals who had experienced problems in the preceding year, however.

3. Negative perceptions of government have improved over time

Having captured snapshots of people’s attitudes towards government at two distinct moments in time – one of mounting political deadlock in 2012, and the other following the passing of the new Constitution in 2015 – the survey data show that our respondents became more positive on average. This was the case for all ethnic groups, and in relation to both local as well as central government. Figure 2 illustrates this gradual improvement.

Figure 2: ‘To what extent do the decisions of government reflect your priorities?’



4. Perception change is influenced by certain aspects of service delivery

It is often assumed that better service delivery builds trust in the state, particularly in periods of post-conflict and transition. In this study we find that while many aspects of service delivery

do not appear to influence perceptions of government (generally true for both access to and satisfaction with basic services / transfers), factors associated with the process of provision often do. For example, increased knowledge about grievance mechanisms (should a problem be experienced) and consultation meetings is positively associated with better perceptions. On the other hand, when people experience a problem with their service, attitudes towards government become more negative.

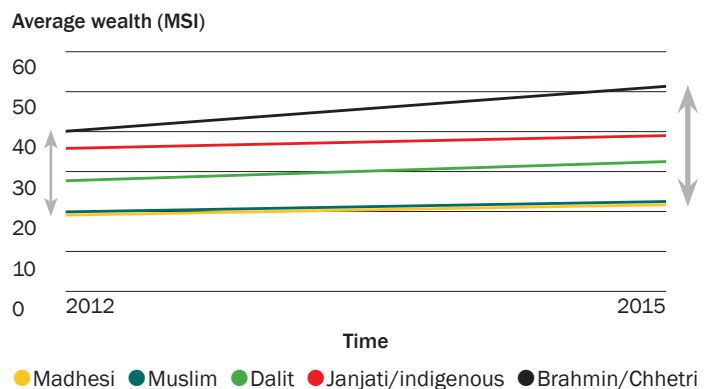
5. Socio-economic inequalities persist

Although the average household in our sample became better off between waves, this does not mean that every household improved – nor at the same rate.

Households with a higher education levels prove to be consistently better off than less educated ones: those with primary education are on average 7% wealthier; those with secondary education are on average 13% wealthier; and those with tertiary education are on average 36% wealthier. The fact that these results are drawn from two waves of data additionally suggests that inequalities persist over time.

Different ethnic or caste groups do not fare the same either. When we consider rates of progress over time, Brahmin / Chhetri households – representing the ‘highest’ caste within our sample – seem to have accumulated assets at a more rapid pace than other groups.

Figure 3: Average wealth by ethnicity



Note: Morris Score Index (MSI) values provide an estimation of household wealth as determined by asset ownership.

What does it all mean?

The panel survey data reveal a good news story tempered by ongoing challenges. A large share of households in our sample became better off over time, on average people became more satisfied with basic services relative to 2012, and negative attitudes towards government gradually declined.

But rates of livelihood improvement are uneven. Although circumstances appear to have improved for most, we note an underlying dynamic where some groups have become better off at a faster rate than others, which threatens to undermine the broad picture of progress in Nepal.

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associated with either diversification or shifts in occupation. Being able to support the capacity of households to expand or reconfigure their income streams, particularly when times get tough, is a sensible policy focus in this respect. Part of this could be about ensuring a predictable social safety net system is in place. This includes increasing people's access to insurance-based forms of risk management, as well as having public works programmes for when people's existing livelihoods come under stress.

- **Meaningful service delivery is about more than access and convenience.** This is true in two senses. First, people's satisfaction with services is primarily associated with their experience at the point of delivery (i.e. availability of medicine, or problems accessing a reliable water source). Second, changes in people's perceptions of government are driven less by changes in physical access to and satisfaction with services, and more by: i) interaction with the provider (e.g. via consultations, invitations to meetings, access to grievance mechanisms), and ii) whether they have experienced problems with the service. It is clear that policy-makers need to focus on honing the detail of programme design and sustaining quality service delivery.
- **It cannot be assumed that all groups progress at the same rate.** Average estimates of livelihood improvement may conceal widening socio-economic inequality. While the Government of Nepal has taken important steps in recent years to expand and implement social protection programmes targeted at vulnerable groups, existing evidence suggests that the low monetary value of transfers combined with implementation challenges undermine the potential to redress inequalities (Hagen-Zanker et al., 2015). A key policy question thus emerges of what role the current social protection system might play in stemming widening inequality, and what more should be done to facilitate this.

We also observe a lack of sustainability in the provision of socio-economic support for poor and vulnerable households: although nearly half of the sample received a social protection transfer (e.g. old-age allowance or child grant) at some point during the study period, only half of these recipients received it in *both* waves. This transience is even more striking when we consider livelihood assistance such as agricultural inputs and micro finance, with just 5% of households having received this type of support in both waves, compared with around a quarter of the sample who received one-off assistance.

Finally, while people's perceptions of government may be marginally better, attitudes remain overwhelmingly negative in general. The majority of people in our sample do not feel that the government – and particularly those in power at the centre – is working in their interests.

Our analysis therefore points to three key policy messages:

- **Better livelihood outcomes appear to be linked to an ability to move into different activities.** Agriculture is a mainstay activity for many in our sample, but progress is often

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