

Pradhan, U. and Karki, S. 2019. 'Sustainable Development Goals in Nepal: Prospects and Challenges', In (Eds.) Nitya Khemka and Suraj Kumar, Social Development and the Sustainable Development Goals in South Asia, London: Routledge (<https://doi.org/10.4324/9781351035262>)

Abstract

Nepal has committed to achieve the Sustainable Development Goals (SDGs) by 2030. The country stands at a critical juncture at the moment. Nepal is looking forward to graduating from being a member of the Least Developed Country (LDC) category. This progress has been hindered first by the decade-long armed conflict between 1996 to 2006 and now as a result of the massive earthquakes in 2015. Nonetheless, Nepal has made substantial improvement in development indicators, showing an encouraging progress towards SDGs, even while these developments are unevenly distributed across various income groups, social groups, and geographical region. With the promulgation of a new Constitution in 2015, Nepal has taken significant steps towards decentralising service delivery and working towards inclusive development. It is still too early to comment on the performance of local bodies under its provisions, but the broad range of power and responsibilities enjoyed by the provincial and local governments provides a promising opportunity to make progress towards achieving the SDGs.

Sustainable Development Goals in Nepal: Prospects and Challenges

1. Introduction

Nepal stands at a critical juncture at the moment. On the one hand, Nepal is looking forward to graduating from being a member of the Least Developed Country (LDC) category. It has reiterated this commitment by signing up to achieving the Sustainable Development Goals (SDGs) by 2030. On the other hand, the country is still recovering from the massive earthquakes that struck in April and May 2015, resulting in a loss of approximately NPR 700 billion in damage to human settlements, infrastructure, and archaeological sites (NPC 2015). These natural disasters follow the decade-long armed conflict between 1996 and 2006, which formally came to an end with the Comprehensive Peace Agreement signed in 2006. While there are immense challenges to overcome, Nepal has made significant progress with the promulgation of a new Constitution in 2015, ending a protracted political transition and transforming the country from a unitary to a federal system of government. This has lent strong impetus towards the socioeconomic transformation of the country and its inclusive development.

Over the last decade, Nepal has made some progress in relation to development indicators, increasing the HDI value from 0.378 in 1990 to 0.574 in 2015 (UNDP HDR 2018). This progress signals that Nepal is on track to achieve the SDGs. The SDGs have also been gradually mainstreamed into national plans and budgets. In 2016/17 and 2017/18, SDG indicators were specifically introduced in the form of data collection coded in all annual programmes and budgets. The Fourteenth Plan (2016/17–2018/19) has ensured systematic integration of the key aspects of SDGs and incorporated an in-built results framework.

However, the glaring disparities between urban-rural areas, geographic regions, and social groups show that the unequal distribution of development across the country poses one of the main challenges in achieving SDG targets in Nepal. Moreover, Nepal's transition to a federal system is in its early stages. The administrative and political structure has to transition from a unitary, centralised system to a federal, decentralised system. While local and provincial elections held in late 2017 and early 2018 were a key first step, the new provincial and local

government levels are still taking shape. Policymakers face the daunting task of fully aligning and incorporating SDGs at the sub-national level planning and budgeting processes (NPC 2017a).

This chapter provides an overview on Nepal's progress towards Sustainable Development Goals (SDGs) by tracing advancements so far as well as identifying challenges. The data presented is a synthesis of published material on SDGs in Nepal. We draw on reports published by the Government of Nepal; Human Development Report; and data from Demographic and Health Survey (DHS), Multi-Indicator Cluster Survey (MICS), and National Living Standards Survey (NLSS). This chapter also relies on the National Planning Commission's reports (2017a; 2017b) on the status of SDG progress in Nepal.

The first section will present the progress and trends on five parameters – education, health, poverty reduction, economic growth, and HDI. The second section will draw attention to the unequal reach of development in different regions, income levels, and social groups across the country. In the third section, we discuss the emerging new institutional structure, with Nepal transitioning to a new federal system of government, and the challenges and opportunities that it presents for achieving SDGs.

2. Progress in Sustainable Development Goals

Nepal has demonstrated its commitment to the achievement of SDGs by integrating them in national policies and plans. Government of Nepal recognises that 'SDGs can only be realized if sound development policies and frameworks are backed by capable institutional framework, adequate resources, and innovative methods of implementation' (GoN, 2016). Nepal's effort towards Millennium Development Goals (MDGs) have already shown decline in mortality rates, fertility rates, population growth rates, and rapid improvements in life expectancy. This progress in MDG indicators has been globally recognised, especially within the context of a decade-long armed conflict, constitutional and political transitions, economic vulnerabilities, and natural disasters (NPC 2015). The MDG implementation period was a time of huge uncertainties. With some of the goals not met during the MDG period, and reiterating the global commitment to development goals, Nepal has set high targets for SDGs. This section assesses the national progress on SDGs, with specific reference to poverty reduction, education, health, economic growth, and trends in Human Development Index (HDI).

2.1 Poverty reduction

SDG 1 aims to ‘end poverty in all its forms everywhere’. On this goal, Nepal has made significant progress over the last few years (See Table 5.1). Extreme poverty, defined as the percentage of people living below 1 USD per day, reduced from 33.5 percent in 2000 to 16.4 percent in 2015. Nepal, thereby, was able to achieve the first Millennium Development Goals (MDG) target of halving the poverty rate by 2015. NPC, drawing on Nepal Living Standards Survey (NLSS 2 and 3), found that between the year 2005 and 2008 the poverty rate declined by 1 percentage point every year (NPC 2016: iv, CBS 2004, 2011). Nepal’s nationally-defined poverty rate (using an international benchmark for extreme poverty, i.e. US\$ 1.25 per day) also declined from 38 in 2000 and 31 in 2004, to 21.6 in 2015 (NPC 2016a).

The proportion of people with less than the minimum level of dietary consumption dropped from 47 percent in 2000 to 22.8 percent in 2015 (NPC 2017a). Multi-dimensional poverty, an indicator that accounts for social dimensions of poverty such as access to clean water, health care, and education in addition to income indicators, also reduced from 64.7 percent in 2006 to 44.2 percent in 2015 (OPHI 2016). These achievements are largely considered to be results of improved health and education as well as increased remittance income (NPC 2017a). The average rate of urban poverty also declined from 21.6 percent in 1990 to 15.4 percent in 2009, while the rural poverty rate declined from 43.3 percent in 1990 to 27.4 percent in 2009 (NPC, 2016: 14)

Table 5.1: Progress in poverty reduction

Indicators	2000	2015	SDG targets (2016-2030)
% of population below USD 1 per day (PPP value)	33.5	16.4	Reduce to zero and sustain
% of population below national poverty line	38.0	21.6	4.9
Prevalence of underweight children aged 6-59 months	43.0	30.1	5
Proportion of population below minimum level of dietary consumption	47.0	22.8	Reduce to zero and sustain
Proportion of stunted children age 6-59 months	57.0	37.4	15

(table created by author with data sourced from NPC 2017a)

Studies on the people's recent experiences after the 2015 earthquakes, however, show that people in poverty are extremely vulnerable and constantly face the threat of falling back into poverty (NPC 2015a). In 2015, nearly 4 percent of households were pushed into absolute poverty, compared to 3 percent in other years (NPC 2015a). As a commitment to SDG 1, Nepal aims to bring down the percentage of people living below the poverty line to 4.9 percent and to reduce multi-dimensional poverty to 10 percent for 2030 (NPC 2017 a). The government has also proposed to raise per capita income to US\$ 2,500 in 2030 from US\$ 766 in 2015. Consumption share of bottom 20 percent household is targeted to increase to 12 percent in 2030, from 7.6 percent in 2015, and social protection expenditure is targeted to reach 15 percent of the federal budget in 2030. (NPC 2017 b).

In 2012, Ministry of Cooperatives and Poverty Alleviation was established to coordinate activities towards this goal. The government also launched a programme to identify poor on the basis of their incomes with the intention of distributing poverty identity cards. Till date, Nepal has rolled out around 49 programmes specifically targeting the goal of poverty alleviation. Programmes such as Youth Self Employment Fund (government fund that provides collateral free loans at low interest rates to encourage self-employment opportunities), Poverty Alleviation Fund (financial assistance programme targeted towards income poor groups), Integrated Rural Development Programme (subsidies targeted towards smaller farmers, marginal farmers, agricultural labourer), Karnali Employment Programme (employment programme for the poor households living in the Karnali zone), Food Crisis Response Programme (Targeted food assistance to mitigate food insecurity) and the Microenterprise Development Programme (programme to help low-income families to develop their micro-enterprises) have made concerted effort to reduce poverty in Nepal. Similarly, in 2008, the Ministry of Federal Affairs and Local Development (MoFALD) launched the Local Governance and Community Development Programme (LGCDP) which is successfully developing accountable local governance and participatory community-led development. These initiatives will continue through the SDG period (NPC 2017a). In addition, other sectoral ministries - such as The Ministry of Women, Children and Social Welfare, the Ministry of Youth and Sports, the Ministry of Labour and Employment, and the Ministry of Urban Development have integrated poverty eradication and employment generation as one of their focus programmes (NPC 2016: 24).

2.2 Health

SDG 3 aims to ‘ensure healthy lives and promote well-being for all at all ages’. Nepal has made significant progress in this regard. By the end of 2015, Nepal achieved all relevant MDG targets by reducing infant mortality rate (IMR) from 91/1000 live births in 2000 to 38 in 2015, under-five mortality rate (U5MR) from 64/1000 live births in 2000 to 33 in 2015, and increasing immunisation on measles from 71.0 to 92.6 in the same period. According to the Ministry of Health (2017), IMR had already reduced to 32 in 2016. Similarly, the proportion of births taking place in health facilities has increased from 9 percent in 2000 to 55 percent in 2014, and 57 percent in 2016. The proportion of births being attended by skilled attendants has also increased from 11 percent in 2001 to 55 percent in 2016 (NPC 2015, MOH 2017). Nepal has also made remarkable progress in maternal mortality ratio, which declined from 415 in 2000 to 258 in 2015. This is significant in terms of achievement, especially considering MMR was 850 in 1990. Nepal aims to reduce the MMR to 70 by 2030 (NPC 2017a, MoH 2017).

Table 5.2: Progress in Health Sector

Indicators	2000	2015	SDG targets (2016-2030)
Infant mortality rate (per 1,000 live births)	64.0	33.0	10
Under-5 mortality rate (per 1,000 live births)	91.0	38.0	22
Proportion of 1-year old children immunized against measles	71.0	92.6	100
Maternal mortality ratio (per 100,000 live births)	415.0	258	70

(table created by author with data sourced from NPC 2017a, NPC 2016, MOH 2017)

By the end of the SDG period, Nepal aims to reduce IMR to 10 and U5MR to 22 per 1000 live births, and increase measles immunisation to 100 percent. However, disparities in mortality rates between regions, social groups, and income quintiles remain the main challenges to achieve these targets (NPC 2017a: 30). There is considerable variation in child mortality rate by geographical region. The IMR and U5MR is 73 and 87 respective in the mountain region and 50 and 50 in hill region. Both these indicators are high in the Mid-Western (IMR 58 and U5MR 73) and Far Western (IMR 65 and U5MR 82) regions. Similarly, Child mortality in rural areas is higher than in urban areas, with an IMR of 55 and an U5MR of 64 in rural areas in 2011 (NPC 2016, MoHP et al. 2012).

For the effective implementation of health programmes, Nepal has introduced new Health Policy 2014, and is currently implementing Nepal Health Sector Strategy, 2015-2020. Under these frameworks, Nepal is specifically aiming to reduce inequality in access to health care services across the country. NPC (2017a) reports that the government now provides free basic health care in health posts and primary health care centres, distributes around 70 types of basic drugs free of cost, and also provides free treatment to poor and marginalised people (including for diseases like heart disease and kidney failure). In addition, a health insurance scheme is being piloted and subsequently to be scaled up across the country, based on the evaluation and documentation of the pilot. The Nepal Health Sector Programme 2 (NHSP2, 2010–2015) also emphasised on universal access to reproductive health, including modern contraception.

Nepal has also introduced a variety of community-based and national campaign approaches to addressing various health-related issues. In regular intervals, the Ministry of Health implements semi-annual vitamin A supplementation and de-worming programmes; the Community-based Integrated Management of Childhood Illness (CB-IMCI), Community Based-Integrated Management of Neo-natal and Childhood Illness (CB-IMNCI), Community-Based Newborn Care Package (CB-NCP), high rates of full child immunisation, and the coverage of the exclusive breastfeeding of children under-six months (NPC 2013b). These programmes have been specifically helpful in early diagnosis and treatment of major childhood diseases at health facility and community levels. NPC (2016) also credits these programmes for reducing U5MR by improving the effective management of pneumonia. Moreover, the Government of Nepal has committed to health insurance as a guarantee to ensure access to medical treatment, especially through National Health Insurance Policy 2013. Since its inception, health insurance has reached 24 districts (out of 75 districts) and seen an enrolment of around 300,000 people (Nepal, 2018).

2.3 Education

Nepal has been making good progress in enhancing access to education, and gradually meeting the targets set out in SDG 4. Though the MDG targets of achieving 100 percent net enrolment rates were not met by the end of 2015, the NER in primary education reached 96.6 percent in 2015 (See Table 5.3). The government has a target of increasing enrolment further to 99.5 percent by the end of 2030. Similarly, the primary school completion rate has increased from 63 percent in 2000 to 89.4 percent in 2015. The overall literacy rate of 15-24 years has also

increased from 70.1 in 2000 to 88.6 in 2015. The gender parity index (GPI) in NER increased from 0.64 in 1990 to 0.99 in 2015. Gender parity in the gross enrolment rate was 1.09 in 2015/16, showing that more girls than boys are enrolling in primary education (DoE 2016).

Table 5.3 Progress in Education Sector

Indicators	2000	2015	SDG target (2016-2030)
Net enrolment rate in primary education	81.0	96.6	99.5
Proportion of pupils enrolled in Grade 1 that reach Grade 5	63.0	89.4	95
Literacy rate of 15-24 years olds	70.1	88.6	99

(table created by author with data sourced from NPC 2017a: 4-5.)

However, as the NPC report (2017a: 3) points out, retaining students in school is still one of the main challenges related to achieving SDG 4. Though the survival rate of primary education students has increased from 38 percent in 1990 to 89.4 percent in 2015, the aim of reaching 99 percent is potentially difficult (NPC, 2016). NPC envisages that the education programme intervention also needs to concentrate on improving the quality of teaching and learning in public schools. While remarkable progress has been made in achieving gender parity in school education, disparity of 88 women to 100 men still exists at tertiary levels of education (NPC 2017b: 29). Nepal also aims to improve adult numeracy from 52 percent at present to 95 percent for women and from 75 percent to 95 percent for men (NPC 2015: 33).

Education programmes in Nepal have been implemented and monitored through sector plans since 1971. In the recent years, School Sector Reform Plan (SSRP, 2009-2015) was introduced as a long-term strategic plan for improving basic and secondary education. It also introduced new reforms such as the restructuring of school education, improvements in the quality of education, and the institutionalisation of performance accountability (NPC 2015). During this period, the Seventh Amendment to the Education Act in 2001 had made provisions for the decentralisation of education with the formation of school management committees (SMCs) and parent teacher associations (PTAs) in all schools. All public schools now have to prepare annual financial and social audit reports and develop school improvement plans (SIP). These plans are then incorporated into the village education plans (VEP), district education plans (DEP), annual strategic implementation plan (ASIPs), and annual work plan and budgets (AWPBs) at the national level. In addition, new amendments in the education legislation have also facilitated the incorporation of education provided by religious institutions, such as

Muslim madrasahs, Buddhist gumbas, and Hindu ashrams, as part of the national education system, providing them support through educational materials and technical support (NPC, 2016:38).

School Sector Development Plan (SSDP, 2016-2020) has now been introduced to take into consideration the evolving legal and institutional framework for education. SSDP is in the process of developing systems to integrate school education in line with the responsibilities of local government. Since the new federal structure is still in its infancy,¹ one of the biggest challenges ahead for SSDP is to work with the varying status and capacity of local government in different provinces (NPC 2016). In addition, the 2015 earthquakes destroyed many school buildings, posing great difficulty for the schools to function properly. Special provisions for the reconstruction of school buildings have been made by the National Reconstruction Authority (NRA), and it has begun to make slow progress towards rebuilding the many damaged and destroyed schools. The NRA has prioritised reconstruction of educational facilities, assessing the safety of all school buildings, and raising awareness on disaster risk reduction in their national plans.

2.4 Economic growth

Nepal's progress has been slow on the SDG 8 commitment to 'promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all'. Over the last two decades, Nepal has made 4 percent growth on GDP. In the first MDG review in 2002, the agriculture sector had a growth rate of 2.5 percent and non-agriculture sector had a growth rate of 2.7 percent (UNDP 2014). By the time third MDG review was conducted in 2010, the growth rate in agriculture sector was 4.7 percentage and non-agriculture sector was 1.3 percentage points. This growth was 1.3 percent greater in non-agriculture sector and 3.6 percent greater in agriculture sector than the preceding year (NPC 2016: 7). Yet, the global target for 2030 is to achieve per capita GDP growth of at least seven percent (NPC 2017 b). Given the lower productivity in agriculture and within-the-house food allocation priorities, the target to reduce malnutrition among children by 2.7 percent per year, which is needed to eliminate it by 2030, is extremely difficult (NPC 2017a).

¹ See later section.

National Planning Commission (2015) notes that political instability and prolonged political transition, in the last few decades, have led to an unfavourable investment climate and have negatively impacted service sectors such as tourism and finance. In addition, as noted earlier, the 2015 earthquakes also reduced the GDP to 3 percent that year, compared to 4 percent in other years (NPC 2015a). The report also points out that Nepal's excessive dependence on monsoon-fed agriculture, farming and human settlements on fragile lands, poor infrastructure, environmental degradation, and the effects of climate change on agriculture have exacerbated these economic risks and vulnerability. Moreover, a few weeks after the 2015 earthquakes, Nepal's major land routes on the southern border with India were totally or partially closed, affecting movement of people and goods, and significantly reducing trade between the two countries. This resulted in serious shortages of fuel and other commodities creating an economic and humanitarian crisis in the country (NPC 2016).

In terms of employment, according to the Nepal Labour Force Survey (CBS 2009), the employment to population ratio reported in 2000 was 84.3 percent. This unemployment rate has decreased to 81.7 percent in 2010, and then to 78.3 percent in 2014/15 (NPC, 2016:18). Furthermore, the latest analysis (CBS 2009) found that 73.9 percent of the population were working in the agriculture sector and 26.1 percent in the non-agriculture sector. The underemployment of 15-59 year olds is 27.8 percent. Of those who are employed, nearly 25 percent fall under the category of 'working poor'. 30 percent of child labourers are still working under hazardous conditions. Nepal aims to lower underemployment to less than 10 percent and eliminate the worst forms of child labour by 2030 (NPC 2017 b). Furthermore, there is gender inequality in wages, with male workers paid higher than female workers. NPC (2016: 52) reports that 61 percent of women are not paid for their work at all, compared to only 12 percent of men. In order to achieve wage equity and increase per capita income, Nepal needs to create new employment opportunities in off-farm sector while paying more attention to agriculture sector, as it is still the major employer and source of livelihood for rural household (NPC 2016: 29).

In the last few decades, Nepal has also seen massive out-migration of Nepali youth for the purpose of work, with an estimated total of approximate four million young people working outside the country (NPC 2017a). Women are also increasingly engaging in overseas employment. In 1985–2001 period, the Department of Foreign Employment (DoFE) had recorded only 161 women as having left for foreign employment. But by 2013/14, 28,966

permits were issued to women going abroad to work (DoFE 2014).² The flow of recorded remittances, from the migrant workers working abroad, has also increased since the year 2000. The remittance inflow in 2000-2008 period was 13.5 percent of gross national income (GNI), which increased to 24.8 percent in 2012. By 2015, remittances made up 29.2 percent of GDP (NPC, 2016). While this trend of labour migration has negatively affected labour availability in the country, it has had positive contribution on poverty reduction and taking the country forward on SDGs.

2.5 Human Development Indicator (HDI)

Nepal has made some progress in the Human Development Index (HDI). Nepal has also shown consistent progress in all three basic dimensions of Human Development Indicator: a long and healthy life measured by life expectancy at birth, access to knowledge measured by mean years of education among the adult population and expected years of schooling for children, and a decent standard of living measured by Gross National Income (GNI) per capita. In 1990, Nepal's HDI value was 0.378. By 2017, it has increased to 0.574, placing the country at the medium human development category (See Table 5.4). This was a cumulative effect of improvements in various human development indicators. From 1990 to 2017, Nepal's life expectancy at birth increased by 16.3 years (from 54.3 in 1990 to 70.6 in 2017), mean years of schooling increased by 2.9 years (from 7.5 in 1990 to 12.2 in 2017), and expected years of schooling increased by 4.7 years (from 2.0 in 1990 to 4.9 in 2017). Similarly, Nepal's GNI per capita increased by about 111.6 percent, from 1,168 in 1990 to 2,471 in 2017 (UNDP, 2018).

Table 5.4: Trends in HDI

Year	HDI value
1990	0.378
1995	0.410
2000	0.446
2005	0.475
2010	0.529
2015	0.566
2016	0.569
2017	0.574

(table created by author with data sourced from UNDP, 2018)

² The actual number of women working abroad is expected to be much higher, as not all women abroad will have registered or received the right permits for foreign employment.

Nepal's HDI score of 0.638 is below average for the countries in South Asia (0.645). In South Asia, Sri Lanka has the highest HDI value of 0.770 and Afghanistan holds the lowest HDI value of 0.574. In terms of gender equality indicators in 2017, Nepal's Gender Inequality Index (GII) – the indicator that reflects inequalities in reproductive health, empowerment, and economic activity based on gender- put Nepal in 118 rank out of 160 countries. Moreover, the inequality-adjusted HDI (calculated after taking into consideration the level of inequality in the distribution of human development across the population) is 0.427. This drop of 25.6 percent from HDI to IHDI shows the high inequality amongst the population in Nepal (UNDP, 2018).

3. Unequal Reach of Development

One of the biggest challenges in achieving the SDGs – whose motto to “leave no one behind” - is the existing uneven reach of development across income groups, geographic regions, and social groups in Nepal. Even while the poverty gap declined from 12 percent in 2000 to 5.6 percent in 2013, there are glaring disparities between urban-rural areas, geographic regions, and social groups such as Dalits (so-called ‘untouchables’ belonging to the lower caste groups), Janajatis (indigenous groups), and Madhesis (groups living in the southern plains of Nepal, and have had less representation access to state institutions). Many popular movements, including the armed conflict between 1996 and 2006, rooted their political mobilisation based on these grievances and lived experiences of inequality. This unequal reach of development specifically affects SDG 10, which aims to ‘reduce inequality within and among countries’. The ramifications of not achieving this goal can then affect the ability to achieve a number of other SDG goals as well.

3.1 Income groups

Disaggregated data on income groups is a key indicator of Nepal's unequal distribution of development. Nepal's Gini coefficient, a measure of income inequality, shows that the share of the bottom 40 percent of the population in total consumption is only 18.7 percent, while their income accounts for only 12 percent of total income (NPC 2017b: 33). Similarly, in 2010, the share of the poorest quintile of the households in national consumption and income was only 7.6 percent and 4.1 percent respectively (CBS, 2011a). This income inequality holds severe implications for development-related outcomes – such as education and health. In 2015, the proportion of the richest quintile of income group completing primary education was 2.2

times more than the poorest quintile. Similarly, 1.6 times more children were free of stunting in the richest quintile compared to the poorest quintile (NPC 2017b).

These disparities based on income level are exacerbated when they interact with caste and ethnicity. According to the Nepal Living Standards Survey, as a group, the Brahmans and Chhetris, the so-called high caste groups in Nepal, have the highest income per capita. This is followed by the Janajati (indigenous groups) and the Dalit (so-called ‘untouchables’ belonging to the lower caste groups) have the lowest income per capita. This gets exacerbated when it combines disparities along the geographical areas – mountains, hills, and tarai. For instance, The NLSS data shows that the per capita income for Brahmans, living in Hills, is two times higher than that of Dalits living in Terai, southern plains of the country. In terms of poverty incidence (poverty headcount rate), Brahmans have 10.3 percent of poverty incidence compared to 43.6 percent for Dalits- living in hills, 38.2 percent for Dalits- living in Tarai region, 28.3 percent for Janajatis living in hills, and 25.9 percent for Janajatis, living in Tarai region (UNDP 2014: 18-19).

In order to reduce inequality within the country, Nepal has a target to bring down its consumption inequality index from 0.33 in 2015 to 0.16 in 2030, and reduce income inequality from 0.46 to 0.23 during the same timeframe. There are also targets to increase the share of the total income for the bottom 40 percent of the population from 12 to 18 percent. The plan is also to protect workers from deteriorating real wages by increasing the nominal wage from 2.94 to 3 by 2030 and explicitly tackling the interconnected issue of income, caste, and ethnicity (NPC 2017b: 33).

3.2 Social groups

The development indicators also show substantial disparity amongst various marginalised social groups such as Dalits, Madhesis, and some Janajati groups. Addressing group-based inequality and exclusion are some central challenges to achieve the SDGs by 2030. Various surveys and reports have consistently recorded that inequalities among different social groups have remained intact. For instance, Nepal Human Development Report 2014, based on Census 2011 and Nepal Living Standards Survey information, points to persistent inequalities in human development by caste and ethnicity. According to the report, as a group, Brahmans/

Chhetris have the highest HDI value of 0.538. This is followed by Janajatis (excluding Newars) at 0.482, Dalits at 0.434, and Muslims at 0.422 (UNDP 2014: 18-19) .

The interaction between caste and ethnicity seem to significantly affect HDI. According to Nepal Human Development Report (2014: 17), the HDI value for so-called high caste group (Brahmans and Chhetris) is 0.538. In contrast, the Dalits have the HDI value of 0.434. Madhesi groups have 0.454. Janajatis have 0.482. Some of the Janajati groups such as Newars and Thakalis have high HDI scores due to their proximity to the capital city and entrepreneurial lives respectively (UNDP 2016). These two groups are, therefore, calculated separately in HDI index. The general trend of inequalities in HDI scores linked to caste and ethnicity are also highly affected by geographic location - HDI rank for all Hill/Mountain groups is 0.511, compared to 0.454 for all Tarai/Madhesi groups. Nepal Human Development Report 2014 also highlights that these difference between HDI values are mainly affected by the low level of educational attainment amongst Hill Dalits, Madhesi Dalits, and Muslims.

3.3 Regional disparity

There are significant regional disparities in terms of development outcomes in Nepal. Regions such as Mountains, Far and North Western Hills, and Karnali have consistently shown lower scores in development indicators. The Census 2011 recorded high percentage of poor people in the mountains (42.5 %) compared to the hills (24.3) and Terai (23.4). The NPC (2016:14) reports that the geographical characteristics and remoteness of upland areas has made these areas lag behind in access to basic facilities like improved sources of drinking water, toilet facilities, electricity, paved roads, agricultural centres, and access to finance. Similarly, the 2010/11 NLSS found the urban hills to be the least poor, with the mountains and rural hills as the poorest domains, followed by hills in the Mid- West and Far-Western regions (NPC, 2016: 15)

The Human Development Report 2014 records 10 districts that have very low HDI values of less than 0.4; eight of those ten are in the Mountains or Hill regions, and two are in the Terai region. This HDI value is significantly low compared to the 0.55 HDI value for Kathmandu Valley. (UNDP, 2014). This geographic disparity is also corroborated by the report on Multidimensional Poverty published by NPC (2018). The report shows that, at the province level, multidimensional poverty in Provinces 2 and 6 is significantly higher than the other

regions, with the MPI value of 0.217 and 0.230 respectively (OPHI, 2010; NPC 2018: 20). In terms of numbers, Province 2 houses the largest number of multidimensionally poor, followed by Province 6. The report also shows that the incidence of rural multi-dimensional poverty is much higher (33.2%) than urban MPI (7%) (NPC 2018: 14).

This regional disparity has been purported to be one of the key reasons for both the Maoist armed conflict and the Madhesi movement. These political movements primarily based their mobilisation on the basis of these systematic exclusions. As a result of these prolonged conflict, protests, and agitations, Nepal's progress towards the global goals have been slower than expected (NPC 2016). These differentiated outcomes in human development call for substantial scaling up of development programmes. However, there is also clear need for overall redesigning of development programmes to specifically address the concerns in the underdeveloped regions and respond to marginalised social groups. The current federal restructuring of Nepal's administrative structure aims to address some of these issues through devolved localised programming to work towards inclusive and equitable development.

Evolving Context and New Institutional Framework

Nepal's commitment to SDGs has found stronger impetus with its recent political transition into federal system of government, which is shaped by a common vision for the sharing of resources and working towards more inclusive development. There is now a more pronounced commitment towards marginalised groups, geographic regions, and social groups. The Constitution of Nepal 2015 strives to recognise Nepal's 'multi-ethnic, multi-lingual, multi-religious, multi-cultural and diverse regional characteristics'. Article 56.6 of the constitution envisages that federation, provinces, and local levels shall ensure 'equitable society based on plurality and equality, and inclusive representation and identity'.

Nepal's new federal structure is underpinned by the provisions laid out in the Constitution of Nepal, promulgated in September 2015, which provides a basic division of powers between the federal government, seven provincial governments, and 753 local governments. The functions and powers of subnational government have substantially increased under the new federal arrangement, so as to address the local-level governance and development issues more effectively, especially compared to the previous centralised system of government. The Constitution recognises both exclusive and concurrent powers for different levels of

government. At the local level, elected governments now enjoy a relatively high degree of autonomy with considerable political, administrative, and fiscal decentralisation. They are now mandated to design and deliver sectoral services – such as health services, education, and social security- in an efficient and inclusive manner. Such an arrangement departs from the previous system in which central line ministries held the primary responsibility for designing and delivering sector-specific programmes.

The initial progress in this process of decentralisation in Nepal is encouraging. The constitution clearly delineates the responsibilities of the federal, provincial, and local tiers of government, including identifying areas of concurrent responsibility between them. Similarly, fiscal resources for local bodies are clearly earmarked, including the sources of tax revenue into which they can tap (NPC 2017a). As per the Schedule 8 of the constitution, the local level government now has been provided a jurisdiction to collect taxes such as property tax, house rent tax, service fee, tourism fee, advertisement tax, and business tax (GoN, 2015). This local level revenue generation is expected to strengthen the social contract between state and citizens, and enable the government to provide services more efficiently³. In terms of responsibilities, the local government now holds primary responsibility for the management of local services, basic and secondary education, basic health and sanitation, management and operation of agriculture extension, drinking water, small electricity projects, alternative energy, disaster management etc. This devolution of responsibilities is expected to address local issues effectively and keep the country on track to achieving the SDGs.

The local governments, at the provincial level and the municipal level, have begun to assume the responsibility mandated by the constitution. The basic functions such as education, health and basic services have been delivered without serious disruption even during the period of political transition (Karki and Bhatta, 2018). Despite the lack of clear legislations and the policies, the local governments have successfully continued their leadership role in these service delivery programmes. However, the slow pace of transition and policy formulation is likely to impede not only the continuation of effective implementation of programmes, but also hinder the relevant officers to fulfil their responsibilities efficiently.

³ There are four mechanisms through which payments will be made from federal to local governments: fiscal equalisation grant, conditional grants, special grants, and matching grants.

Despite the uncertainty posed by the political transition, Nepal has made systematic effort in integrating SDGs in its existing national plan. Nepal's Fourteenth Plan (2016/17–2018/19) has proposed five major pillars of development- (i) Infrastructure, which incorporates SDG 6, 7, 9 and 11, (ii) Social, which incorporates SDG 3 and 4, (iii) Economic, which incorporates SDG 1, 2, 8, 9, 10 and 12, (iv) Governance, which incorporates SDG 16 and 17, and (v) Cross-cutting, which incorporates SDG 5, 13, and 15. (NPC 2017: 8-9). In all these aspects of development, Nepal's national plan has mainstreamed SDG indicators in both its planning and budgeting process. In addition, it has also mainstreamed the tracking of SDG indicators by including them in the national monitoring process. Priorities and targets on other sectoral plans – such as School Sector Development Plan (SSDP), Nepal Health Sector Strategy, Zero Hunger Challenges Action Plan, Agriculture Development Strategy, National ICT Broadband Master Plan, Forest Sector Strategy, and Nature Conservation National Strategic Framework- have also been aligned and mainstreamed with SDGs (NPC 2017a: 8-9).

The Sustainable Development Goals National (Preliminary) Report has also set milestones for each goal, and has identified 255 indicators to track the progress and proposed Evaluation Action Plan (2016-20) for better targeting of SDGs (NPC, 2015). The effective monitoring of the progress in SDG is likely to be affected by the limited availability of reliable statistics and insufficiently disaggregated data in Nepal. National Planning Commission (2017a) reports that some SDG indicators lack base year statistics. This is especially true on indicators such as intra-household nutritional status, poverty, disability status, and social groups. Similarly, NPC has also faced the challenge of outline updating of data, setting values for SDG targets in the Nepalese context, building national consensus on 2030 benchmarks, and developing a robust information management system (NPC 2017a). Since the SDGs are also inter-linked goals, Nepal will also have to mainstream the mechanism to understand and record the connections between different goals.

While the functions and powers of subnational government, at the province and local level, have substantially increased under the new federal arrangement, Nepal faces a daunting challenge of setting up integrated planning, implementation, budgeting, and reporting mechanisms with specific focus on SDGs. The government has started mainstreaming SDGs at the central level, but it is yet to be cascaded at provincial and local rural/ urban municipality levels. Even while the government is now closer to the people and service delivery can be integrated at the local level, new systems are still being developed for effective service

delivery. Furthermore, the federal government is envisaged to have the residual powers in areas that are not specified in the federal, provincial, or local level list or concurrent list in the legislation. And in case of conflicts and contradictions, federal act shall supersede similar acts at state and local levels, and provincial act shall supersede the local act. But such acts, especially at the federal and provincial level, are still in the process of formulation. Some work has been carried out to ‘unbundle’ the functions allocated to the different tiers of governments, but its implications for the service delivery are yet to be seen (GoN, 2017).

Nepal has also made several structuring of sector-specific line agencies. For example, in the education sector, the Ministry of Education (MoE) has been restructured into Ministry of Education, Science and Technology (MOEST). At the Local level, each rural and urban municipality now has an education department. The district education offices have become morphed into the newly formed Education Development and Coordination Units (EDCUs), who now report to the Chief District Office. The Constitution of 2015 has delegated basic and secondary education as the exclusive function or prerogative of Local Government, while keeping education in general remains a concurrent function of all tiers of government. However, the Constitution does not clarify on the specifics on the issues such as management of permanent teachers and on technical functions of school education such as curriculum and textbooks, teacher professional development, examinations (Karki and Bhatta, 2018).

Similarly, in the current federal structure, ‘social security and poverty alleviation’ is listed both as the concurrent responsibility of federal, provincial, and local governments, and exclusive responsibility of federal government. While the exact details on the separation of responsibility are still being ironed out, local government is likely to have more power on the management and implementation of social security programmes. The federal government is more likely to hold powers in national policy, standard setting, and coordination with national and international agencies in some sectors. There have been some attempts to clarify these responsibilities, specifically in a report that aims to ‘unbundle’ and provide a detailed listing of exclusive and concurrent powers of different level of government (GoN, 2017). This report delineates the overall standard setting function to the federal and the management of programmes to provincial government, which are to be followed by the local government. The federal and provincial government also have the power to develop social security programmes to address the local needs.

One of the important developments, that is likely to have substantial impact in the implementation of SDGs, is the establishment of new Ministry of Social Development (MOSD) at the provincial level. This ministry is responsible for development issues such as school and higher education, health, youth and sports, social protection and women development. In the earlier system, these issues were dealt by separate ministries along with their line agencies. Since this new institution is still yet to formulate its line agencies – both at the district and provincial level. While the ministry is expected to spearhead the multi-sectoral development programmes, new institutional structures are still required to implement the programmes at the local level. The ministry has also not drawn up mechanisms for the coordination of such programmes. While the ministry intends to work in coordination with the education officers, positioned in education sections of rural and urban municipalities, the detailed mechanism is yet to be finalised.

In this emerging context of federalism and subsequent decentralisation, performance of SDGs will depend on effective delineation of social development responsibilities to the local, federal and provincial levels, respectively. Nepal has already begun this process of ‘unbundling’ with a preparation of a comprehensive report by Federalism Implementation and Administration Restructuring Coordination Committee, describing the comprehensive list of exclusive and concurrent powers and functions of the Federal, Provincial, and Local Governments (FIARCC. 2017). While it is still too early to comment on the performance of local bodies under its provisions, the broad range of power and responsibilities enjoyed by the provincial and local governments promise to make substantial impact on progress towards achieving the SDGs. The NPC (2017a) expects that the newly-established local governments will require at least one year to set-up the necessary institutional structures to address SDGs. At the same time, should local governments not be able to integrate the SDGs into their processes, it is unlikely that these development goals can be achieved in Nepal. When the core functions concerning development have been devolved to the local level to this extent, coherence at that level will be critical to ensure success in meeting the SDGs. As such, even though the new system presents significant opportunity, further work is critical to ensure that these global goals remain in sight of all the sovereign local governments immediately, right from their nascent stage. Utilising the authorities that have been devolved to sub-national level, provincial and local governments are expected to gradually adopt SDGs friendly planning and implementation processes. The newly formed sub-national institutions are expected to play an important role in localising SDGs and contributing towards their effective implementation.

Conclusion

Nepal aspires to graduate from Least Developed Country (LDC) status to Middle Income Country (MIC) by 2030 (World Bank, 2017). This aim is contingent upon achieving the SDGs. In order to achieve this, Nepal has already integrated SDGs in the periodic plans and annual budgets. It is also gradually developing the monitoring frameworks focused on SDG indicators. Nepal has made significant progress in meeting its various commitments towards achieving national and international development goals over the last two decades. Nonetheless, significant challenges remain, not least the disparities across caste, social groups, and geographies. These inequalities pose serious threats to achieving the SDGs by 2030.

Nepal's political transformation and accompanying governance restructuring, however, offer substantial impetus for effective achievement of Sustainable Development Goals. The country's recent transformation from a unitary to a federal, decentralised system of governance seeks to build a more just and inclusive society. Nepal's structures of governance are recent, and as such they are yet to come to terms with the new responsibilities and roles, overlapping jurisdictions, and consequent lack of clarity with respect to their functions. Despite these challenges, the new system presents opportunity and space for more decentralised development that is sensitive to the needs of the people at the grassroots throughout the country.

References

CBS (2004). *Nepal Living Standard Survey 2: 2003/04*. Kathmandu: Central Bureau of Statistics.

CBS (2009). *Nepal Labour Force Survey 2008*. Kathmandu: Central Bureau of Statistics.

CBS (2011a). *Poverty in Nepal*. Kathmandu: Central Bureau of Statistics, National Planning Commission, Government of Nepal.

CBS (2011). *Nepal Living Standard Survey 3: 2010/11*. Kathmandu: Central Bureau of Statistics.

CBS (2014). *Nepal Multiple Indicator Cluster Survey (MICS) 2014, Key Findings*. Kathmandu: Central Bureau of Statistics and UNICEF Nepal.

Department of Education (DoE) 2016. *Flash 1 Report 2015/2016*. Sanothimi, Bhaktapur: Department of Education.

Department of Foreign Employment (DoFE) 2014. *Labour Migration for Employment: A Status Report for Nepal 2013/2014*. Kathmandu: Department of Foreign Employment, Kathmandu.

Federalism Implementation and Administration Restructuring Coordination Committee (FIARCC). 2017. *Unbundling/Detailing of List of Exclusive and Concurrent Powers of the Federation, the State (Province) and the Local Level Provisioned in the Schedule 5, 6, 7, 8, 9 of the Constitution of Nepal Report*. Kathmandu: Government of Nepal, Federalism Implementation and Administration Restructuring Coordination Committee. Available at <https://www.opmcm.gov.np/wp-content/uploads/2017/07/Unbundling-Final-English.docx>; accessed on 6 June 2018.

Government of Nepal, 2016. Statement by Hon. Dr. Prakash Sharan Mahat, Minister for Foreign Affairs and Head of the Nepali delegation to the 71st Session of the United Nations General Assembly. New York, 24 September 2016. (<https://mofa.gov.np/statement-hon-foreign-minister-nepal-unga-71/>)

Government of Nepal, F.I. and A.R.C.C., 2017. *Unbundling/Detailing of List of Exclusive and Concurrent Powers of the Federation, the State and the Local Level Provisioned in Schedule 5,6,7,8 and 9 of the Constitution of Nepal*. Nepal Law Commission online portal; Unofficial translation in circulation.

Ministry of Health (MOH) 2017. *Nepal Demographic Health Survey, 2016*. Kathmandu: Ministry of Health, New Era and ICF International.

Ministry of Health and Population (MoHP).2012. *Nepal Adolescent and Youth Survey, 2010/11*. Ministry of Health and Population, Kathmandu.

Nepal Law Commission, 2015. *The Constitution of Nepal*. Nepal Law Commission online portal.

National Planning Commission (NPC). 2015. *Sustainable Development Goals for Nepal 2016-30, National Report*, Kathmandu: National Planning Commission, Government of Nepal.

National Planning Commission (NPC). 2017a. *National Review of Sustainable Goals*. Kathmandu: National Planning Commission, Government of Nepal.

National Planning Commission (NPC). 2017b. *Nepal Sustainable Development Goals. Status and Roadmap: 2016-2030*. Kathmandu: National Planning Commission, Government of Nepal.

National Planning Commission (NPC). 2016a. The 14th National Plan. Kathmandu: National Planning Commission, Government of Nepal.

National Planning Commission (NPC). 2016. *Nepal and the Millennium Development Goals: Final Status Report 200-2015*. Kathmandu: National Planning Commission, Government of Nepal.

National Planning Commission (NPC). 2016c. *Envisioning Nepal 2030*. Kathmandu: National Planning Commission and Asian Development Bank.

National Planning Commission (NPC). 2018. *Nepal Multi Dimensional Poverty Index: Analysis towards action*. Kathmandu: National Planning Commission, Government of Nepal. (https://www.npc.gov.np/images/category/Nepal_MPI.pdf)

National Planning Commission (NPC). 2015a. *Nepal Earthquake 2015: Post Disaster Needs Assessment. Vol. A: Key Findings*. Kathmandu: National Planning Commission. Available at: <http://www.worldbank.org/content/dam/Worldbank/document/SAR/nepal/PDNA%20Volume%20A%20Final.pdf>

National Planning Commission (NPC). 2015. *Sustainable Development Goals 2016–2030: National Preliminary Report*. Kathmandu: National Planning Commission.

Nepal. S. 2018. Health Insurance in Nepal. *Himalayan Times*. 2 May 2018. <https://thehimalayantimes.com/opinion/health-insurance-in-nepal/>

Oxford Poverty and Human Development Initiative (OPHI). 2016. *OPHI Country Briefing December 2016: Nepal*. Oxford: Oxford Poverty and Human Development Initiative.

Oxford Policy Management (OPM) 2018. *Public finance for social services in federal and decentralised contexts: Lessons for Nepal*. Oxford: Oxford Policy Management.

Karki, S. and P. Bhatta. 2018. *Education in a Decentralised Context: The Case of Nepal*. Oxford: Oxford Policy Management.

United Nations Development Programme (UNDP). 2014. *Nepal Human Development Report 2014. Beyond Geography: Unlocking Human Potential*. Kathmandu: United Nations Development Programme.

United Nations Development Programme (UNDP). 2016. *Nepal Human Development Indices and Indicators: Statistical Update*. Kathmandu: United Nations Development Programme.

United Nations Development Programme (UNDP). 2018. *Nepal Human Development Indices and Indicators: Statistical Update*. Kathmandu: United Nations Development Programme.

World Bank, 2017. *Climbing Higher: Toward a Middle-Income Nepal*. Washington DC: World Bank.