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POLITICS AND GOVERNANCE IN NEPAL¹

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Abstract

It is argued that lack of vision among political leaders and the ruling elite, and the inability to understand the consequences of socio-economic exclusion, are the roots of current political crisis in Nepal. The centralization of power, together with a bias towards urban development over the three decades of import substitution regime, encouraged corruption, and increased poverty and inequality in the country— both horizontal (between territorial, ethnic and religious groups) and vertical (between classes within the society) inequality. In the absence of genuine political commitments and institutional reforms, the minority and under-privileged classes have been excluded from opportunities in governance and mainstream politics since the unification of the country 238 years ago. There is a need to make a significant reform in economic policy, politics and the institutional setup to sustain growth and increase collective voice and a bargaining power for all disadvantaged groups. Nepal would have been politically a more stable nation today if political leaders and the ruling elite had a vision for the nation, intellectual depth to understand the consequences of socio-economic exclusion and appropriate strategies to address them.

Keywords: Politics, Governance, Democracy, Socio-economic exclusion, Empowerment

I. Introduction

Despite five decades of development planning, poverty remains a major development challenge in Nepal. It is estimated that about 39% of the population live below the poverty line at a per capita income of US\$ 270 (2005). The incidence of poverty is high and rising, especially in the mountains and hills. It is estimated that over 50% of the population living in these geographic regions are poor (Appendix I). Not only has poverty increased, but income inequality has also risen. For instance, the income share of the top 10% of the population increased from 21% in the mid 1980s to 35% by the mid 1990s, while the share of the bottom

40% shrank from 24% to 15% (Sharma, 2006). Also, there has been a huge inequality in the offerings of government services between the rural and urban areas (Appendix II).

Rising poverty and inequality, together with the prevalence of discrimination (on the basis of gender, race and caste) and poor governance, has led to increased frustration and resentment among disadvantaged groups, leading to the eruption of civil war in the country in the mid 1990s. A decade long civil war has further contributed to a rise in poverty and inequality in the country. Nepal remains one of the poorest countries in the world, with the lowest per capita income (US\$ 270 in 2006) in the South Asian region.

Geographically Nepal's landscape can be divided into three regions: (i) the highest mountain region of Himalayas, (ii) valleys and hills, and (iii) the South Terai belt which borders with India. About 70% of land area is covered by hills and high mountains, while the remaining 30% land is found in Terai, which is suitable for commercial agriculture. According to the 2001 census, *Pahadis*² constitute 66.2% of the population, *Madhesis* 28.4%³ and others (such as Muslims and Sikhs) 5.7%. There are 100 caste and ethnic groups, 92 languages/ dialects and 9 religious groups in the country. Although the majority of the population is Hindu, there are deep caste divisions. Nepal's social structure is based on the *four-fold Varma* (four castes) system—namely Brahman (the priest), Chhetri (the warrior), Baishya (the trader) and Sudra (the untouchable). The social structure based on the caste system was created over two centuries ago and they still prevail in the society. Sudra (the untouchable caste) consists of *Kami, Damai, Sarki, Chyame, Chamar* are the victims of the caste system. They are economically exploited, politically voiceless and socially humiliated in the society.⁴ Brahman and Chhetri—who make up 28% of the population—control politics and governance in the country and the change of power often takes place between them.

Since the unification of the country by King Prithivi Narayan Shah 238 years ago, the political power in Nepal rested upon the Palace, and the King had the constitutional power to veto any legislation. The centralization of power structure not only added to poor governance, but also created dissatisfaction among the political parties and the King, leading to massive protests and strikes in the early 2006. This resulted in the loss of constitutional power of monarchy in June 2007 which now rests upon a democratically elected government.

Our aim in this paper is to discuss the role of politics and governance in the current state of the country. The paper is organized as follows. Section II presents an overview of political economy in Nepal, while governance issues are discussed in Section III. The paper concludes with policy recommendations in Section IV.

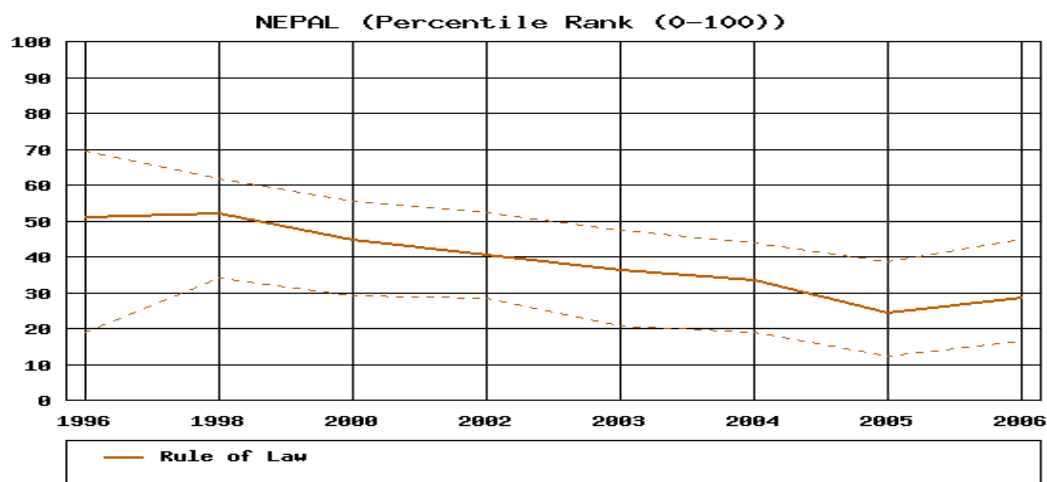
II. Political Development in Nepal

The history of democracy in Nepal begins in 1951 when late King Tribhuvan, with the help of India and his own people, ended the century-old system of rule by the 'Rana Family'.⁵ With the advent of democracy, at least two major political parties – Nepali Congress Party and the Communist Party of Nepal – emerged and they forced the King to declare parliamentary elections. The first democratically elected government was established in 1959. With the death of King Tribhuvan, his son late King Mahendra overthrew the democratically elected government, curtailed political freedom and outlawed opposition parties by restoring a single party system known as the *Panchayat System* in December 15, 1960. Under the *Panchayat System* the King kept all executive powers and people around him enjoyed privileges which promoted lack of transparency and favoritism. The centralization of power, together with restrictive trade and investment policies and massive inflows of foreign aid during 30 years of *Panchayat regime*, provided fertile grounds for such behaviors.

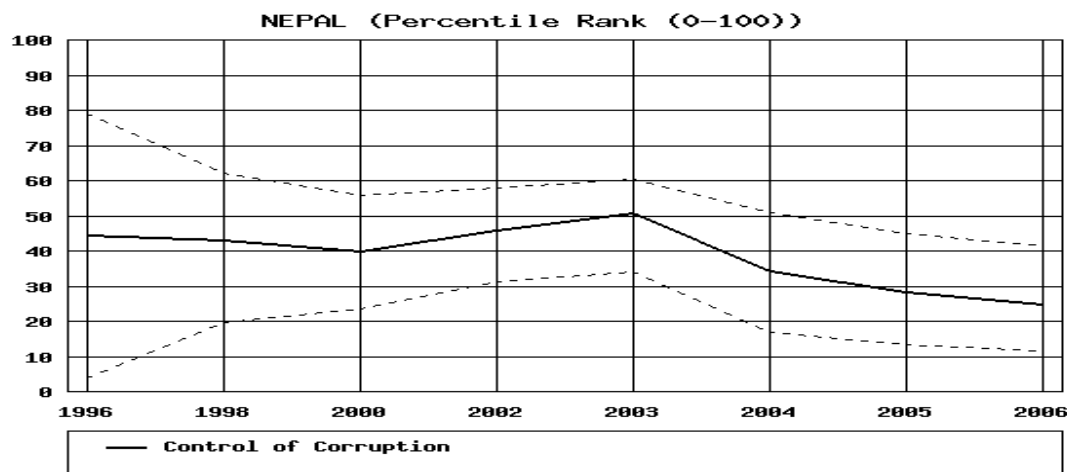
The late King Birendra — who came to the throne after the death of his father King Mahendra in 1972 — continued with the *Panchayat System* until the political agitation of the late 1980s which gave way to more or less non-violence political transformation in 1990. The King gave way to a multi-party democracy and became a constitutional monarch in 1990 which did not make many Royalists and his own family members happy as they lost their influence and privileges with the shift in power to a democratically elected government.

With the re-instatement of multiparty democracy people expectations rose and there was widespread perception that they will have a fair go in the democratic process. Unfortunately, due to institutionalization of corruption, nepotism and favoritism these expectations were not met. The rising corruption at all levels, together with growing inter- and intra-party conflict, failed to deliver jobs and basic necessities of life to disadvantaged groups particularly in the rural and remote areas, and significantly increased inequality between elite and non-elite. As shown in figures 1 and 2 there was a significant deterioration in the rule of law and the measures to control corruption since the mid 1990s.

Figures 1 and 2: Rule of Law and Control of Corruption



Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2007: Governance Matters VI: Governance Indicators for 1996-2006
 Note: The governance indicators presented here aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The aggregate indicators do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. Countries' relative positions on these indicators are subject to indicated margins of error that should be taken into consideration when making comparisons across countries and over time.



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Not only did corruption, nepotism and favoritism rise significantly during the period of democracy in 1990s but also increased inter- and intra-party conflict. This is reflected by frequent change in government which changed ten times during 1990s. Also, several parties spilt due to inter-party conflict, including Nepal Communist Party, Nepali Congress Party, Sadbhavana Party and Rastriya Parajatantra Party. The number of political parties which were less than 10 in 1990 reached 72 by 2005 in the name of democracy. Rather than try to build the economy and disperse its benefits more equitably, political leaders and ruling elite seemed interested in making money for themselves and rewarding their supporters and family

members. The same feudal habits of mind, of putting their own interests and those of their supporters before the national interests still prevailed (Gregson, 2002). As Panday (2000, p. 275) correctly points out:

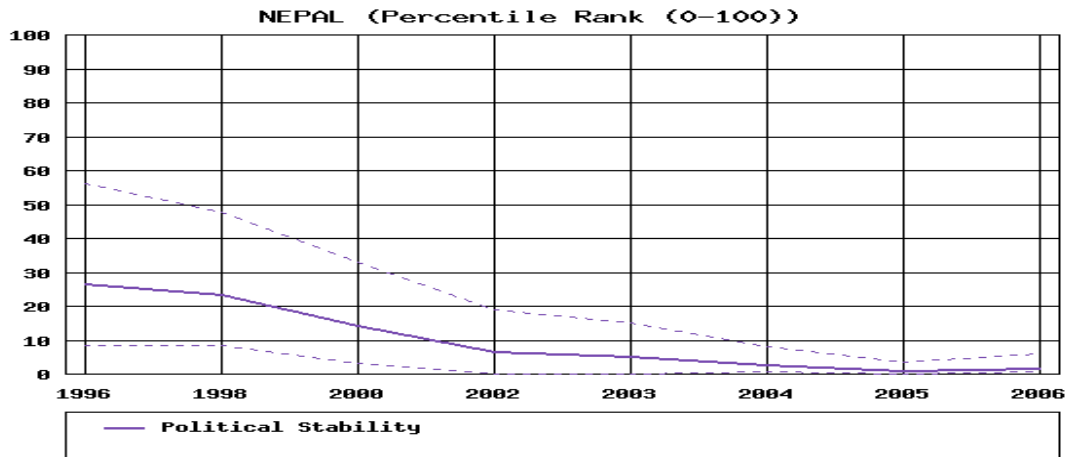
‘Their (political parties) conduct so far became a burden rather than an asset, to the good name of democracy.... This has been instrumental in corrupting the polity as a whole, not just the state institutions and actors.’

As poverty and inequality increased, anger and frustration grew (particularly among youth in rural and remote areas). This enabled Maoists (a left wing underground political party) to mobilize these disadvantaged youth to fight against the political and economic system, leading to the eruption of civil war in the mid 1990s. While several rounds of peace talks took place between the representatives of Maoists and the government in the early 2000s, they failed to reach any conclusion, leading to further deterioration in law and order by the end of 2001 (Figure 1).

Against this background, King Gynandra — who came to the throne after the Royal massacre of June 1, 2001 — directly intervened in the day to day operation of the country using his constitutional power and on February 1, 2005 he took over as head of government. Immediately after taking over state power, the King put several political and human right activists under house arrest, declared a state of emergency and severely curtailed fundamental rights. King Gynandra, with help of 80,000 Royal Nepalese Army, ruled the country like an autocratic ruler by blaming the ongoing civil war in the country. The Royal coup not only increased political agitations in the country, but further widened the gap between the King and political parties.

Against this background the country’s seven major political parties and the Maoist reached an agreement in India in the late 2005 to fight together against the King. This led to protests and strikes in Katmandu against the direct rule of King Gyanendra in mid April 2006. The royal government tried to control the protests using army and police forces which drew condemnation from human right watch agencies and international observers. As international pressure (particularly from USA and India) against King Gyanendra’s dictatorship increased, he was forced to reinstate the previous parliament in a television address to the nation on 24 April 2006. Following this historical announcement by the King, the seven major political parties and the Maoists unanimously elected Mr. G. P. Koirala as a caretaker prime minister until the result of Constituent Assembly (CA) election. The deteriorating political climate of the country is presented in Figure 3.

Figure 3: Political Stability



Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2007: Governance Matters VI: Governance Indicators for 1996-2006
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The seven party coalition led by G. P. Koirala scrapped the major powers of the King on 10 June 2006 in a historic announcement in the Parliament, including power to veto laws, which the Nepalese monarchy enjoyed for 238 years. All executive powers of the King (under the Article 167 of the previous Constitution of Nepal), now rests upon the prime minister, making Gyanendra as a civilian king under the interim Constitution. The fate of monarchy will be decided by the Constituent Assembly (CA) election (schedule to take place on 23 Nov 2007) that will make important decisions on the state of governance system, and draft and approve the new constitution of modern Nepal.

Since the unification of the country by Prithivi Narayan Shah, politics and bureaucracy in Nepal has been largely controlled by two highest hindu castes which are Bhaun (the priest caste) and Chettri (the warrior). Power has often changed hands between them, and even today this seems to be the case. This has irritated many ethnic groups and tribes, including *Madhise* (people of Terai region). They argue that although they contribute over 50% to the state revenue, they do not get a fair go in politics and bureaucracy since the country was unified over two centuries ago. In fact, even today *Madhise* are underrepresented in politics and government compared to *Pahadis*. Over 200 years of discrimination against *Madhise* has resulted in the recent ethnic unrest in Terai which is led by the Madeshi Jandhikar Forum (MJF). Most central members of the MFJ were the active members of the Maoists but split after they (Maoists) became a part of the present caretaker government since May 2007. The MFJ argued that after becoming a part of the caretaker government the

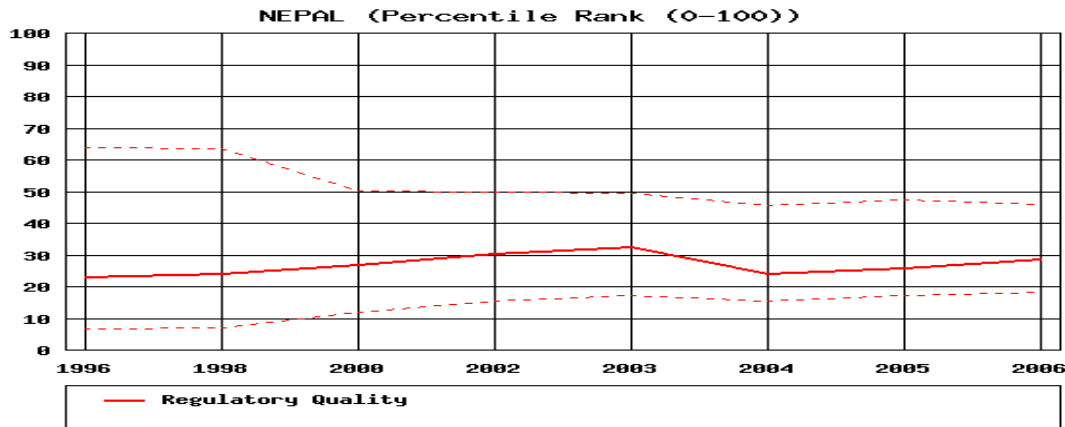
Maoist leaders have failed to fight for the right of Madhise people which has forced them to take up arms.

The MJF has several demands, including (i) the establishment of federal system of governance in republican setting and regional autonomy with rights of self-determination in Madhesh region, (ii) one federal Madhesh state from Mechi in the east to Mahakali in the west, (iii) proportional representation at each of the organs of the state, and (iv) proportional representation of all excluded groups of Madhesh in the CA election. The Constituent Assembly election should address most of these issues, but the long-term political stability in the country largely depends on how grievances of all ethnic groups are handled. The political parties and ruling elite have to show maturity and a high level of ethical standard in addressing these issues which is currently missing.

III. Governance

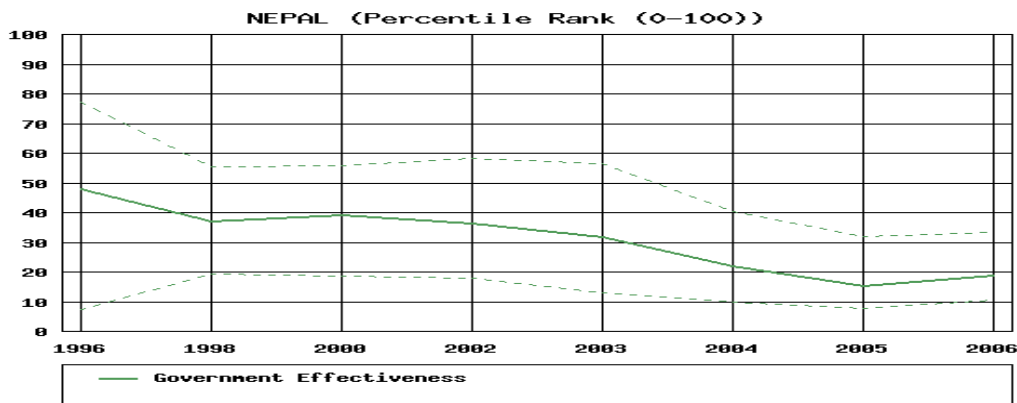
Good governance is expressed by factors such as predictability, accountability, rule of law, empowerment and social inclusion. They are extremely important in ensuring the prosperity and social justice in the country. In the absence of good governance, a nation can fall into social conflict through a rise in poverty and inequity, and the prevalence of discrimination against the minority and under-privileged classes. A decade long civil war and the recent uprising in Terai region of Nepal is an example of this. In Nepal, corruption is high and is seen at all levels. The quality of regulatory framework is weak (Figure 4) and the effectiveness of government is deteriorating (Figure 5), contributing to poor business climate in the country. This has significantly hindered the development of agriculture, trade and industrial sector which is crucial for increasing employment opportunities and income level and thereby reducing poverty and inequity.

Figure 4: Regulatory Quality



Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2007: Governance Matters VI: Governance Indicators for 1996-2006
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Figure 5: Government Effectiveness



Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2007: Governance Matters VI: Governance Indicators for 1996-2006
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The history of corruption in Nepal goes back to the early 1950s when the country embarked on the heavy handed import substitution (IS) strategy which relied on import licences, quotas and foreign exchange restrictions. This, not only promoted corruption, but also discriminated against the rural development as resources were heavily diverted towards urban areas to support the IS industrialization. This neglected the rural development (where over 80% of the population live) and increased the rural-urban inequality.⁶ Although agriculture was the key sector of the economy, it never received more than 25% of development expenditure in any development plan, while over 80% of development expenditure was allocated towards non-agriculture sector which were largely based in urban

areas (Sharma, 2006).⁷ As the bias against the rural area in general, and agriculture in particular, increased, unemployment and poverty rose particularly in the rural and remote areas (Appendix I). The most affected by this were the minority and unde-privileged classes who lacked political connection and resources. Not only have the minority and unde-privileged classes suffered from the failed development, but also from the systematic discrimination. For instance, *Madhise*, *Janjati* (Rai, Limbu etc) and especially the *Dalits* lagged behind in their income and asset levels, in their education and human indicators, and they have been underrepresented in the power structure. The Human Development Indicators of these groups show a closer link between caste status and health and education indicators (Table 1). *Janjatis*, *Madhise* and *Dalits* lagged behind in all human development indicators compared to their *Bahun* and *Chhetri* counterparts who have enjoyed power and privilege since the unification of the country.

Table 1: Human Development by Caste and Ethnicity

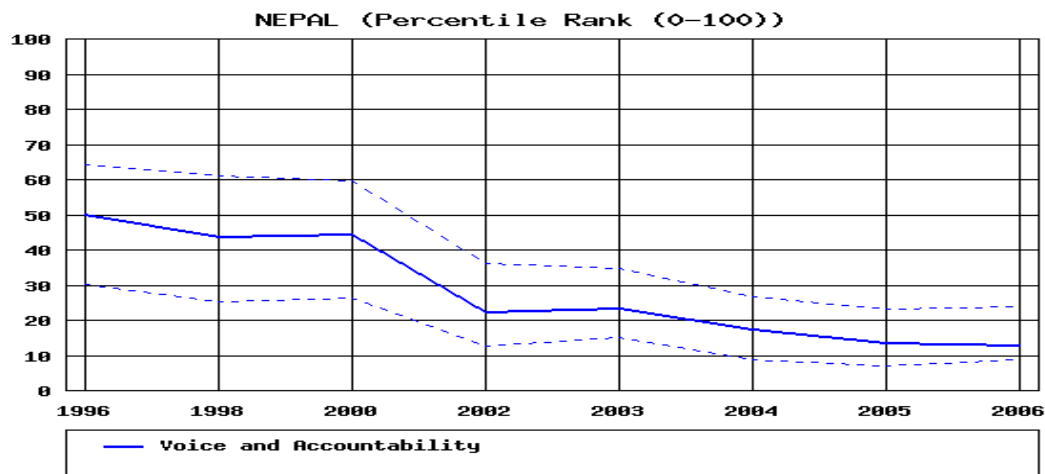
Human Dev Indicators	Nepal	Bahun	Chhetri	Newal	Hill Janajatis	Madhise	Hill Dalit	Muslim	Other
Life expectancy (yrs)	55.0	60.8	56.3	62.2	53.0	58.4	50.3	48.7	54.4
Adult literacy (%)	36.7	58.0	42.0	54.8	35.2	27.5	23.8	22.1	27.6
Mean yrs schooling	2.3	4.7	2.8	4.45	2.0	1.7	1.2	1.4	1
Per capita income (NR)	7,673	9,921	7,744	11,953	6,607	6,911	4,940	6,336	7,312
Per capita PPP (US\$)	1,186	1,533	1,197	1,848	1,021	1,068	764	979	1,1
1. Life expectancy index	0.500	0.597	0.522	0.620	0.467	0.557	0.422	0.395	0.490
2. Educational attainment index	0.295	0.490	0.342	0.462	0.280	0.221	0.186	0.178	0.226
3. Income index	0.179	0.237	0.181	0.289	0.152	0.160	0.110	0.145	0.170
Human Dev Index	0.325	0.441	0.348	0.457	0.299	0.313	0.239	0.239	0.295
Ratio of national HDI	100	135.96	107.3	140.7	92.2	96.3	73.6	73.7	90.9

Source: Enabling State Programme (ESP) 2002, 'A Strategy to Empower Nepal's Disadvantaged Groups' document 1, page 7 quoted in Bennett (2003), Towards an Inclusive Society: Agency, Structure and Diversity in Nepal, a paper presented at the *Conference on The agenda of Transformation: Inclusion in Nepal Democracy*, Kathmandu 24-26, 2003.

With the restoration of multi-party democracy in 1990, some attempts have been made to increase the participation of the minority groups (especially *Janjati* and *Dalit*) in governance. However, the progress has not been encouraging. In fact, voice and

accountability index (Figure 6) clearly indicates that attempts to increase the participation of women and disadvantaged groups in politics, governance and social and economic opportunities have failed, probably due to political instability and weak governance.

Figure 6: Voice and Accountability



Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2007: Governance Matters VI: Governance Indicators for 1996-2006
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Even today *Janjati*, *Dalit* and *Madhise* are unrepresented, while *Bahun*⁸ and *Chhetri* dominate the politics and governance (Table 2). The influence of *Bhaun* and *Chhetri* in governance is reflected by the recruitment of government officials from different castes. For instance, in the recruitment of gazetted officers, the *Newar* ethnic group experienced a decline between 1990/91 to 2000/01; similarly *Dalit* did not experience an increase in their numbers, while the number of *Bahun and Chhetri* groups rose from 67.3% in the same period (Pradhan and Shrestha, 2005).

Table 2: Caste/Ethnicity Index of Participation in Governance, 1999

High Level Officials in:	Bahun/ Chhetri	Hill Janajatis	Madhise	Hill Dalit	Newar	Others	Total
Judiciary	190	3	9	0	33	0	235
Constitutional bodies & commissions	181	4	18	0	32	0	235
Council of ministries	14	2	3	0	6	0	25
Public administration	20	4	5	0	3	0	32
Legislature	159	36	46	4	20	0	265
Political party leaders	97	25	26	0	18	0	166
Local government	106	23	31	0	30	0	190
Industry % trade	7	0	15	0	20	0	42
Education sector	75	2	7	1	11	1	97
Cultural organizations	85	6	0	0	22	0	113
Science & Technology	36	2	6	0	18	0	62
Civil society	41	1	4	0	18	0	64
Total	1011	108	170	5	231	1	1526
Percent	66.36	7.104	11.124	0.261	15.18	0	100
% Nepal population	31.36	22.2	30.9	8.7	5.6	0.1	99.1
Proportional difference index	2.1	0.32	0.36	2.71	2.71	0	5.52

Source: Enabling State Programme (ESP) 2002, 'A Strategy to Empower Nepal's Disadvantaged Groups' document 1, page10 quoted in Bennett (2003), Towards an Inclusive Society: Agency, Structure and Diversity in Nepal, a paper presented at the *Conference on The agenda of Transformation: Inclusion in Nepal Democracy*, Kathmandu 24-26, 2003.

Differences in human empowerment index (HEI) — which takes into account social, economic and political indicators — highlight marked disparities between the geographic regions. For instance, the HEI for the central (0.497) and the eastern region (0.486) is greater than the national average (0.463), while it is much lower for the mid-western (0.393) and the

far western regions (0.399) which are least developed regions in the country . This explains as to why poverty and inequality are high in these regions and why the civil war erupted from these regions.

IV. CONCLUSION

Nepal is a highly diversified country in terms of ethnic caste/tribes, languages/dialects and religious groups. A large majority of its population is Hindu and there are deep caste divisions prevailed since the country was unified 238 years ago. It is this caste or class system and the centralization of power that encouraged weak governance and the exploitation of disadvantaged groups in the society, contributing to a rise in poverty, inequity and the systematic discrimination against disadvantaged groups such as *Janjatis, Madhise* and *Dalit*. They are amongst the poorest in the country and their human development indicators are much lower than *Bahun, Chhetri* and *Newar*. Also, *Janjatis, Madhise* and *Dalit* are under-represented in politics and governance. Rising poverty and inequity, together with systematic discrimination of disadvantaged groups, created frustration and resentment among these groups, leading to the eruption of civil war first (1995-2006) and ethnic conflict latter (since the early 2007).

To rescue the country out of the present crisis, there is an urgent need for social inclusion (including investment to improve conditions of disadvantaged groups) and the empowerment of under-privileged groups/castes through reforms in politics and institutional setup. Political, economic and institutional reforms must also address the rising inequality (both horizontal and vertical inequality) and poverty.

Nepal would have been politically a more stable nation today if political leaders and the ruling elite had a vision for the nation, intellectual depth to understand the consequences of socio-economic exclusion and appropriate strategies to address them.

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Appendix I: Incidence of poverty by development region and geographic region in Nepal, 1996 (Head count index in percent) ^a

Development region	Geographic region			
	Mountains	Hills	Terai	Total
Eastern	57	68	27	43
Central	48	31	34	34
Western	52	46	44	45
Mid-West	72	66	47	59
Far West	80	73	49	65
Rural	-	-	-	47
Urban	-	-	-	18
Nepal	63	50	37	45

Source: Nepal South Asia Centre (1998) quoted in Panday (2000).

^a The Nepal Living Standards Survey (NLSS) was designed to capture aggregative information, particularly at the development region and geographical region. Poverty estimates obtained under the NLSS do not match with the World Bank (1998).

Appendix II: Mean time required to access basic public goods/facilities by urban and rural households in Nepal, 1996

Facilities	Urban	Rural
	Hours and minutes	Hours and minutes
Primary School	0.12	0.25
Health Post	0.21	1.17
Cooperative	0.27	2.38
Agriculture extension office	0.28	2.32
Commercial Banks' branch	0.19	2.58
Nearest market	0.19	3.08
Market place (Bazaar)	0.29	4.51
Paved road	0.09	5.17
Bus stop	0.19	4.04

Source: Central Bureau of Statistics (1996) quoted in Sharma (2006).

¹ I thank my daughter Shristy Sharma and colleague Yapa Bandara for reading the earlier draft of this paper. Thanks are also due to Kerry Cutting and Merryn Lanarus for help with tables and graphs.

² People of valleys, hills and mountain origin.

³ People of Terai origin.

⁴ Sudras are now known as *Dalits*. About 13% of the population in Nepal are Dalit.

⁵ This section draws heavily on Sharma (2006).

⁶ The level of human development is found to correlate directly with investments in the country's development regions (Pradhan and Shrestha, 2005). Population living in regions far from the centre of power have low human development and limited access to public services (Appendix II). This is clearly due to the bias in investment strategy towards urban areas.

⁷ Presently agriculture contributes 40% to GDP and employs 90% of the workforce.

⁸ Bahun and Brahmin are interchangeable words.