

THE LEFT DEBATE IN NEPAL

A Nepalese Discourse on Left Ideology, State
Restructuring, Development Policies and Programmes

Edited by

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(CNS)



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This book is dedicated to the true martyrs of this country who had a dream for an independent, equal and prosperous country and for the country of justice reigned.

This book is dedicated for the aspirants of Nepal - the young people, intellectuals and after all the toiling masses who are survived by the same dream for this nation.

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Komal Bhattarai, President, CNS.

The List of Abbreviations

ACAP	Annapurna Conservation Area Project
ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
CA	Constituent Assembly
CBS	Centre Bureau of Statistics
CBST	Chhetri Bahun Sanyasi Thakuri
CDM	Clean Development Mechanism
CPN-M	Communist Party of Nepal-Maoist
CPN-UML	Communist Party of Nepal-Unified Marxist and Leninist
CSRC	Community Self Reliance Centre
CRSDSP	Committee for Restructuring of the State and Distribution of State Powers
DAO	District Administration Officer
DDC	District Development Committee
DFID	Department of International Development
DoR	Department of Roads
EC Group	Ethnic Community Group
FCHVs	Female Community Health Volunteers
FDI	Foreign Direct Investment
FUGs	Forest Users' Group
GAVI	Global Alliance for Vaccine and Immunisation
GDP	Gross Domestic Product
HC	High Caste
HDI	Human Development Index
ILO	International Labour Organisation
HLSRC	High Level State Restructuring Commission
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change

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JAFTA	Japan Forest Technology Association
LGCDP	Local Governance and Community Development programme
MDGs	Millennium Development Goals
MGs	Mothers' Groups
MoHP	Ministry of Health and Population
MoLD	Ministry of Local Development
NC	Nepali Congress
NEA	Nepal Electricity Authority
NEFEN	Nepal Federation of Nationalities
NEP	New Economic Policies
NESAC	Nepal South Asia Centre
NFDIN	National Foundation for Development of Indigenous Nationalities
NLSS	National Living Standard Survey
NPC	National Planning Commission
NRB	Nepal Rastra Bank
NRN	Non Residence Nepalese
NTFT	Non Timber Forest Product
PMD	People's Multiparty Democracy
PPI	Population Pressure Index
PRSP	Poverty Reduction Strategy Papers
R & D	Research and Development
SAARC	South Asian Association for Regional Cooperation
SPA	Special Autonomous Area
SAP	Structural Adjustment Programme
TIA	Tribhuvan International Airport
UCPN -M	Unified Communist Party of Nepal (Maoist)
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USSR	Union of Soviet Socialist Republics
VDC	Village Development Committee
WB	World Bank
WEF	World Economic Forum
WEI	Women Empowerment Index
WTO	World Trade Organisation

About the Authors

Pitamber Sharma

Pitamber Sharma is a PhD from the Cornell University, US and had served as a professor at Tribhuvan University, Kathmandu. The left and Marxist intellectual is an authority figure in urban planning, regional development and demographic studies. In his capacity, Prof. Sharma held the responsibility of Vice-chairman of National Planning Commission in 2008. Very recently, he has contributed largely to the discourse of Nepal's state restructuring process. His latest works are *Tourism as Development* (2000), *Market Towns in the Hindu Kush-Himalayas* (2001) and *Unravelling the Mosaic: Spatial Dimensions of Ethnicity in Nepal* (2008) among others.

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Ghanashyam Bhusal is a political economist, the leader of CPN-UML, former MP and cabinet Minister of the Government of Nepal. He is currently heading the Central Department of Study and Research of CPN-UML. As a special columnist, he has contributed numerous articles in national dailies and journals on left ideological issues. His remarkable contribution is to make an extensive analysis of the character of Nepalese society from politico-economic perspective and the framing of Marxism in today's reality. He authored *Nepal's Political Economy: Reproduction of Crises and Direction of Transformation* (2002), and *Today's Marxism and Nepali Revolution* (2008) as his latest and remarkable works.

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Bihari Krishna Shrestha is a senior anthropologist and the former Additional Secretary of the Government of Nepal. A development expert and consultant is an out-spoken academician and an influential policy maker who introduced community based development ideas such as mother groups and community forestry. One of his notable

works in anthropology is: *A Himalayan Enclave in Transition: A Study of Change in the Western Mountains of Nepal* (1993). Apart from this, he has numerous articles and papers in different journals and volumes, and many consultant works for different development agencies.

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Keshav Acharya has served as a senior economist at the Nepal Rastra Bank. In addition, he held the position of senior advisor to the IMF and the Finance Ministry of Nepal. He has contributed many strategy and policy papers, commentaries on macro-economic policies. His most notable works are published nationally and internationally on Foreign Aid, Economic Reform, Development Challenges and Public Debt in the form of books and papers.

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Rosa Luxemburg Foundation:

A Brief Introduction

The Rosa Luxemburg Foundation is one of the largest political education institutions in Germany today and sees itself as part of the intellectual current of democratic socialism. The foundation evolved from a small political group, “Social Analysis and Political Education Association“, founded in 1990 in Berlin into a nationwide political education organisation, a discussion forum for critical thought and political alternatives as well as a research facility for progressive social analysis.

Formation of Rosa Luxemburg Foundation

The general and sustaining members of the association and the executive board members with Dagmar Enkelmann serving as chairwoman and Dr. Florian Weis as chief executive officer. There are academic scholars and scientists in advisory boards and as authors of our publications, scholarship recipients; liaison professors and hundreds of volunteers.

More than 100 employees that work in the Academy of Political Education, the Centre for International Communication and Collaboration, the Studienwerk (organisation providing social, financial and cultural support services to students in Germany), the Institute for Social Analysis, the Archive of Democratic Socialism or areas of public relations, bookkeeping or finances.

In 1996, the Rosa Luxemburg Foundation was officially recognised as a nationwide affiliated trust of the Party of Democratic Socialism (PDS), presently known as DIE LINKE – The Left. As such, it works closely with DIE LINKE affiliated state foundations and associations nationwide.

Goals

The Rosa Luxemburg Foundation aims to:

- Organise political education and disseminate knowledge about social relations in a globalized, unjust and hostile world;
- Provide a venue for critical analysis of current capitalism; act as a hub for programmatic discussions about a modern democratic socialism, act as a socialistic think-tank for political alternatives;
- Be a forum in Germany and internationally that supports dialogue between left-socialistic powers, socialistic movements and organisations, left-minded intellectuals and non-governmental organisations;
- Grant funding to young scholars via undergraduate and postgraduate scholarships; and
- Give impulses to self-defining socialistic political activities and support commitment to peace and international understanding for a socially just and solidarity union.

Centre for Nepal Studies:

A Brief Introduction

Founded in 1992, Centre for Nepal Studies (CNS) is a non-governmental, left and Marxist organization, not for a profit, aiming to conduct the left ideological discourses in Nepal. The Centre also provides feedbacks to policy makers and national leaders in the sphere of politics, economics, development and sociological studies. Over the last 22 years, CNS has led the discourses as a left study centre – bringing together the top political leaders of the left parties, left intellectuals and youth in one platform to promote ideological debate for the better shaping of left programs and policies in the context of Nepal. Further, it provides policy feedbacks – formally and informally – to its members and the leaders of political parties, civil societies and government agencies based on studies and researches the centre has been carried out.

Conducting many interaction and discussion programmes among the leaders of different political parties and intellectuals, it has helped in shaping clarity in ideology and principle to design appropriate programmes and policies. CNS has published books and other materials on political-economy, social movements, left ideology and development issues. Hence, the main domain of CNS activities includes publications, organize ideological discussions, workshops and seminars. It disseminates the publications for public debate and awareness by organizing open public forums in different parts of Nepal.

The centre frequently conducts ideological schools and publishes course materials for them to study. Since the very beginning, CNS has focused on youngsters by conducting political schools on the left ideas and Marxism. The series of interactions on current politico-economic and sociological issues with the involvement of renowned Marxists, political activists, academicians, journalists, professionals etc. are complementary to this process.

The Centre for Nepal Studies (CNS) aims to:

- Carry out the study of major aspects of Nepali society, politics and economy, for the better programs and policies from the left perspectives;
- Create awareness among working class and poor in Nepal by suggesting appropriate solutions to their identified problems and encouraging their participation in policy formulation and execution;
- Encourage the academicians, politicians, development activists, professionals for debates on the pertaining national issues in order to find most progressive and appropriate solutions; and
- Carry-out debate on national development strategy and work towards developing models suited to our national development from the left and pro-poor perspective.

An Introduction to the Book

The Left Debate in Nepal is the product of a series of seminars organised by CNS in 2012 and '13 under the theme of fostering theoretical debate for the better political understanding among lefts in Nepal. All those papers were discussed and resolved with the dynamic engagement of the top leadership of the left parties, intellectuals and dignitaries – are already acknowledged. The centre could bring into debate the most pressing issues of lefts in ideology and development discourse of our time in Nepal with the kind support of Rosa Luxemburg Stiftung (RLS), Germany. The ideological interest of RLS to work on left agendas had motivated the Centre for Nepal Studies (CNS) to act together on the topics. As well, the centre had already been doing the study to promote Marxism and left ideas in Nepal. The production of this book is only possible as Carsten Crinn, the representative of the RLS Delhi Office and this team kindly accepted our idea of publishing book. There are total six papers of seven writers already introduced in this volume. We believe that all the authors had paid much effort to produce their paper in depth, making it analytic and comprehensive. The intellectuals and keen readers, both abroad and at home, interested to understand some crosscutting issues of the day on left ideology and development discourse in Nepal will be benefitted from this book. We hope that this book will serve some part of CNS aim – to equip the honest, united and dedicated generation of our time with correct ideology and the right policies. In the process of finalizing the book, Syamal, a writer and poet, went through a couple of pages and had offered us some editorial feedback. He too granted us the ideas on cover – finally designed by Sundar Basnet. The layout

and design of the book were done by Arjun Maharjan. Eventually, the recognition of this book goes to all who endured the process of publication. Any flaws and errors in the book are solely rest on us despite our best efforts.

Bihari Krishna Shrestha observes the caste system in his paper on *Caste, Class and Ethnicity* through the lenses of three principles of *separation, division and hierarchy* – that had long been in practice in Hinduised Nepal after Muluki Yin of 1854 as a written version of the social code. He views Janajati groups of Nepal are the part of a large caste system observing the basic principal of "separation and hierarchy" while Dalits as the most deprived and 'serving caste' in the mixed ethnic composition of Nepal. He indicated in his paper that the discourse on ethnicity and caste suffered ambiguity that understood classes only within the caste system. He further claims that Maoist politicizing the issue spoiled it further and created cleavages in Nepalese societies.

In relation with class and caste he says the existence of stratified entities within all castes and ethnicities – having affluent groups at the top though with different dimensions. The authority of local leadership by feudal elites and its most powerful at national level is now the case of Nepali politics. He pinpoints the problem of feudal elites is never wanting to retire in the communities and in politics. Their lack of transparency and accountability in the system is 'penchant for unrestrained corruption'. He argues the simplistic transplantation of the Westminster system of democracy will not work in Nepal as it is subverted by the feudal elites preserving the caste hierarchy in the communities. So, he prescribes the rule of the game should be changed for assuring good governance at the grassroots despite caste feudalism¹: i.e., the dramatic achievements by Forest User Groups and Mothers' Groups in the communities. He has put forward the new equation

¹ Shrestha has observed 'feudalism' as a domination of elites in social and ethnic hierarchies in power exercise for political and economic gains. Its use is more symbolic in socio-political relations, and maintained distance with politico-economic (Marxist) definition of feudalism.

for sound governance; empowering the people themselves across caste, ethnic lines assures transparency of management and that in turn assures accountability of leadership. The shame of untouchability has been 'the most debilitating bane' that shuts the door to move forward the Dalits according to him. Dalits population is decreasing due to hiding of their identity – is more possible in an urban context. To deal with this problem, he suggests the demographic shift of Dalit population in urban areas and emphasize on non-agrarian economy as the Dalits are being mostly landless.

Vijaya Paudel and Tara Joshi have viewed imperialism as a world system in its core and periphery in their paper. The World Bank, International Monetary Fund, World Trade Organization, etc. are regarded as the central instruments for the imperialism and the country having higher influence on the international financial institutions is defined as the centre of imperialism in the age of financial capitalism in the paper. Of total 188 countries having their share in the World Bank, sixteen percent of it has been owned by the United States. However, the recent recession and economic crisis have brought about changes in world financial government. The paper contributors have emphasized on another point that the imperialism has used the internal social and ethnic conflicts in the third world for their interest and such conflicts invariably weaken the national independence. Many states of the third world are ruined into such internal conflicts and dwindled in the hands of a global system of imperialism.

They have observed that the alternative system put forward by the then Soviet Union and China could not solve the internal contradictions of economy and politics compelling the lefts to rethink over the ideological question of socialism. The crux of this problem is to evaluate the dissolve of the Soviet Union and China's prioritizing to be economically mighty, but not being stuck to the then socialist practices. The next point raised is about the nature of capitalism, which has been able to solve its internal contradictions. The flexible and witty character of capitalism has adopted the agendas of its opponents although in appearance. In

contrary, the socialists have thought less to adopt and internalize the plurality in society and politics.

The authors conclude their views that the struggle against the imperialism will be worldwide as it has influenced every nook and corner of the world. Now, the development of any county has become identical with the linkup system of global imperialism. So, some developing countries are either trying to conduct their own regional hegemony or being an agent of the world imperialism. There is strong public opinion in each and every country in the world against the world imperialism and capitalist exploitation. There are also nationalistic movements in the third world. There can be linked up those movements in order to create strong resistance against the imperialist aggression in search for a just world.

Ghanashyam Bhusal in his paper *The Revolutionary Task of Left Parties in Nepal* argues that the lefts parties in Nepal could not identify the basic characteristics of Nepalese society and the principal contradiction. They have always been sticking to 'feudalism, regressive and stagnating forces' as the principal contradiction in Nepali society; but the irony is that they could not take any actions against those forces when they were in power. The left parties never tried to introduce the land reform agenda even when there was possibility and they were in power. He pointed out the inconsistencies of the Maoist Party as they think that the modern proletariats should take the responsibility to lead the 'New Democratic Revolution'. They accuse on Nepali Congress as a regressive and the CPN-UML a reformist communist party. Surprisingly, they have strategic alliances with Joint Madhesh Democratic Front – the force without any aspect of the progressive agenda.

Nepal remained independent and never colonized in the history, however, it could not develop independent economically due to the creation of dependency. Whatsoever the development was achieved – concentrated, only in the capital city, and disparities and discriminations were prevalent in the peripheries and against

subordinate castes and ethnicities. The ethnic discrimination was the creation of feudal interest to survive while the ethnicism is fed into Nepali politics in the process of dependency capitalism according to Bhusal's analysis.

Bhusal views the basis of analysis of any society is the production relationship in the framework of Marxism. Marx and Engels in their work the *German Ideology* has clearly mentioned that the feudalism is the system of feudal landlords based on non-paid labourers and with the dependency of former onto the later. He argues that Lenin and Mao have also interpreted feudalism within the same framework. Out of the five types of labourer in agrarian production relations, only the dependent labourer in Nepal is related to a feudal production system that is no more visibly existence here. During the time of Pushpalal around 1950s, Nepal was almost under the feudal mode of production while with evolving symptoms of capitalism. Nepal was basically turned into the capitalist mode of production due to the National Code of 2020 and abolition of many forms of feudal land relationship according to his argument.

His main argument is that Nepal had already been entered into capitalism that is comprador in nature. Against the nature of industrial capitalism of extended reproduction, the comprador capitalism buys the raw materials and sells the end products back to its real producers. Comprador capitalism has the reactionary character in agrarian development as it is still predominant as the form of subsistence agriculture in Nepal. It has created further dependency and weakened entrepreneurship due to the underdeveloped productive forces and socioeconomic situation.

Bhusal's another argument in this paper is whether the 2006 political change is capitalist democratic revolution or not. The peoples' revolution of 2006 has its original character as it was led by joint alliances of the working class and capitalists – is different than the previous revolutions in different countries which were either led by the communist parties or by the capitalists. He has categorized five classes in Nepali society:

comprador capitalist, national capitalist, middle class, working class and marginal working class. He concludes the major tasks of communist parties is now to address the problems of marginal working class in order to uplift them out from abject poverty by developing industrial and national capitalism at the centre. The progressive programmes to address the problems of education, health, caste, ethnic and gender discrimination, and development of cooperatives and public domains will be carried out through the peoples' movement, struggles in parliament, or implementing through the government in order to create the basis for socialism.

Prof. Sharma has made a comprehensive analysis of the state restructuring process in Nepal in his paper *State Restructuring in Nepal: A Politico-economic*

Perspective. His views that the people of different races and ethnicities conversed into this Himalayan land from different directions and periods, bearing the long history; so the ethnic concept of primordiality in Nepal does not coincide with the reality. Nepal's federalism issues are twisted more for ethnic agenda, as if many scholars just tried to equate it with American and Latin American indigenous phenomenon. He argues that Nepalese realities are quite different and the basic tendency of Nepali ethnicity is the mingling of each other and social harmony. The population dynamics of Nepal are mixed up even at the VDC level and it is relatively harmonious.

The author is concerned about the historical deprivation and exclusion of some ethnic communities and castes in his paper while defending the unification of Nepal as a historical need for the existence and survival of the Nepali state. He believes that the feeling of historical exclusion and deprivation of some castes and ethnicities can be addressed in the restructuring of the state, mainstreaming them and giving a feeling of ownership of the nation. After all, the population size, urban growth phenomenon, accessibility, geography, revenue possibilities, natural resources, ecology and economic development are crucial factors in the process of restructuring the state.

He has made critical reviews over the works so far done for restructuring of the state. He is critical with the wrong tendencies in the work of High Level State Restructuring Committee (HLSRC) and also the map finalized by the CA committee. There is no need of Zadan State in the name of identity. It is also strategically wrong to delineate boundaries by separating *pahadi* population into the hill state from Terai. Madhesh also needs *pahadi* population for demographic balance. Delineating Newa boundary tailing up to Chitwan is another anomaly in the work of HLSRC. The formation of state cannot go ignored ecological issues of the fragile Himalayan nation is another remark he has made so far.

Next issue, he interprets the class and caste issues are interrelated in Nepal. No one can go ignored both facts. 'One Madhesh one Pradedh' is neither viable nor have logical ground to be formed. The identity issue is not limited up to caste, but interrelated with culture, religion, language and with the level of human development of each ethnic group.

Last not least, he put forward, futuristic outlook on Nepal's federalism observing the clear implication towards our neighbours and in return the foreign interests on it. This issue is no more only for domestic implication. Adhering to the above points, the author has finally suggested to build the stronger centre with the controlling mechanism of revenue of national importance so that the centre can redistribute budget for the development of the poorer states.

Keshav Acharya comparatively analyzed economic indicators of China, India and Nepal – observing the labour and employment status in his paper *Way Ahead for Nepal in the Context of Development of China and India*. The author analyses that the status of the labour force in terms of skill, knowledge and productivity in China is ahead than India, and the situation of Nepal is far behind. Similarly, he pinpoints that Nepal's labour laws are not investment friendly as compared to

our neighbours and the situation of minimum wage compels us either to increase labour productivity or to reduce the minimum wage. In his observation of data, the positive merits of Nepal are demographic mobility and remarkable female labour participation as compared to our neighbours. His main focus is to design the policy to attract the investments from our immediate neighbours as it is more likely to come given the policy reforms. Building necessary infrastructures, e.g., roads, airports, dry ports, tourism infrastructures, energy supply, etc. are prerequisite for the investment environment. He views the government should equally focus on quality education, skills and trainings.

To uplift the national economy from the current state of misery, the adequate mobilization of human resources and consequently the natural resources is a must; with Nepali investments targeted for consumer and investable goods and services for the regional and global market. The speedy economic development ascertains the lesser dependency of the workforce in agriculture and it gradually shifts the workers in industrial and service sector. There is a crucial role of urbanization to extend the employment opportunity in productive sector; so that the strategy for the urbanization is inevitable. He suggests that Nepal needs an appropriate demographic policy that employs youth population, while taking care of the aged population for a balanced economic growth.

Yogendra Shahi in his paper *Economic Transformation in Nepal from the Left Perspectives* deals with the diverse issues of economic development for the programming of progressive transformation in Nepal. Designing the left programmes in any country for socialist base the modality cannot be copied – but just lessons can be learnt to build another modality of economic transformation. The drawing on lessons from then socialist experiences, as pros and cons, economic growth can be achieved with less friction and left parties can build the base for socialism footing on capitalist development. Nepal has already entered into the capitalist phase that we are in the stage of capitalist arrangement and feudalism is no more significant in production

and labour relations. What are left the traces of feudalism; the capitalist growth tracked by the left programmes will eliminate such traces. The paper suggests igniting those growth points to achieve capitalist mode of economic growth tracking by the left programmes. There is wider existence of multiple growth points in Nepal; which can channel the economic growth of Nepal unprecedentedly given its unique comparative advantages despite few constraining factors.

The basic argument of the author is to allow developing productive forces for socialist base. Nepal cannot remain aloof from the global development process and no such a national economy is viable in a close system. There can be interlinked economy of the nation and of national interest amid the process of globalization. The left and democratic parties should take the challenges that might constrain the smooth economic transition. Along with these achievements, the left parties in Nepal should have parallel programmes side by side to achieve human and social development through implementation of egalitarian programmes not hampering the growth. Increasing the investment of social security, applying appropriate taxation policy, protecting the marginalized, poor, women, Dalits and ethnic communities; reducing regional disparity; and taking measures to redistribute wealth and land in social acceptance modality of no human cost and social friction. The agenda of ecological concerns from pro-poor perspective should be brought to the board of left programmes. Any haphazard step in the name of redistribution of wealth through forceful men could be counterproductive for economic growth. But there can be zero tolerance against corrupt nature of bureaucratic and comprador capitalism if they just want to cheat the people and nation. And, who pay taxes and enlarges the productive forces will be respected in the country. Nonetheless, the state should be strict to control over finance mechanism in favour of the working class and be proactive to build a sphere of public wealth for common benefits by building viable state enterprises. The process of human and social development should be bottom up and through the democratic process. The focus of this paper is to build the economy for social harmony, equality,

peace, justice, prosperity, and a harmonious interaction between man and nature towards the socialism of the 21st century.

Finally, your feedback and suggestions are always welcome and these will be largely beneficial to improve our next publications. The Centre for Nepal Studies is always indebted for your whole hearted support and affection for our work in shaping correct left ideology in Nepal.

1 | **Caste, Class and Ethnicity: Issues in the Making of Nepali Nationhood**

Bihari Krishna Shrestha

The Caste System in General

For the first time in the history of Nepal, the issues concerning caste, class and ethnicity have been subjected to a close scrutiny at the hands of people of all walks of life, scholars, social workers, politicians, ethnic and Dalit activists and public in general. Since ancient times the caste system itself has been the central theme in social organisation and stratification in the Hindu society in South Asia including Nepal. It has been a subject of continued study both by Indian and foreign scholars for a long time. By and large, caste system is identified with religious philosophy of pollution and purity which is expressed through an “attributional” approach to hereditary specialization of occupation, hierarchy of status, and mutual segregation. While endogamy is characteristic of caste groups, the ranking of such endogamous groups is seen as the hallmark of caste system. According to Sharma (1994:237), French scholar, Louis Dumont’s Homo Hierarchicus is the most significant representative of the structuralist approach to the study of caste system in India. Another author, Y. Singh (1974) has credited Dumont with introducing “pivotal notions of structuralism such as ideology, dialectics, transformational relationship and comparison” to the analysis of caste stratification

in India (quoted in Sharma 1994:237). Even earlier, in 1908 another French scholar, Bougle had defined caste system as one that “divides [a] whole society into a large number of hereditary groups, distinguished from one another and connected together by three characteristics: separation in matters of marriage and contact,; division of labor, each group having, in theory and by tradition, a profession from which their members can depart only within certain limits; and finally hierarchy, which ranks the groups as relatively superior or inferior to another (Levy 1992 quoting Dumont 1980: 21). Dumont himself has gone on to recognize the significance of these three mutually entailed “principles” (of separation, division and hierarchy) which, according to him, are, however, “based on the fundamental principle of the opposition between the pure and impure.” It is this opposition that underlies hierarchy – which is the superiority of the “pure” over the “impure” underlies separation; “because the pure and the impure must be kept separate”, and underlies the division of labour “because pure and impure occupations must likewise be kept separate.” According to Dumont, under the caste system, “the opposite of equality is hierarchy and not inequality” (Sharma 1994:105). The tenacity of the caste system in India has been most poignantly expressed in a statement attributed to Mahatma Gandhi who apparently had said that Hinduism thrives in India due to caste system (Anderson 2012).

Caste System in Nepal

While the overall ethos of the caste system comprises of a common name, common descent, hereditary calling, and hierarchical stratification, it has nonetheless gone through a different evolution in Nepal. Unlike in India where the vast majority of the population remains members of the traditional Hindu caste system, Nepal’s ethnic composition is more mixed. As analysed by Dr. Harka Gurung, Nepal’s 2001 population is made up of “57.5 percent caste groups, 36.4 percent ethnic groups, 6.2 percent others.” Among them, the “Hill caste groups” lead with 38 per cent of the total population, followed by hill ethnics or Tananati groups (26.6 percent) and Terai caste groups (19.5 per cent).” Of the total

Janajati population, about half live in the hills and over one-third in the Terai." The proportion of the Dalit accounts for 13.6 percent of the total population (Gurung 2003).

However, these ethnic or caste groupings are broad categories. While the 1991 census had identified 61 different specific caste/ethnic groups including Muslims, the 2001 census has extended this list to more than 100 caste/ethnic groups. But this still does not constitute an exhaustive list of caste ethnic groups. There are a large number of caste groups to fit the criteria mentioned above such as hereditary profession or being part of an extended hierarchy. For instance, regarding the ethnic groups, now called Adivasi Janajati groups, the Santa Bahadur Gurung taskforce formed by the government in 1996: had recommended a total of 61 Janajati groups, and the government in turn, while enacting the establishment of the National Foundation for Development of Indigenous Nationalities (NFDIN), had adopted 59 of them as being distinct Janajati groups in 2001. However, a later commission headed by Prof. Om Gurung identified in 2010 the existence of more than 80 Janajati groups, even as it also expressed its inability to locate two of the 59 groups adopted by the government earlier (Onta 2011).

The point here is that most settlements in Nepal are ethnically mixed in a very dense manner with the Tibeto-Burman Janajati groups, which are generally casteless, living side by side with largely Indo-Aryan caste Hindu neighbours, and practicing and observing most of the basic tenets of the caste system mentioned above. For all practical purposes, most of the Janajati groups exist as a part of the larger Hindu caste system in the country, the most distinctive feature of it being their traditionally deriving observance of pollution or untouchability against the artisan groups, now generally known as Dalits. The various artisan caste groups themselves render their caste-specific services to the higher caste and ethnic households under the traditionally deriving patron client relationship for which the former receive post-harvest in-kind seasonal payments from the latter. In this respect, for all practical purposes, Tibeto-Burman ethnic groups

observe caste-based inter-ethnic relations with artisan groups below them in the caste hierarchy and the high caste Bahuns on the other, the latter receiving religiously sanctioned deference from the former. In this regard, Andras Hofer, an eminent German anthropologist, states that:

“The features characterizing an ideal-typical tribal society are, among others: a) cultural autonomy without or with slight ties to the ‘great tradition’ of the Indian high culture; b) territorial isolation and a closed habitat; c) no or only sporadic interaction and hence no organic solidarity with other groups; d) no internal division of labour and no social stratification; and e) a direct access to the resources and means of production”.

Superimposing these criteria to the ethnic landscape of Nepal, he observes that:

“These criteria can only to a limited extent be applied to the conditions prevailing in Nepal. There the demographic intermingling has proceeded so far as to make criterion (b) invalid – if we disregard some of the ‘Tibetanids’. Cultural autonomy (a) is another criterion which can almost be ignored as most of the ethnic groups have been exposed to high cultural influences for centuries. ... Only the Kirati and the former hunters and gatherers (Cepang, Raji and Kusunda) were, until recently, able to preserve a certain degree of cultural autonomy. Finally, the application of criteria (d) is problematic, since the ‘Tibetanids’ exhibit a social stratification and most of the ethnic groups avail themselves of the manual services of specific castes” (Hofer 2004:10-11).

Furthermore, the Hindu caste system consist of four-fold hierarchical structure with Brahmin and Chhetris occupying the top two slots and the artisan groups, all of them dubbed untouchable traditionally, coming at the bottom. There was a sort of vacuum when it came to third rank of Vaishya in the *varna* hierarchy who, to go by the traditional classification in India’s Andhra Pradesh, would comprise of “essentially a mercantile community” whose members owned very little land and “engaged in their traditional occupation of trade, money lending and business” (Satyanarayana 2005:5). However, in the

largely peasantry dominated economic landscape of hill Nepal, such mercantile caste groups were largely absent. That seems to have created a condition for drawing in the non-caste Tibeto-Burman ethnic groups in the fold of the caste structure which in the context of Nepal has been almost colloquially described as composed of the standard “*char varna chhattis jat*” or four broad caste groups and thirty six constituent jat groups. While the ethnic groups could not be treated at par with Brahmin or Chhetris, they did not practice the “polluting” occupations of the artisan castes either, thus placing them somewhere in between. Harka Gurung, quoting Hofer, observed that the Muluki Ain, enacted in 1854 “was a written version of the social code that had long been in practice in parts of Hinduised Nepal.” and provided for five caste categories – the number generally in vogue in India while computing castes according to the following order of precedence:

- A. Wearers of holy cord (*tagadhari*)
- B. Non-enslavable alcohol-drinkers (*namashine matwali*)
- C. Enslavable alcohol-drinkers (*mashine matwali*)
- D. Impure but touchable castes (*chhoi chhito halnya naparne*)
- E. Impure and untouchable castes (*chhoi chhito halnya parne*)

While as recorded by Hofer, there was much discussion involved in the making of the new Hindu order, the enactment did formally induct the largely Tibeto-Burman ethnic groups as integral components of Hindu caste structure in hill Nepal. For all practical purposes, the new legal code seemed to confer on the Tibeto-Burman ethnic groups – the status of the Vaishya at least in terms of relative purity in the re-definition of the Hindu caste system in Nepal that was in practice at the time.

Since the fundamental ethos of the caste system is based on inequality, this was clearly reflected on the material endowment of the members of the various castes, more so in the case of the untouchable artisan groups, who, according to Hindu precept were defined as the “serving castes”. The social organisation has accordingly been designed so that the artisan caste groups

did not possess material means of their own – they are mostly landless or marginal land holders – and have been tied to higher caste and ethnic households in a patron-client relationship that is variously known as *balighare pratha* in most of rural Nepal or *lagi lagitya pratha* in the Karnali region, or *goshain vs. bhag* system in the regions further west. Under this system, all artisan households are hereditarily attached to one or more higher caste ethnic households, render them their specialized services – Kami making and repairing iron implements, Sarki specializing in the cobbler caste leather implements and disposal of carcasses, and Damai tailoring and religious or ceremonial music – in addition to labour services for specified number of days. In return, as mentioned above, they get paid in in-kind post-harvest payments in food grains in pre-specified quantities in addition to other supplies of daily necessities such as clothing, salt, spices and other supplies. The Dalits are almost never the recipients of the government land grants under the premise that their sanctified role is to serve the higher caste people even as the latter are to attend to all the existential needs of the former. The land grants are generally monopolized by the higher caste households, mostly Bahuns or Chhetris which today are reflected in the contrasts in landownership, the higher caste people owning larger holdings than other caste ethnic groups. While there are landless or marginal landowning households among all caste ethnic groups, the contrast is more severe in the case of the Dalits. Thus, the traditional Hindu caste system thrives on a feudalistic structure in which the higher caste and ethnic elites enjoy ascriptive access to land resources in particular, with ability to extract resources from the community for their own benefit that are often at the expense of the weaker members in the communities. A study done in a Jumla village some two decades ago exemplifies this inter-caste contrast, despite the fact that the Karnali region is generally known for being land poor relative to other regions in the country.

Table 1.1 Distribution of land across two class categories in a Jumla village, 1991

<i>Class category of households</i>	<i>No. of household</i>	<i>Total population</i>	<i>Jyula ownership (in muri)</i>	<i>Bhuwa ownership (in hal)</i>	<i>Lekali bhuwa ownership (in hal)</i>
Class A	6	41 persons (17.3 percent)	47 percent of total	37 percent	28.2 percent
Class C	22	104 persons (43.9 percent)	8.4 percent	23.8 percent	30.5 percent

Source: Shrestha, Bihari K., 1993

According to the table above, the sample drawn for the study includes 6 households in Class "A" or the richest caste category (Thakuris) representing a total of 41 persons (17.3 percent) who owned 47 percent of *gyula* (village paddy land), 37 percent of *bhuwa* (village un-irrigated land) and 28.2 percent of *lekali bhuwa*, (unirrigated land at higher upland regions from the village) whereas the Class C (poorest) category comprising of 22 households including 19 *kamsel* households, a generic term used to denote the Kami, Damai and Sarki households--accounted for 43.9 percent of population but owned only 8.4 percent of *gyula*, 23.8 percent of *bhuwa*, and 30.5 percent of *lekali bhuwa*. To give some additional insights into the general poverty of the village, it should be mentioned that of the 42 households included in the sample for the study, only 12 (11Thakuri and 1 Kami) grew sufficient food to last the whole year; and the bottom 12 produced for less than 6 months. Therefore, most households in the village were food-deficit, and seasonal out-migration for four to five winter months was an existential compulsion for them. Even in the midst of widespread poverty, the Dalits by far were still the worse off.

In the Terai, the caste system resembled the one in India and has been as variegated in terms of various occupation-specific caste groups that meshed in well with the standard fourfold caste prescription of Brahmin, Kshetriya, Vaishya and Sudra. For instance, the Terai communities would generally consist of a wide array of such caste groups the priestly Brahmin (Jha, Misra, Pandey, etc.) the Chhetri (Singh, Sinha, etc.), the Kayastha (Das, Srivastav, etc), the farming groups of Yadav, Suundi, and Mandal, the vegetable grower Koiri, the carpenter Thakur, the oil-pressing Teli, the trader Baniya, the goldsmith Sahani, the gardener Maali, the barber Hajaam, the net-casting fishermen Mallaah, the water-impounding fishermen Been, the blacksmith Badahi, the pan-leaf seller Barai, the potter Kumhaal and so on. The traditionally untouchable groups include the labouring castes of Tatma and Dushad, the leather-working Chamar, the bamboo worker Bantar, the washermen Dhobi, and scavenger Dom.

As in the hills, the high caste domination of lower castes remains the same. In reference to the working of the caste system in the Terai, Prof Ram Narayan Dev (2012) has recently written that:

“The Hindu caste system is feudalistic in nature. While the high caste people are better off socially, economically and politically, they also tend to lord over the people of the lower caste. The lower caste people have traditionally been exploited and oppressed and continue to live a life of extreme deprivation. Most of the land in the Terai are possessed by the people of higher caste. The lower caste people are virtually landless”.

He has gone on to emphasize that in Terai the principal bases of exploitation are unequal distribution of land, lack of opportunities, limitations in terms of education and awareness. He asserted that while there should be a policy of reservation for the upliftment of the oppressed and exploited in Terai, such opportunities must not allowed to be appropriated by high caste people such as Maithili Bahun, Bhumihar, Rajput, and Kayastha who are the ones currently benefiting generally from the reservation made for the so-called “Madheshi” people. If this continues, the dispossessed and untouchable Dalits like Chamars, Mushahars, Dushad, Dom will continue to remain deprived of the benefits of such reservation for all times to come. Hinting at the feudalism inherent in the Hindu caste system, he further stated that “while the Terai leaders are dishonest and selfish, the state too must not continue to emulate them. The state must act as the “guardian” of all people, in default of which rebellion (by the dispossessed) would be a natural consequence.” In order to get a proper understanding of the diversity of the caste system in the Terai, he suggested a five-fold view of the Terai caste composition such as the following:

1. *Uchcha aarya hindu samuha* (High caste Aryan Hindu group): This includes the *tagadhari* (sacred thread wearing) caste groups such as Bahun (Maithili and Kannyakubji), Bhumihar, Rajput, Dev and Kayastha;
2. *Madhyam aarya hindu samuha* (Middle Aryan Hindu

- group): This includes Yadav, Dhanuk, Kewat, Kurmi, Koiri, Kumhar, Kath baniya, Teli, Sudi, Kalwar, Rauniyar, Barnawal, Suniya, Bhaur, Rajdhobi, Dhobi, Sonar, Kamar (Badhai-Sutihar), etc;
3. *Achhut Dalit samuha* (Untouchable Dalit group): This includes Musahar, Chamar, Dushadh, Halkhor, Hadi, Dom, etc;
 4. *Musalman samuha* (Muslim group): This includes Sheikh, Saiyad, Mughal, Paithan, Dhuniya, Jolaha, Kujara, Darji, etc; and
 5. *Byaparik samuha* (Trading group): This includes Marwadi, Bengali, Punjabi, Sikh, Baniya, etc.

Much of the deprivation in Nepal results from the perpetuation of the traditional premises of hierarchy in which a major segment of population are destined to suffer and remain stigmatized. For instance, according to the third and latest Nepal Living Standard Survey 2010-11, the proportion of the poor remain high among the hill and Terai Dalits, 43.63 percent and 38.16 percent respectively, which are the highest proportion for any caste ethnic group in the country (CBS 2011). In a revealing article by a Dalit author, it was reported that the Dalits have been “experiencing 205 existing practices of caste-based discrimination”, of which 54 are related to denial alone, such as denial of entry, services, access to common resources, participation, and social boycott (Bisankhe 2003). Besides, it should also be noted that the stigma of untouchability applies not only between Dalits and other caste ethnic groups, but also among the Dalits themselves. While the 2001 census reported only 16 Dalit groups in Nepal with a population 2,675,817, i.e. 11.6 percent of the country’s population, the Rastriya Dalit Ayog (National Dalit Commission), constituted in 2002, has listed a total of 28 Dalit castes, all of them with specific status in the vertical order of precedence. At least, in one reported case, even the anonymity provided by urban Kathmandu was not a help in nullifying this intra-Dalit untouchability. A few years, a Damai tenant was kicked out of his rented room when the Sarki landlord in Baneshwor, Kathmandu found out about the former’s caste status.

The Issue of Ethnicity in Nepal

Ethnic groups are defined as sizeable groups of people with a common, distinctive racial, national, linguistic, or cultural heritage, that generally set them apart from members of the larger tradition like Hinduism or Christianity. From this perspective, Nepal's demography includes a large number of ethnic groups that together represents a significant proportion of its population. In recent years, however, the distinctive identity of ethnic groups in Nepal has come under sharp focus in national political discourse that got further intensified following the 1993 UN declaration of the International Decade of the World's Indigenous People, 1995-2004. In an important development, a conference held in Kathmandu in 1994 by the then "federation of 21 ethnic groups known as the Nepal Federation of Nationalities (NEFEN), along with some other groups, renamed themselves 'indigenous peoples' in reaction to the United Nation's call for a Decade of Indigenous People. They defined their 'indigenouness' in opposition to Hindus, i.e., as those communities which possess their own traditional language, culture and non-Hindu religion, and whose society was traditionally egalitarian rather than hierarchical or caste-based. Other characteristics of this indigenouness included displacement from original homelands, deprivation of traditional rights to natural resources, and neglect and humiliation of their culture and language by the state (Pradhan 2002: 16). Most of these attributes have been the ones that are generally mentioned while referring to the disadvantaged—suffered by the indigenous people at the hands of the incoming immigrants.

Later in 1996, a task group led by sociologist Santa Bahadur Gurung adopted these very criteria while defining the Janajati groups. They included such traits as distinct cultural identity; traditional language, religion, customs and culture, traditional social structure based on equality, traditionally inhabitants of a particular geographic region; possessing their own written or oral history and a sense of 'we-feeling' among themselves, having no "influential role" in the modern politics and governance of Nepal; and a claim to being "indigenous people" of Nepal;

and referring to themselves as “Janajati” (Onta2011). The recommendations of the taskforce were later incorporated in the legislation by the then parliament in 2001, leading to the formation of National Foundation for the Development of Indigenous Nationalities in 2003 under the chairmanship of the Prime Minister. The objective of the new outfit has been to “help preserve, promote and develop Janajatis' language script, culture, literature and history; and to ensure social, educational, economic and cultural development of indigenous nationalities (Rai 2003).” The issue was given further boost, if not inflamed, by the Maoists in 1996 when the then Communist Party of Nepal (Maoist), now Unified Communist Party of Nepal (Maoist), included it in their forty point charter of demands to the then Prime Minister of the country in the lead up to the launching of their armed conflict in the country. Point no. 20 of the demand said: “All racial exploitation and suppression should be stopped. Where ethnic communities are in the majority, they should be allowed to form their own autonomous governments” (Thapa 2003:391).

The issue took a more serious turn with the election of the Constituent Assembly in 2008 that was charged with the drafting of a federal constitution for the country. The major bone of contention in this exercise was whether the federalization of the country should be secular, or ethnicity based, with priority rights, *agraadhikar*, provisioned to the largest Janajati group in the constituent provinces to head their government for two terms in a row with the region itself to be named after it too. Apparently, this preferential right was designed as compensation to the Janajati groups for the wrong that was done to them in the past.

However, this issue turned out to be among the most intractable for the CA that cost the nation dearly in terms of time and money even as passions flared on either side of the aisle particularly within the hallowed halls of the CA among those who rallied for or against such an approach to federating the country. While most of the Janajati CA members across party lines had formed

a “Janajati Caucus” of their own to pile pressure in favour of ethnicised federalization, although not all Janajati CA members have joined it. While most non-Janajati members were always against this proposition, many of them even decrying the very idea of federalization of the country altogether, they too slowly but steadily came up with a demand for “Khas” province/s. For instance, in a public meeting in December 2009 organised by an entity calling itself Nepal National Khas Students Society, the speakers criticized the political parties “for their indifference to the notion of separate state for Khas community, which, they claimed, accounts for over eight million people in the country.” Another speaker in the same meeting complained that the ethnic groups of Bhote and Sherpa, with only 40,000 and 80,000 population respectively, “have been huffing and puffing for separate states”, while the political parties have been dampening the spirit of the Khas people that represents one-fourth of the country’s population by not carving out a state for them too. Another speaker, apparently the president of Khas organisation, Khas Chhetry Unity Society, had even presented a working paper that underlined the imperative of a separate Khas state “to preserve the identity of the Khas people” (The Himalayan Times, Dec 27, 2009). The Bahun Chhetri plank in particular became increasing strident in their demand for a separate Khas province, complaining that the Khas people, meaning the composite of high caste Hindu groups of Bahun, Chhetri, Thakuri, and Sanyasi who together account for more than 10 million people have been denied the privilege – of naming the regions after Khas ethnicity too, – despite the fact that in many of the proposed ethnic regions, it is the Khas people that constitute the largest single caste ethnic groups in them (Lohani 2012).

Despite this clamour on either side of the aisle, however, the State Restructuring Committee of the CA headed by the Maoist supremo, Prachanda, had managed to woo the seven UML members in the SRC to his side by agreeing to their own individual petty demands such as a “Sherpa province” for the Sherpa member and a “Mithila province” for the Mithila member, and had adopted through majority vote (as against the

consensus decisions the committee had taken in all its previous 126 meetings) a decision that recommended 14 ethnicity-based provinces to the CA. This move had given a defeat to the Maoists' arch rival, the Nepali Congress, which was all along rooting for non-ethnicity based six provinces (Kantipur, Nov 26, 2011). That decision, however, set off more protests all around both in favour of and against the ethnicity based federalization of the country. But then, following the recent demise of the CA without drafting a constitution, passions on both sides of the aisle seem to have died down too at least for the present. While some of the CA members in the Janajati Caucus had earlier even defied their respective party whips not to go against the party decision of not supporting single ethnic identity federalization of the country, the party bosses have of late asserted themselves with a vengeance, mainly in the CPN-UML, and have since taken disciplinary action against those deviant members – seemingly leaving them in a lurch. Although a two-day “national gathering” convened jointly by the Nepal Federation of Indigenous Nationalities (NEFIN) and the Caucus's former Janajati lawmakers had decided to form “a separate political party representing ethnic and indigenous communities” (Republica, 06 July, 2012), not much headway has been in view so far, with disagreement looming over the issue among the leading Janajati activists themselves.

While the political deprivation of the Janajati and Madheshi people relative to the hill Hindu high caste groups, mainly Bahun and Chhetri, has occasionally been brought up in the national debate on governance of the country, the UN declaration of the decade of the indigenous people seemed to have acted as a major catalyst, however, for lending a new pitch in the controversy. While many of the criteria adopted by NEFIN in its 1994 declaration regarding the Janajati groups remain still to be confirmed based on objective scrutiny, their claim to indigeneity in particular and their demand for the “priority rights” have been the most contested. By all accounts, the claim to indigeneity seemed to pose a threat to the identity of the more numerous Hindu caste groups in terms of its implied suggestion that this recognition would render them as latter-day immigrants to Nepal

who, as in other colonial settings, have gone on to lord over the indigenous people. This has been the basis for their claim for “compensation” which is to be granted to them in the form of priority political rights to govern their “homeland” provinces for two elective terms in a row. This controversy has gone on to consume so much of national time and energy, however unwittingly, that it has gone on to overshadow the cause of the Dalit caste groups who, by all accounts, remain the most deprived among the Nepalese and relegated to the bottom of the heap in the hierarchy as a consequence of the principle of purity vs impurity on which orthodox Hindu caste system has been built and has defied any significant change over the centuries.

The term, indigenous, normally distinguishes the people who have all along been living in a given geographical area from the latter day immigrants like in the American demographic scene where the European arrivals have been a recent phenomenon and have been properly recorded. But the term is problematic in Nepal, because all we can be sure of is that the land area that is present-day Nepal has been populated by “waves of migration from different directions” whether Janajati or caste groups (Pradhan 2002:1). It is generally assumed that the ethnic groups, speaking Tibeto-Burman languages such as the Gurung, Tamang, and Limbu, “migrated at different times from regions across the Himalayas far to the north and east, with the Sherpa and some other Tibetan-speaking groups having arrived more recently from the same general direction” as did the ethnic group of Newar into the Kathmandu Valley, even as the “Nepali speaking Bahun (Brahmin), Chhetri (Kshatriya) and Thakuri as well as the service caste Dalits, collectively known as *parbatiya* or ‘hill people’, migrated in from the west and south” (Pradhan, 2002:1). However, as things stand, it did not matter earlier nor was it a part of the debate as to which ethnic or caste groups came from where and when in the variegated ethnic kaleidoscope of Nepal.

While the indigeneity of any people can be established only through historical or archaeological evidence, the claim to

“indigenous” status at the hands of some Janajati leaders has been rather abrupt, and based on its timing of the claim, it also seemed quite opportunistic too. When the Janajati organisation was first established in Nepal in 1991, it was called NEFEN or the Nepal Federation of Nationalities. But after the 1993 UN declaration of the Decade of the Indigenous People, NEFEN, in its 1994 conference mentioned above renamed itself as NEFIN (Nepal Federation of Indigenous Nationalities) and was clearly inspired, not by any new historical or archaeological findings, but by the particular UN declaration that seemed to promise donor resources in its train. The opportunism seemed even more palpable in view of the fact that the said conference also defined indigenousness “in opposition to Hindus”, i.e., those communities that possess their own traditional language, culture and non-Hindu religion, etc. (Pradhan 2002: 16). This comes in the face of the fact that almost all ethnic groups celebrate Dashain, the biggest festival of the country propitiating the Hindu Goddess Durga and that almost all Tibeto-Burman ethnic groups in Nepal observe Hindu religion even as they also observe their own ethnic deities and other religious practices. This in anthropology is known as the co-existence of Great Tradition and Little Tradition, the former denoting such big religions like Hinduism, Islam, Christianity, Judaism, etc.

Since the claims to indigenousness remain a sensitive topic in multi-ethnic Nepal, the issue came up also in April 2011 symposium on Ethnicity and Federalism in Nepal organised by the Central Department of Sociology and Anthropology of the Tribhuvan University. When asked to cite the criteria for establishing the indigenousness of the Janajati groups in Nepal, Professor Om Gurung, the head of the department (as well as a chief ideologue of NEFIN) was evasive. He said that the concept of indigenousness should be defined according to conditions of specific countries but did not elaborate its details as it applies to Nepal in his view. But such country specific re-definition of such universally used concepts would certainly cause serious problems in international academic exchange and communication. It was probably this anomaly that also smacked

of opportunism that inspired Sara Shneiderman, an American anthropologist of land standing experience repute in Nepal to ask, “Is the commodification of ethnicity that we see in Nepal truly a neoliberal phenomenon? Are ethnic subjects being duped by neoliberal forces into commodifying identity as property through claims to ethnic territory – allowing themselves to be branded – and following the red herring of cultural difference instead of challenging the real economic vectors of their inequality?” (Shneiderman 2012:235).

Another major problem with the ethnic activists, both in politics and academia, is that they generally skirt the issue of what can be called the densely mixed ethnic landscape of Nepal which Hofer has referred to above as “demographic intermingling”. The spatial implication of this dense ethnic plurality in Nepal is that most settlements in Nepal are multi-ethnic in character with both the caste and ethnic groups living together in them and participating together in a range of shared community institutions and livelihood activities by them. For instance, in a recent ethnographic study of a Danuwar community in Kavre district it was found that the 213 Danuwar households in the three wards of Panchakhal Village namely 5, 6 and 8 shared their habitat with 597 other households belonging to 12 different caste and ethnic groups, among whom the major ones being Brahmin (226 households), Newar (109), Tamang (67) and Chhetri 58 households (Lamichhane 2060 BS:113). Similarly, all districts in Nepal are densely multiethnic too. To take one instance each from Terai and hill regions in Nepal, the western Terai district of Kailali has 43.3 percent ethnic Tharus who live alongside Hindu caste groups of Chhetri (17.42 percent), Brahmin (10.73 percent) and Thakuri (2.93 percent), Tibeto-Burman Magar (3.88 percent), and the Dalit castes of Kami (6.81 percent) and Damai (2.10 percent) plus “others” (12.41 percent) (Kailali DDC 2009). Similarly, the central hill district of Dhading has 69 different caste ethnic groups in its total population of 173,000 (2001), of whom the numerically dominant ones are the Tibeto-Burman Tamang (73,000), Newar (32,000), Magar (29,000), Gurung (26,000), Chepang (11,000), and Kumal (4,000) and the Indo-

Aryan caste groups of Brahmin (57,000), Chhetri (53,000), and the Dalit caste groups of Kami (11,000), Sarki (14,000), and Damai (8,000) (Dhading DDC 2002). The ethnic picture of all the districts in the country is similarly quite varied and dense. Furthermore, one attendant condition of this ethnic denseness of Nepal is the intensive overlapping of the "cultural areas" of various ethnic groups. To be specific, often times, the same deity is shared by various caste and ethnic groups resident in mutually different geographic regions. For instance, Swayambhunath in Kathmandu is propitiated mainly by Buddhist Newar but to a lesser degree also by the Hindu Newars of the valley. However, the same deity is also equally revered and worshipped by the Tamangs who mainly come from the vast mountain region that surrounds the Newar enclave of Kathmandu (Shrestha 2012:45-46).

To conclude, the hallmark of a democratic polity worldwide is equality of all citizens. Therefore, it would hardly make any democratic sense to single out one ethnic group out of so many in the region, designate the province after its name, and finally, bequeath its governance to their leaders, simply because once upon a time, some of those regions used to be known by their names. Besides, all surveys and opinion polls have indicated that people overwhelmingly oppose such ethnicity-based federation of the country, and this should have given a proper sense of direction to the political leaders charged with the task of writing a constitution for the country. Were such an approach to be adopted, this certainly would have amounted to travel back in time to Baise Chaubise days. But the strange thing about our political discourse, particularly within the hallowed halls of the CA is that the interminable debate back and forth about ethnicity-based federalization of the country, as clearly undemocratic as it is, was carried on for so long at the hands of our own democratically elected leaders that it eventually became a major factor in the failure of the CA to deliver a constitution to the country.

Caste and Class

Given the fact that Nepal is a caste-ridden society where even non-caste Janajati groups have historically been inducted as part

of the larger Hindu caste system, classes exists within the caste system too. In the case of India, for instance, it has been observed that “caste incorporates class and class incorporates caste”. Referring to the “historical linkages” between caste and class in rural Andhra in south India, they has also been portrayed as “two intertwined social institutions” (Satyanarayana 2005:vii). Referring to Marxist interpretation of class as a freestanding concept, it is further observed that in the case of India, it is a fallacy “to bestow ‘class’ only the Marxian meaning for studying the Indian society”. This is so because the class consciousness do not figure in the relationship between people in the context of the caste system due to the sense “of ‘unity’ and ‘harmony’ among the patrons and clients, landlords and tenants, the upper caste ‘haves’ and the lower caste ‘havenots’, etc” (Sharma 1994:86). Quoting Weiner, it was further observed that:

“The wealthy in one’s own community is a source of vicarious pride.... For this reason, it is not easy to create class cleavages and class parties in a multiethnic society except where class and ethnic cleavages coincide. Class antagonisms then become veiled expressions of ethnic hostility. This is probably why ideological parties of the left based upon class appeal have not done very well in India, and why peasant revolts against landlords are more likely to occur when the peasants and landlords belong to different religions and castes, or one is tribal and the other is not” (Sharma 1994:183).

This uniqueness of class being encapsulated within castes and ethnic groups in a multi-ethnic context is also borne out by our own experience with the Maoist conflict in recent years. Given the fact that the intra-caste or ethnic emotional bond among its members of a particular caste ethnic groups despite is too strong to set the conflict in motion based on the intra-group class differences, the Maoists tried to promote hostility generally not between the classes in one caste or ethnic group but between castes and ethnic groups. The Dalit and Tibeto Burman youths were brainwashed into identifying mainly the Brahmin, Chhetri elites as the class enemy. This probably explains the Maoists’ unstinting support to Janajati claim to indigenous status against insufficient historical

or archaeological evidence for it, or to naming the federating provinces after themselves notwithstanding their minority status in them, or to priority rights in governance that flies in the face of the known principle of democratic equality. In India itself, it is said that the “ideological parties of the left based upon class appeal have not done very well, and peasants’ revolts against landlords are more likely to occur when the peasants and landlords belong to different religions and castes, or one is tribal and the other is not” (Sharma 1994:183). In Nepal too, setting one caste ethnic groups against another seem to have been more expedient for the Maoists in their strategy for the so-called people’s war, and they did so even in the face of the fact that the Marxism only deals with class conflict, and does not recognize ethnicity in the definition of dialectical materialism.

One of the facts of socio-economic life in Nepal is that resources and power are unevenly distributed along caste lines due to the orthodox Hinduism having been the basis of state polity for centuries. While the relative deprivation of non-caste Janajati ethnic groups and of the Dalit caste groups vis-à-vis the Hindu high caste groups, mainly the Brahmin and Chhetri, has been widely discussed for many years now, sufficient attention has not been drawn to the fact that all caste and ethnic groups including even the Dalits are indeed stratified communities and are characterized by uneven distribution of resources, resulting in the existence of an affluent group at the top in all these groups and of the large proportion of the poor at the base. The data generated by the Nepal Living Standard Surveys of 2003/04 and 2010/11 are suggestive in this regard. The survey for 2003/04, for instance, reported the following proportions of people to be under poverty line under the following caste ethnic categories: Brahmin Chhetri 19 percent, Hill Janajati 44 percent, Dalit 47 percent and Newar 14 percent (quoted in DFID/World Bank 2006:18). Similarly, under the NLSS III of 2010/11, the proportion reported for similar groups are as follows: Hill Brahmin 10.34 percent, Hill Chhetri 23.40 percent, Hill Janajati 28.25 percent, Hill Dalit 43.63 percent, Terai Dalit 38.16 percent and Newar 10.25 percent. While this data suggest improvement

in poverty status across different caste groups between the two survey periods, they also show that all these groups including Dalits have significant non-poor people among them. These groups are basically non-egalitarian in their makeup and that all of them have a creamy layer that enjoys access to economic prowess and political power.

Furthermore, given such uneven distribution of resources under a largely orthodox Hindu context, the interpersonal relationship between the creamy elite at the top and the rest of them in the lower rungs of the pyramid has generally remained feudalistic in nature. The people at the bottom rungs, who generally suffer from such ubiquitous deprivations as land poverty and lack of access to social development opportunities (mainly education and health) generally remain dependent on the former for their regular needs for food and cash credits (with resultant indebtedness), obtaining land for share-cropping, and other occasional protection from possible predators from hostile quarters in the communities that, in turn, are characterized by the plurality of mutually competing power centres represented by these feudal elites. Then, at higher levels of body politic such as district, regional and national levels too, it is the bigger feudal elites who make it to those levels. In other words, the leadership structure of the body politic of the nation is largely a hierarchy of feudal elites from the village communities all the way to the top of the national power structure.

It is largely because of such feudal makeup of the power structure in the country that the political system has failed to deliver to the country for the amelioration of the status of the poor and deprived in the communities. True to their feudal roots, the leaders whether under the authoritarian Panchayat System or thereafter, have engaged themselves in unrestrained corruption, thus resulting in the sustained poverty and underdevelopment in the country. Lack of transparency and accountability thus has remained the principal hallmark of the practice of democracy in Nepal.

Issues of Caste, Class and Ethnicity in Nepal's Nation Building

Given the fact that the entire Nepalese nation is caught in the web of the caste system whose ethos based on inequality spawns feudalism in the society and feudalistic behaviour on the part of its leaders as described above. This has also been the Indian experience more or less regarding the negative impact of the caste system on the function of its democracy which has been poignantly summed up in the following observation by Perry Anderson (*ibid*):

“But the truly deep impediment to collective action, even within language communities, let alone across them, lay in the impassable trenches of the caste system. Hereditary, hierarchical, occupational, striated through and through with phobias and taboos, Hindu social organisation fissured the population into some five thousand *jatis*, few with any uniform status or definition across the country. No other system of inequality, dividing not simply, as in most cases, noble from commoner, rich from poor, trader from farmer, learned from unlettered, but the clean from the unclean, the seeable from the unseeable, the wretched from the abject, the abject from the subhuman, has ever been so extreme, and so hard-wired with religious force into human expectation. The role of caste in the political system would change, from the years after independence to the present. What would not change was its structural significance as the ultimate secret of Indian democracy..... Caste is what preserved Hindu democracy from disintegration. Fixing in hierarchical position and dividing from one another every disadvantaged group, legitimating every misery in this life as a penalty for moral transgression in a previous incarnation, as it became the habitual framework of the nation it struck away any possibility of broad collective action to redress earthly injustice that might otherwise have threatened the stability of the parliamentary order over which Congress serenely presided for two decades after independence. Winding up the debate in the Constituent Assembly that approved the constitution, of which he was a leading architect, Ambedkar remarked: ‘We are going to enter a life of contradictions. In politics, we will have equality and in social and economic life, we will have inequality ... We must remove this contradiction at the earliest possible moment or

else those who suffer from inequality will blow up the structure of political democracy which this assembly has so laboriously constructed.' He underestimated the system of inequality against which he had fought for so long. It was not a contradiction of the democracy to come. It was the condition of it. India would have a caste-iron democracy".

What has been true of Indian democracy remains largely true of Nepali democracy too. As Anderson observed above, the pervasive inequalities across people, divided as they are in various mutually unequal caste ethnic groups, have prevented any meaningful collective action against the lack of accountability on the part of the leaders. Each feudal elites in the communities, due to his historically deriving material endowment, represents a veritable economic and political centre of power in their own right around which their less fortunate village brethren gravitate for occasional succor that is essential for their deprived existence. Therefore, the simplistic transplantation of Westminster style democracy in the Nepalese traditional context is subverted in its functioning by the feudalistic forces that the caste system has always unleashed. In short, Nepalese democracy in the present form will never be able to deliver unless it is complemented with institutional reforms that would negate the adverse causalities that the caste system has historically generated.

Assuring good governance at the grassroots despite caste generated feudalism

However, in the case of Nepal, there have been two distinct innovations, one empowering entire rural communities and another, empowering women in the communities, both of which cut across caste ethnic lines and have been strategically hinged on institutional innovations that successfully fend off the deleterious consequences of the caste system on them.

The first such innovation is the community forestry of Nepal. Nepal's forests came under severe stress beginning 1957 when the government nationalised it with the pious intent of saving it from exploitation by the rulers and officials of the previous Rana

regime who had registered large tracts of them as their private property. However, as the government continued to manage the forest through its field officials, due largely to their corruptibility, deforestation became rampant in the country raising the spectre of desertification of the country by 1980s. However, by that time, the Decentralization Act of 1982 that provided for the institution of user groups in the communities had already been promulgated in 1984. Based on that concept, forest user groups were innovated in 1988 that empowered the traditional forest user to manage their own forest which is to be formally handed over to them by the government with necessary technical backstopping. With the forests being locally managed by the users themselves, it has meant easier and more abundant availability of forest products (timber, firewood and fodder), less hardship for women, more time available for income generating activities including keeping increased number of livestock, better protected water source, more time for children, etc. The secret of the FUGs' success lies in the fact that their decision-making is universally participated by the members. While the villages remain highly stratified along caste, class and gender lines, it was found that "many user groups are equally distributing forest products, and in some instances, even incorporating concerns of equity by providing greater shares to occupational and low caste members even as women's confidence and participation in user groups and other community decision-making have been increasing too. It was further observed that the users were demanding accountability in the management and use of user group funds. Whenever speakers took a partisan stand, they were asked to stop talking or rephrase their comment. The frequent refrain was that forests cannot be carved up according to political party affiliations; a healthy forest needs to remain whole" (Britt 2002:254-256). Presently, there are some 18,000 FUGs at work in the country, and as things stand, due to the rather dramatic regeneration of our forest resource, the alarm of possible desertification of Nepal has become history. The FUGs themselves have grown into significant institutions for local development. The 2009 reformulation of the government guidelines requires the FUGs to allocate 35 percent of their income to be earmarked for poverty alleviation in the communities.

Similarly, another subject of worldwide applause more recently has been Nepal's achievement in Child Survival and Maternal Mortality Rate Reduction. The country's Infant mortality itself steadily declined from 79 per 1000 live births during the period 1991-1995 to 64 per 1000 live births during the period 1996-2000, and to 48 per 1000 live births during the period 2001-2005 to 46 per 1000 live births in the most recent five year period (2006-2010). Similarly, the Under-5 mortality rate was 180 per 1000 live births in 1980, which jumped down to 107 per 1000 live births in 1998, and to 54 per 1000 live births for the most recent period (2006-2010). UNICEF itself had reported "a 67 per cent reduction during the last decade alone. According to it, this makes Nepal "one of the seven countries in the world that has been successful in cutting child mortality by two thirds" (The Himalayan Times Jan 25, 2008) and "the only country that is ahead of schedule for meeting its target before 2015" (Kantipur, December 11, 2009). Although there has been some setback to the immunization targets more recently, the above feat has been attainable even in the face of the Maoist conflict that engulfed the country for ten long years from 1996 to 2006. In recognition of this feat, Nepal was given the prestigious "Global Alliance for Vaccine and Immunisation (GAVI) Award in 2009 in Vietnam. Similarly, Maternal Mortality Rate too have come down from 538 per 100,000 live birth in 1996 to 281 per 100,000 in 2006, and the country is reported to be well on its way to achieving MDGs in this field by 2015. For this achievement too, Nepal had been conferred an international award in Washington DC in 2010.

These extraordinary feats in the field of health have been attributed to the countrywide army of 52,000 plus Female Community Health Volunteers and even larger number of local Mothers' Groups of which the former are members necessarily. The FCHVs are trained by the government health system and remain accountable to their respective MGs. The MGs themselves which are now re-christened as Health MGs, are inclusive organisations of women with at least 11 to 21 members between the Himal and Terai districts representing the caste ethnic groups particularly

from the backward ones in the community (MOHP 2012). It is the FCHVs, who, as representatives of local mothers, have the authority to access the resources from the local government health posts and bring them to the children and mothers in the community. It is this institutional mechanism that has enhanced the access of local population to primary health services with salutary results as mentioned above.

The important lesson of these two success stories is that when authorities are devolved to the users themselves – who generally are the composite of members of various caste, class and gender groups – then, the traditional feudal power tends to make way to transparent management of resources and accountable leadership in the communities. This empowerment of users themselves, however, is not to be confused with the devolution of authority to the VDC and DDCs, for, these institutions continue to remain the bastion of traditional feudal forces, by their very nature, are not given to transparency and accountability. While the two critical attributes of good governance conditions namely, transparency and accountability, have so far eluded the nation generally, it is only the devolution of authority to the users themselves, as in the cases of the FUGs and MGs, that has tended to make a difference and ensure them in the communities. The way it works once the users themselves are devolved authority is that they find the necessary political space and legitimacy even in the face of the overbearing feudal forces to protect their own stakes in the user groups irrespective of whether they are rich or poor, man or woman, high caste or low caste, or literate or illiterate. Therefore, devolution of authority to the users remains the crucial condition for counteracting the negative consequences of the caste-generated feudalistic governance towards achieving effective, equitable, inclusive, sustained and accelerated development in the communities.

The issue of Dalit deprivation

As in India, the problems of Dalit castes in particular pose a special problem in nation building in Nepal too. As mentioned

above, the Dalits remain deprived, because the caste system, of which they are an integral part, is purposely structured to achieve such result. With highest rate of incidence of poverty among them in the country – hill Dalit 43.63 percent and tarai Dalits 38.16 percent in 2010/11 – there is a need for special measures that would eventually undo the most debilitating factor working against them, the stigma of untouchability that acts as a enormous deterrent to their progress as can be seen from the following case example from Dhankuta in year 2000:

Rammya Biswokarma, resident of Sekle ward no. 2 borrowed Rs. 20 thousand with the dream of becoming an economically independent woman. In an attempt to assist her husband and son, the only bread earners of the family, she bought a buffalo with the money. In time, the well-fed and nurtured buffalo gave 15 jugs of milk on an average. Her business however, took a different turn when the local market rejected the product. She stood against all odds and desperately tried various tricks to sell her milk, but to no avail" (The Kathmandu Post, September 2, 2000).

In order to go around the problem of untouchability, many Dalits have even resorted to trickery. For instance, while the country's population increased by 23 percent during the decennial period of 1991-2001, the number of Dalit population recorded a decline of 3.62 percent during the same period. In 1991 the Dalits numbered 31,26,522 i.e. 16.9 percent of the total population; in 2001, they numbered only 3.021 million (13.28 percent). The explanation, as reported in the local newsmagazine lies in the fact that instead of reporting their caste status to the census enumerators, they represented themselves only with their clan names many of which happen to be the same also in the case of the higher Hindu caste ethnic groups such as Koirala, Acharya, Shah, Khapangi, Gajurel, Giri, Gotame, Gautam, and so on and so forth. Clearly, the census enumerators were taken in (Himal Khabar Patrika 2003). It needs to be seen if the same phenomenon has occurred in the 2011 census.

Some Dalits where they are sufficiently numerous have even put up an organised struggle. This happened in 2000 in Saptari

district. The oppressed Chamar community of Haripur VDC in Saptari finally knocked the door of the District Administration Office for justice after they were socially boycotted by high caste fellow villagers for refusing to dispose of animal carcass, otherwise their traditional caste-bound role. Six chamars filed a case against ten persons including the Ward Chairperson of Ward-1 of the VDC accusing them of discriminating the chamars on the ground of "untouchability", a practice the Constitution of Nepal has made illegal. It all started after a few chamars in dispute over wages refused to dispose of a buffalo carcass of a Tharu householder. This led to the higher caste villagers from Wards 1, 2 and 3 of the VDC to socially boycott the chamars. The Chamars also demanded of the DAO to make alternative arrangements for their livelihood. But what the DAO did was to "facilitate" talks between the conflicting parties, adding that it is really difficult to resolve the deadlock" (TKP, August 17, 2000). This incident is consistent with the larger pattern of retaliation that is taking place in India against the assertiveness of Dalits. For instance, it has been noted that:

In recent years, incidents of murder and large scale arson perpetrated against Dalits by upper caste Hindus across the country have been growing. While this indicates a complex and diverse pattern, one thing is clear: the growing assertion and awakening among Dalits about their rights has become intolerable to the dominant castes/classes" (Satyanarayana 2005:22).

Regarding the inefficacy of the role of the Dalits in politics, it has been observed in the case of India, that:

"Although the backward castes and the Scheduled Castes were in the majority in the countryside, they did not have any effective participation or say in decision making. Lack of unity among the lower castes and their economic dependence on the rural rich made it impossible for them to exercise decisive control over the Panchayat Raj institutions" (Sharma 1994:22).

In the case of Nepal similar pattern has been noted. In a recent paper, it has been reported that "Activists associated with the non-government organisations feel the Dalit in Nepal

was uncoordinated because of the tendency of the Dalit wings of political parties to stick to ideological differences rather than to rally around a collective movement for Dalit rights” (Kharel 2001). Again, this seems to be a part of a larger pattern of things in this respect. For instance, as quoted above, Ambedkar was critical of the then Indian Congress leadership for having to:

“scrap even the minimal safeguards for their political autonomy conceded in the 1930s, consigning the fate of the untouchables to Uncle Toms like the notoriously venal Jagjivan Ram, Union Minister and pillar of Congress in UP, who made no secret of the fact that ‘since one had to depend on the non-scheduled caste vote, one went along with the fortunes of the party’” (Anderson 2012).

To conclude, while what the Chamars did in the Saptari district in Nepal a few years ago are merely sporadic incidents that are likely to create a few ripples of their own but not sufficient to make any significant difference for the 2.5 million Dalits in the country.

Not that the Dalits are not trying. Of their many efforts, their attempt to hide their identity on their way to shedding the stigma of untouchability as mentioned above seem to be the most significant. This again is consistent with what has been observed in India where “Migration, education and white-collar jobs, particularly outside the village, have been the main source of social mobility among the scheduled castes” (Sharma 1994:247). This carries special significance for Nepal which remains largely rural and agrarian with some 78 percent of workforce engaged in agriculture and 83 percent of people remain rural. It is therefore utmost essential for Nepal to promote greater urbanization and more of the non-agricultural sector of economy. In doing so, the Dalits should be considered the priority candidates for this demographic shift, because of all the Nepali people they are the ones who are mostly landless and who need to shed the stigma of untouchability that, based on existing indications, seem to be more attainable in the anonymity of urban living.

Urban oriented movement of people

There are indeed indications of a major undercurrent of population shift from rural to the urban areas, mainly centred on Kathmandu. The following table gives some significant insight into what seems to be happening in Nepal in this respect.

Table 1.2 Population change by major caste ethnic groups (with 10,000 population plus in Kathmandu) in three selected districts, Kathmandu, Kanchanpur and Bhojpur between 1991-2001

Caste ethnic groups	Kathmandu			Morang			Bhojpur		
	1991	2001	Increase (percent)	1991	2001	Increase (percent)	1991	2001	Increase (percent)
District total	675,341	1,081,845	406,504 (60.2)	674,823	843,220	168,397 (25.0)	198,784	203,018	4,234 (2.1)
1. Chhetri	120,047	203,000	82,953 (69.1)	75,834	94,638	18,804 (24.8)	41,638	41,535	-103 (-0.2)
2. Brahmin (Hill)	130,765	221,855	91,090 (69.7)	93,817	109,982	16,165 (17.2)	18,941	16,037	-2,904 (-15.3)
3. Newar	258,280	320,244	61,964 (24.0)	24,208	34,013	9,805 (40.5)	17,053	16,819	-234 (-1.4)
4. Gurung	18,488	30,460	11,972 (64.8)	5,537	7,200	1,663 (30.0)	1,638	1,735	97 (5.9)
5. Tamang	52,250	92,278	40,028 (76.6)	15,408	18,953	3,545 (23.0)	15,438	17,246	1,806 (11.7)
6. Magar	15,151	35,061	19,910 (131.4)	18,625	22,270	3,645 (19.6)	8,070	8,556	486 (6.0)
7. Muslim	(5,377)	11,890	6,513 (121.1)	26,986	36,976	9,990 (37.0)	11	49	38 (345.5)
8. Rai	(5,954)	21,052	15,098 (253.6)	34,260	44,269	10,009 (29.2)	65,874	69,244	3,370 (5.1)
9. Thakuri	(6,776)	10,270	3,494 (51.6)	1,694	1,553	-141 (-8.3)	206	136	-70 (-34.0)
10. Sherpa	(9,263)	31,200	21,937 (236.9)	434	940	506 (116.6)	2,985	3,290	305 (10.2)
11. Three Dalit groups	14,697	19,003	4,306 (29.3)	26,244	29,546	3,302 (12.6)	18,875	19,684	809 (4.3)
Kami	(3,727)	(5,568)	(1,841)	(14,365)	(15,706)	(1,341)	(9,859)	(10,242)	(383)
Damai / Dholi	(5,773)	(7,336)	(1,563)	(8,448)	(10,189)	(1,741)	(4,856)	(5,197)	(341)
Sarki	(5,197)	(6,099)	(902)	(3,431)	(3,651)	(220)	(4,160)	(4,245)	(85)

Source: Census 1991, 2001

Table 1.3 Population change by major caste ethnic groups (with 10,000 population plus in Kathmandu) in Chitawan between 1991-2001

<i>Caste ethnic group</i>	<i>1991</i>	<i>2001</i>	<i>Change (percent)</i>
District total	354,488	472,048	117,560 (33.2)
Chhetri	37,108	51,685	14,577 (39.3)
Brahmin (Hill)	104,696	138,374	33,678 (32.2)
Newar	20,439	25,627	5,188 (25.4)
Gurung	24,447	31,789	7,342 (30.0)
Tamang	25,333	34,737	9,404 (37.1)
Magar	14,621	19,643	5,022 (34.3)
Muslim	2,569	3,631	1,062 (41.3)
Rai	2,167	3,257	1,090 (50.3)
Thakuri	2,047	2,680	633 (30.9)
Sherpa	473	2,206	1,733 (366.4)
Three Dalit groups	30,771	37,092	6,321 (20.5)
Kami	(17,659)	(21,018)	(3,359)
Damai /Dholi	(8,160)	(10,594)	(2,434)
Sarki	(4,952)	(5,480)	(528)

The above tables are analysed based on the major population groups in Kathmandu, with at least 10,000 people. These same caste ethnic groups are used also for analyzing the population movements in other districts too to see whether there seems to be a pattern to their movement. All the districts are purposively selected: Kathmandu, the biggest urban centre in the country; Morang, a Terai district with a major urban centre; Bhojpur a district in eastern hills; and Chitawan, a burgeoning district economically. The study of the three tables give some very significant insights into what seems to be happening in Nepal in terms of population movement in the country. The following points are to be noted.

- Kathmandu seems to be the centre of attraction for all the people all over the country for almost all caste ethnic groups, some making major inroads into this largely urban district. While the total decennial population increase in the country between 1991 and 2001 is 23 percent, the Kathmandu district itself grew by 60.2 percent, suggesting an enormous influx of

population between 1991 and 2001 that has also reduced the so-called indigenous Newars to a mere 29.6 percent of the total district population. The caste ethnic groups to grow at a high rate are Rai (253.6 percent), Magar (131.4 percent), Muslim (121.1 percent), Tamang (76.6 percent), Hill Brahmin (69.7 percent), Gurung (64.8 percent), and so on. Newars grew by only 24 percent, suggesting they have grown only at natural rate and has not received immigrants any significantly. Dalits too increased only marginally with 29.3 percent.

- However, when we look at Morang population for the decennial period, the district population too increased only marginally above the natural rate of 25 percent. Besides, while all groups in Kathmandu gained at different rates, in Morang, it seems to erratic; while some groups gained, others lost. For instance, Newars, Gurungs, Muslims, and Rais have gained, although not phenomenally, except Sherpa who grew 116.6 percent.
- The hill district of Bhojpur, however, grew less than natural growth rate, only 2.1 percent suggesting that there has been a big exodus of people from the district. While all the groups grew less than natural growth rate, several recorded negative growth, Chhetri, Hill Brahmin, Newar and Thakuri. While Bhojpur is considered a “Rai country”, in 2001, the number of Rais living in the three districts of Kathmandu, Morang and Chitawan (68,578) is almost equal to those living in Bhojpur (69,244).
- In the case of Chitawan, despite its much vaunted reputation as high growth area, the district did not record phenomenally high growth rate in population in the decennial period of 1991 to 2001. It grew only by 33.2 percent, although the Sherpas themselves grew at the highest rate (366.4 percent) of the four districts.
- But in all the four districts, the Dalits seem to be less on the move. After the Newars, they grew the least, only 29.3 percent, suggesting that they were unable to partake in the benefit that Kathmandu seemed to offer to other caste ethnic groups that poured into the district.

While the above analysis has only a limited scope, it nonetheless suggests that Nepalese people are on the move, more from the hills districts to high growth areas as Kathmandu and Chitawan in search of greater prosperity. It also poses challenges as to how the economies can be managed more productively where they are losing population as in Bhojpur. The Dalits who need to move the most seem to be unable to do that, thus suggesting that special measures are needed in their support for enabling them partake in this race for prosperity. Since people seem to be moving in different direction, this further suggests that this is no time for Nepal for talking about the dividing up the country into various federating units, particularly in view of the fact that the worldwide trend is for counties to come together in closer integration economically and politically to be benefit from ever-present economies of scale.

Conclusion

The above discussions lead to some specific conclusions that have important implications for nation building in Nepal and for the socio-economic development of its people. Firstly, Nepal still has to come out of the traditional social order based on caste hierarchy that continues to shape the inter-personal and inter-ethnic relations in Nepal. In specific terms, the hierarchical ethos of the Hindu caste system remains omnipresent and omnipotent and has continued to shape the functioning of our polity and economy to the detriment of promoting equitable and inclusive development in the country. The politics in particular remain dominated by the feudal elites who, by their very definition, are the product of the inequalities inherent in the hierarchical order of the caste system. The ascriptive behaviour that remains its hallmark of the caste system, in turn, largely negates the democratic imperatives of transparency and accountability on the part of the people occupying leadership positions in the governance of the state at various levels. All caste ethnic groups remain stratified structures vertically, and their elites exist as competitive centres of power in the communities around which the poorer segments of population across caste ethnic lines gravitate for occasional succor of which

they remain always in need. It is this feudal elitism that is also transferred to the managing the politics of the country. Feudal elites do not “retire” in the communities, therefore, they do not do so in politics either. Contrast this with what happened in UK recently, the home of modern day democracy, a few years ago. When the conservative party lost election to the labour, the leader of the former said in a public address that he was already 63 years old, and that come next election after four years, he would be 67, too old to guide the party to victory with new ideas. So, he quit and the present prime minister, David Cameron, a much younger man at his early forties then took over as the leader of the party, and went on to fight and win the next election. Now contrast this with late Girija Prasad Koirala of the NC. At his mid-Eighties, he was still successfully piling pressure on the then PM, UML’s Madhav Kumar Nepal, to make his daughter, Sujata Koirala, the deputy prime minister.

It should also be noted that some of the younger leaders in the political parties, particularly in the Nepali Congress and the CPN-UML occasionally make noise, asking the geriatric leaders to make way for them. This is another feudalistic mindset, asking their feudal seniors in the “hierarchy” for permission to replace them, ostensibly to do a better job of representing the cause of the people. But, given the perpetuation of the feudal order, of course, those pleas have gone unheard and unnoticed. Again, for a difference in a genuine democratic setup, note what happened in the UK recently. After Gordon Brown of the labour party lost the election to David Cameron of the conservative party, the former quit the party leadership. In the tussle that ensued, the leadership contest was between two Miliband brothers, with the younger Miliband outclassing his elder brother, David Miliband, the former Foreign Minister, and has since been presiding over the labour party. The lesson for the younger leaders in our own political parties is that you do not beg for permission of the older leaders to move into roles to represent the cause of the people in the governance of the country. You challenge them on the strength of ideas and party support and get rid of the old leaders who no longer can inspire people.

Secondly, the overall situation of the country remains extremely unstable, more so now than ever before. And this too results from the feudalistic functioning of our statecraft at the hands of our feudal politicians. Lack of transparency and accountability remain the hallmark of their political behaviour, and most of the development resources are abused at their hands. The most infamous of such arrangement is the so-called All Party Mechanism at various levels, which preside over the allocation of billions of rupees every year that never translates into development benefits for the people. The mechanism has now turned into synonym corruption by consensus at the hands of the parties that in theory supposed to be antagonistic to each other. Even when we had elected officials earlier in the local bodies for almost half a century under various nomenclatures, the behaviour was no different. While hundreds of billions of rupees have been spent in government and donor funding for rural development and poverty elimination, our villages continue to remain the home to grim poverty, massive unemployment and under-employment, acute food deficit conditions and unavailable social services – the Dalits being affected the most. While, as mentioned above, we have made great strides in forestry, child survival and maternal mortality rate reduction – earning for ourselves international plaudits – due to the institutional innovations made during the Panchayat days in 1988 in the form of forest user groups, mothers' groups and female community health volunteers; those innovations have never been attempted for replication across other development sectors for the benefit of the people. Instead, in the case of forestry, some of those multiparty feudals who show up as forest ministers have only tried every once in a while to curtail the powers of the forest user groups, possibly to share in the booty that the enriched forests could be turned into at their own hands and their henchmen in the forest bureaucracy. Thus the restlessness that we find today among the people and the widespread cynicism regarding the political parties and their members result directly from their failure to deliver for decades on end. And unless there is some fundamental change in the rules of the game, these political parties and their members will never be able to serve the cause of the people, probably not because

they purposely do not want to, but because they function in a feudalistic system that has never been programmed to deliver to the people.

This is particularly cruel on the Dalits who have always suffered the acute deprivation generated by the hierarchical caste system for centuries. As mentioned above, it seems that their only and accelerated salvation lies in their ability to successfully make inroads into the anonymity offered by the urban sprawl. There are instances, particularly among the urban Newars, that many of their traditional Dalits, with better income and education, no longer suffer the indignity of being untouchable. So at least in one case, the members of some of the Dalit groups among the Newars, “including Pode, Chyame, Khadgi, Dhobi and Kushle” are on record to have gone to the Nepal Dalit Commission to get their caste names removed from the Dalit list.” The reason given was that “there is no discrimination within the Newar community” (The Himalayan Times, 2005).

To conclude, what is really happening in Nepal in the name of democracy is political and economic suicide of the nation. While various parties have imported ideologies from outside and written in their manifestoes as their own commitment to the people, the very first thing that happens after election is that governance systems are wrecked in pursuit of illicit benefits for the politicians and their parties. So, as things stand, given the tenacity of the feudalistic order in the country, what the parties tell is merely the red herring to distract the attention of the people. The parties are unable to move out of the feudal behaviour that has always laid the ground rules for their functioning.

A possible way out could be that if the younger leaders mean it seriously that they really want to do good for the people, they should form cross party alliance for specific, ideology-neutral common priority agenda and push for policy reform in the government irrespective of whichever party is in power. Where necessary, they should also acquire professional help to design novel policies and programmes, as they do in advanced democratic

countries, and submit them to the government for adoption even as they should also continue to monitor their performance. Short of such novel initiatives, under the kind of democracy we have in the country, the people are only bound to suffer in perpetuity, even as the feudal' masquerading as politicians continue to have their field day.

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2 | IMPERIALISM AND NEPALI REVOLUTION

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Introduction

The struggle for the democratic system in Nepal has been continued at least for the last eighty years. To date, we have not been able to institutionalize a democratic political system. Why did the achievements of the People's Movement of 1950 and 1990 fall prey to the regressive moves of the Monarchs? If the revolution refers to a process through which social and economic changes could be initiated, the political change of 1950 and 1990 were the capitalistic revolutions of Nepal.

The People's Movement of 2006 was a new and developed version of those earlier movements which ended up the contradictions existed in the superstructure (political system) and base (relation of production) of the Nepalese society. However, the question is why we are being unable to institutionalize the achievements heralded by this third capitalistic movement? Why did the constitution-making process fail? Why are external powers exerting pressure and interfering in Nepali politics? Without exploring the answers of these fundamental questions, the problems facing by the Nepali revolution and its people cannot be resolved. Definitely, these questions are related to the roles being played by imperialist powers in Nepal. Unfortunately, there lacks a common understanding among the left forces of Nepal in this regard.

The peoples' movements in Nepal were raised since the climax of feudalism – the Rana Regime. The feudalism in Nepal dwindled away with no concrete preparation and alternative policies. Therefore, the time has come to modify and update the agendas of the people. But some political parties which claim of having agendas of complete transformation of Nepalese society – are still insisting on their baseless logic that feudalistic production relation is a main problem (CPN-M 2008:1) while others are referring to the remnants of the feudalism as a basic problem (CPN-UML 2008:2).

The remnants of the old production system can be a problem but it can never be a main obstacle to transforming a society. The communist parties of Nepal have been still adhering to the conclusions of Pushplal more than six decades ago. A society cannot stay in the same stage till sixty years. The literatures on the character of Nepalese society (Bhusal and others 2008) are under neglected state. But, unless and until this is not accepted by the established political parties, the concept cannot be a basis of social movements.

Due to the expansion of the imperialist capital and the production relations, a tendency of capitalistic development has already been seen in Nepal and in the countries of similar social character, though it is in messed up forms. To know the role of capitalism in Nepal, it is imperative to learn the tendency of imperialism. Till 1960s, the countries that have developed their capitalistic economy by adopting the strategy of land distribution to the landless, expanding the market system in the rural areas and making the village a backward linkage for the industries. But the modernization of agricultural sector is being difficult due to the drain of the labour power. The traditional way of land distribution to the landless does seem impractical in the present context of Nepal. The practices have shown that the people just sell out the provided land and do not engage in farm activities. Besides, there is the increasing tendency of migration to cities for work. The aim of this discussion is to identify the problems of

Nepalese revolution and look for the solutions on both theoretical and practical grounds. More questions of which answers to be delved into may be as follows:

- Has the capitalism or imperialism brought the whole world into a single fold?
- Whether the contradictions among the developed countries are widening or narrowing down due to the role of multinational companies, their syndicates and finance capital
- Whether the socialist revolution is possible or not in a single country.

For finding answers to such questions we need to understand what the imperialism is and how this is playing a role in the underdeveloped countries like Nepal.

Imperialism: Meaning and Definition

In simple terms, imperialism is the system of exploitation and suppression of underdeveloped countries or societies by developed ones. The Dictionary of Human Geography mentions imperialism as a system of asymmetric economic and cultural relations by controlling a state or some parts of its territory. This is generally started through the expansionist trade policy (Johnston 2000:334). In the present context, imperialism refers to the New World System put forward by the United States. Such system of imperialism is basically a transfer of raw materials from the underdeveloped world to a developed one. In today's context the idea of imperialism is largely coincides with the concept of Lenin propounded nearly one hundred years ago. He says imperialism refers to the system of exporting a financial capital in place of industrial product, the system of controlling production and distribution by the giant cartels and trusts worldwide, and division of the world among developed countries (Hondarick 1995:396-397).

The system of controlling weak states by the strong ones

was forcefully started with the emergence of the state system. There were also many efforts of expanding empires in the feudal age. But imperialism in the feudal age was different from the imperialism today.

Perhaps the first person to develop the concept of imperialism was John Hobson (1858-1940). He has analyzed the nature of capitalism and reached to the conclusion that the capitalism had lost its competitive character and got to a monopolistic one (Hobson 1990).

Hilferding (1910) has the similar views. He avers that controlling of production by the financial capital results in the increment of the production which tends to increase in socialization of production. It also helps strengthen the proletariat which is regarded as the driving force in the socialist revolution (Hilferding 1980:360). In his opinion, the capitalism is not needed to be mature enough for the socialist revolution as opposed to Marx.

Karl Kautsky (1910), the other prominent scholar during that time, also meets Hobson and Hilferding to the point that the financial capital has dominated the industrial capital. But Kautsky differs in some points. He says the situation which ends the contradiction between the developed countries come when their monopoly capital is integrated internationally. In this stage the developed countries together start exploiting poorer countries (Kautsky 1980:117). He calls it ultra-imperialism. Kautsky infers that due to financial capital the interests of the capitalist countries and individual capitalists come to meet in a place. However, the contradictions begin to be seen between developed productive power and the old structure of the state. This leads to the ultimate dissatisfaction of the proletariat which brings about revolution.

Rosa Luxemburg opines that the countries which capitalism has not been linked to foreign markets cannot sustain for a long. There is no problem in simple capitalist reproduction because in this system of production there cannot be a wide chasm between

production and consumption. She claims that when there is no market for the production within the periphery of the state, it goes beyond. This is the stage where the imperialism starts materializing. She concludes that Marx's theory of Surplus Value has some weaknesses.

Bukharin's point in this regard is something different. He opines that the capitalism invades poorer countries and controls its market to solve the contradictions and crisis of its own country. According to him this is the point of where imperialism develops and ultimately takes its path of demise. Bukharin claims that the capitalism is failing to solve its contradiction is a proven fact.

Drawing similar conclusion to Bukharin, Lenin concludes that the imperialism is the monopoly capitalism. In capitalism, monopoly is evolved from the competition which metamorphoses itself into imperialism. Entering capitalism into imperialism is a natural process of the history (Lenin 1978:115-16).

Bukharin accepted that till the last decade of the nineteenth century, the nature of the capitalism was basically competitive, but after that period, it has changed its character. Due to the development of monopoly capitalism, big companies started merging or making syndicates and cartels. This made the industries dependent more on the banks. The banks diverted from their old role of modest middleman to the financial controller. The industries needed a big amount of capital which resulted in the control of financial capital.

Lenin viewed four stages of capitalism through which it enters into the stage of imperialism:

- In the first stage, the concentration of capital in the limited hands leads to the monopoly capitalism.
- The contradiction among the industries becomes high and the industries which have not organised in the syndicate system start bankrupting in the second phase.

- The third stage signifies the role of the banks which control capital and subsequently industries. Lenin says that the development of bank is the creation of monopoly (Lenin 1978:39).
- The fourth phase of capitalism is the export of financial capital which leads the monopoly capitalism to the stage of imperialism.

According to Lenin, the course of expanding monopoly capitalism is as follows:

- The concentration of production and capital in the limited hands
- The creation of financial oligarchy
- Export of finance capital
- Increase in the process of monopolistic companies to be organised in different organisations or syndicates
- Division of the world for the natural resources by the developed countries and the conflict or war among them to hold control of the resources of the underdeveloped countries.

Lenin argued that the World War I was the result of the conflict of such interests of the developed countries (Lenin 1978:9).

Some economist after the Second World War developed the theory of modernization and the development theory. The essence of these theories is – development is a gradual and natural process. They don't think political revolution is necessary for the economic development. However, Pravish and Singer (1949) showed that the dependence of the poorer countries on the developed ones is increasing. So, they necessitate that the underdeveloped countries should get the opportunity for protectionist economic policies. Baran and Sweezy developed this concept as the dependence of the underdeveloped countries on the developed ones.

Samir Amin describes it as the concept of Centre and

Periphery where centre means the developed countries and the periphery refer to the underdeveloped ones. The centre produces goods and sells these to the periphery or colony. The periphery or underdeveloped countries supply raw materials to the developed countries or the centre. The essence of dependency theory could be summarized as such:

- The imperialism, first, attacks on the agricultural sector and attracts labour power of the poor countries in the developed countries.
- The development of the underdeveloped countries is hurdled.
- Underdeveloped countries are changed merely into the markets of the developed countries.
- The Centre becomes richer and richer, and the periphery becomes poorer and poorer.
- The balance of payment of the poorer countries worsens.
- The comprador capitalism starts rising in the poorer countries.
- The comprador capitalism tends to have nexus with the imperialism which results in the exploitation of undeveloped countries.
- The capitalism has controlled the world through different organisations.
- The socialist revolution is possible.

Common conclusions

Whatsoever the aspect of capitalism has been focused in the above views of the different scholars, there seems to be similarities in the crux of the matter. These aspects on which above mentioned scholars agreed upon are as follows:

- The capitalism that has reached the stage of imperialism has lost its industrial character. Now, it is living on the export of capital. There is no additional stage of development for this

capitalism. So its demise is necessary.

- The developed countries are living on the exploitation of the underdeveloped countries. So the developed countries have been dependant on the poorer countries.
- But due to the exploitation, the underdeveloped countries have been enslaved of capital and technology of the developed countries.
- The developed states have been centres of controlling the resources of the poorer countries.
- They import resources and labour in cheaper cost but export ready-made products and capital in higher cost.
- The developed countries have spoiled the indigenous technology and economy of the poorer countries.
- Imperialism is the highest stage of the society based on the capitalist relation of production. There seems no more possibility in the development of productive forces through the capitalistic way.

Still, there are some differences in the views of these scholars. While analyzing their differences Bukharin and Lenin seem to be standing in one side and the rest are on the other. Lenin and Bukharin argue that there could be different centres of syndicates of the different imperialist powers – and directly or indirectly they will compete for the colonies. Such moves give a rise to the contradictions. While others infer that the contradictions of the developed countries will come down due to the financial capital. If the contradictions among them lessen, they don't squabble but unite to exploit the poorer countries. So they conclude that there is no possibility of socialist revolution in a country. Kautsky and other dependency theorists adhered to this logic, and Lenin and Bukharin insist on the likelihood of the socialist revolution even in a single country. Rosa differs both of the arguments and says the exploitation of surplus value is possible within the boundary of country but not outside. This hinders the expansion of monopolistic capital which results in the downfall of capitalism.

Until the working class defeats those powers that stood on the comprador capital, the imperialism exists there in its bad forms. In this stage the capitalism cannot develop the productive forces. The production relation should be based on minimizing gaps between demand, production and distribution to develop the productive forces.

The both types of imperialist symptoms have been seen in the world today. The interests of the imperialist powers have met to the point and at the same time they are competing for the resources as said by Lenin and Bukharin.

What does the existing system of production show or how does it signify for the future? What are the matters that determine our course? The multinational companies generally do not produce a homogenous commodity. So, their sources of raw materials are different. In this situation they do not quarrel each other for the financial interest. But sometimes the producers of homogeneous products use different technologies which are changing rapidly. But the system of production and distribution cannot be changed overnight. So, old giant forms oppose the expansion of new technology. They use military or non-military measures to hinder the expansion of new technology. This is a reason which invites contradictions between the different centres of imperialism.

Yes, different kinds of goods can be produced from one kind of raw material. For example; petroleum from the crude mine oil, different things of plastic made from the same raw material, construction materials, etc. The producers of such products may well have contradiction among them.

Today, it is said that the financial capital has united the world. That means the capitalist system of production has been united in the global level. Especially after the Second World War and even after the fall of the Soviet Union – the war between the imperialist countries can rarely be seen. But they have invaded different places to control over the resources. This shows that the contradictions will be wider and wider in the future.

Imperialism in Nepal

Nepal has survived herself from being a colony of the imperial powers in its history. But after the defeat in the war against the British India, Nepal had to enter into different treaties with the external powers which was an opportunity for the imperial powers to enter into the Nepali market. Jung Bahadur Rana had accelerated this process of bringing Nepal into the imperialist fold. He had been an agent for the British to get entry into Nepali market and its politics. This has been described by Karl Marx (1977) as well. The imperialism has engulfed Nepal before it came to the stage of mobilizing finance capital. When Nepal was producing cloths, pots etc. with its own traditional technology – high technology made threads and woven goods were started importing in the countries (Timilsena 2053 VS). This move of the elites replaced Nepali traditional industrial goods and technologies. The imperialism has started to influence the culture of Nepali society along with the entry of Nepali youth into the British Army.

Had the Nepali industrial production not replaced by the expansion of colonial economy, industrial development of the country would have already been prosperous in the feudal age. Iron, copper and paper were regarded as a high quality product in Nepal. Some factories of making guns were established in the country in the eighteenth century. There was a good demand for Nepalese daily use products outside the country. Even during 1930s, Nepal had a less impact on the economy of the great economic depression due to its own domestic production system. After the treaty of 1923 with British India, the colonization of Nepal had been very rapid. The Nepali domestic products could not compete with the products of British modern industries. Thus the independent development of Nepali capitalism had faced severe problems.

The beginning of modern industries in Nepal started in 1936 with the establishment of Biratnagar Jute Mill. From that date about twenty factories were opened till 1950-51 but most of them were closed. One of the main reasons for the close down

of such industries was due to the colonial mindset of India. Due to the comparatively successful economic model of the USSR, many countries started adopting the mixed economic policy. B.P. Koirala, the first elected Prime Minister of Nepal was impressed with this model of economic development. As an initiative to reform the economy, he rechristened the 'Economic Development Centre' as the 'Industrial Development Authority'.

The first five-year plan (2013-2018 B.S.) had adopted the policy of establishing public corporations and the 2nd to 7th five-year-plan had adopted the protectionist economic policy. During this period Birjung Sugar Mill, Janakpur Cigarette Factory, Banswari Shoes Company, etc. were opened with the assistance of the USSR and China. The government industries and public corporations have been a good source of revenue but they were made ineffective and sold out in the process of privatization. The Structural Adjustment Programme of the World Bank and the International Monetary Fund exacerbated the condition of the public corporations.

The privatization was started in Nepal by selling out profit making industries. The hunch men of the new political elite after 1990 were benefited most from this move. The private industries also could not be benefited themselves from the policy of privatization. The alternative measures could be adopted to boost the private industries. Hence, due to the comprador capitalism, even the policy of privatization could not be implemented in the interest of the country.

The need of our country is to be independent in the basic industrial goods. The support to the national capitalists would have compensated the loss incurred by the mistake in the process of privatization. But the government did not have good plans of privatization.

The policy after 8th five-year plan also could not bring a good result in the Nepalese industrial sector. The Maoist insurgency that started in 1996 could not bode well for the Nepali economic sector. Neither had it managed after the peace process.

Nepal could not empower its national capitalist class and navigate its private sector in the right direction. Comparatively successful private sector in Nepal is the banking sector. But it has invested more in the housing sector whence it could not pay attention to industries. This policy of banking sector also gave rise to the comprador capitalists in the country which ultimately serves imperialism.

The development of society means the development of productive forces which contains technology, labour etc. If labour power drains there is perhaps no possibility of development of society. In such a case other components of the productive force become passive. The imperialism only helped draining labour power and the economy of Nepal is going into the stranglehold of comprador capitalism.

Nepal was one of the main rice exporting countries some thirty years back but it has been an importer of rice now. The dependence on the foreign finance capital has increased considerably. And on the other side the country is only exporting labour power in different parts of the world. Nearly seventeen hundred youths are going abroad in a single day for employment. This scene epitomizes the economic condition of Nepal exacerbating day after day.

According to the dependency theory, there is a centre of imperialism, a sub-centre and poor countries as the periphery. In this sense Nepal is a peripheral country, India is sub-centre and developed nations are the centres. However, Nepal is in the direct fold of India. Its 65 percent of foreign trade is with India. The external powers like the US and the EU see Nepal through the prism of India. It means there is a considerable impact of India on Nepal and so accordingly the impact of imperialism. The unbridled finance capital has not only been a source of imperialism but also it is gradually going outside from the control of even powerful states. It is making a nexus among the agents of the global economy. The other task of the finance capital is

to destroy the ideology, culture and institutions in the periphery. Their task can be completed by destroying and weakening progressive political parties and organisations. If this role gets done through such organisations and leaders – this becomes advantageous move for the imperialist powers. The same thing is being happened in Nepal.

Some INGOs are engaged in this task. They are influencing the policy makers of Nepal. Some communist and socialist organisations are taking money from these INGOs which aim to do sharply different in the society of Nepal than the ideological lines of these organisations or leaders. In fact, these organisations are being used in favour of imperialism. There are invariably different forms of class exploitation. They can be seen in social structure. But imperialism tends to engage with different race and ethnicity in creating struggle against each other. This work is being done to weaken progressive transformation of the society. In the politics of Nepal it has been seen very clearly.

It is difficult to manage the economy and society in underdeveloped countries like Nepal. Unemployment has been one of the major problems in the country. It has an impact both in economy and society. If the labour force is not provided jobs in the domestic production, some part of it comes to politics. This group of people enters there not for the sake of good politics with their positive contribution. But it reaps what it can get. The infamous phrase ‘donation terror ‘ frequently heard in the politics of Nepal is the result of such people. This has criminalized the whole politics though there are also other reasons that has messed up the Nepali politics.

The situation of balance of payment plays important role in the economy. This is not hopeful in the country. To whatever extent it has been positive is due to the remittances. The tendency of sending labour force abroad and consuming foreign products has negatively impacted the national industries. Whatever characteristics of the national economy are remaining, these are being destroyed by the comprador capital. The policy of our

government and elites is most responsible for that.

There may be different forms of class exploitation. Yes, these may be ethnic and racial somewhere. But leaving the essence of class exploitation aside, imperialism has incited people in ethnic or racial wrangling. This has been done to abort the revolutionary process of Nepal. We have seen that this issue has stalled the constitution making process. The imperialist elements tend to enfeeble the national unity in the developing countries. What has happened in underdeveloped countries like Nepal is the natural outcome of the act of the imperialist elements. This has increased the dependency of the underdeveloped countries which is one of the aims of the imperialist forces.

Conclusions

Since imperialism has been a world system, there must be a centre of it. In the organisational concept the World Bank, International Monetary Fund, World Trade Organisation etc. has been the central instruments for the imperialism. This is the age of financial imperialism. So, the countries which wield more influence over the international financial institutions are basically the centre of imperialism.

Of total 188 countries that have shares in the World Bank, sixteen percent of share has been owned by the United States. However, the recession and other economic crisis have reduced the gravity of the world politics from one state to another. This possibility can remain in the future too. At the same time an investor must be a citizen of a state and needs a kind of treaty for the security of the capital abroad. These provisions have helped save the national boundaries. Until new politico-economic situation is seen in the world level the underdeveloped countries cannot compete with the developed ones. The area where poor countries can compete with the rich ones is the agricultural sector. But the imperialist countries are targeting the agricultural sector of the poor countries. Hence such countries also need to come forward to resist the moves of the imperialists.

As the law of physics we have to go quantitatively. The change in the world scale cannot be possible overnight. The social and economic change is itself a gradual process. And it is possible in one part of the globe – though such programmes would have to face an enormous pressure from outside. The way forward for the developing country is to make a socialist base gradually. The movements in the developing countries are making a nursery for the socialist revolution in the world scale.

Now, the internal social and other conflicts are being used by the imperialists as their shield. The internal conflicts have invariably weakened the struggle against the imperialism but some of these struggles which are political in nature can be linked to the struggle against the imperialism. Another important thing is that all of such struggles have pressurized the nation-state. But the states of the third world have less capacity to address these struggles. Due to its less internal capacity of the states and the aggressive imperialist world system, nation-states are being weaker and weaker.

Another equally important point is that the alternative system put forward by the Soviet Union and Eastern European countries could not solve their internal contradictions. It means that we need to ponder over the ideological question of socialism. Why the Soviet Union was dissolved? And why have the Chinese changing their way of thinking prioritizing to be economically mighty but not wanting to be a traditional socialist? These questions are also important to be answered in this juncture of the history.

One of the features of capitalism is that it can largely solve its internal contradictions. In appearance, it can adopt the agendas of its opponents. This is a witty character of it. We can see the different forms of rule in the same system of capitalism. But we, as socialists, have done less in adopting and managing the plurality of the social and political arenas.

The imperialism has reached each and every corner of the

world. So the struggle against it will be worldwide. Now, there is a tendency that developing a country is tantamount to link itself with the imperialism. Some developing countries are either trying to conduct their own regional hegemony or being an agent of the world imperialism. In each and every country there is plenty of public opinion against the world imperialism and capitalistic production relations. There are also nationalistic movements in the third world. We can add these movements and create a fierce opposition against the imperialism or in favour of a just world.

The imperialism tends to put the ruling class of the underdeveloped countries in their control. It has only created the wider conflict between the ruling class and the people. The nature of the revolutionary attitude of the people of the Middle East resembles it. But the thing is that the technology developed by the capitalism may well be used in favour of imperialism. So, the movement against the imperialism may be violent. The imperialism will not have so much power to come to conflict at the same time everywhere. However, it is using sophisticated technology.

There was a strong argument in Marxist school that there is no possibility of the revolution in a single country. But in today's context the possibility of world revolution is increasing. The capitalism is developing in every country. It has been rapidly reaching out to the rural areas and replacing feudalism there. It is good for the capitalistic development. But in the same time imperialism is forcefully trying to make its foothold. It is going to the direction of injustice as it supposed to be.

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3

The Revolutionary Task of Left Parties in Nepal¹

Ghanashyam Bhusal

According to the Marxism, humans change a situation in light of consciousness which they derive from their interaction with the situation on hand. The changed situation adds to their consciousness in a new way, which then triggers another cycle of change. Put differently, humans change the situation before them. And, with the new consciousness arising from the changed situation, they further develop themselves and their societies. In the Marxist philosophy, this process of change is known as dialectics.

Revolution is the programme of a revolutionary party and a revolutionary theory is the guideline to the party. A revolutionary theory at one point of time could not remain revolutionary for another point of time unless it undergoes through the process of internal development and transformation constantly. Absent an up-to-date revolutionary theory, a political party cannot tackle to political issues of long term relevance and cannot keep its house

¹ Analyses and ideas in this essay draw largely on my books “Nepal’s Political Economy: Reproduction of Crises and Direction of Transformation”, “Today’s Marxism and Nepali Revolution” and also on the “Supplementary Proposal” tabled at the Eighth Congress of the CPN-UML on behalf of a group of UML members.

in order if it lacks theoretical direction and commitment. In such a situation, the party remains a house internally divided with two categories of followers. One of them will be the lot that holds onto obsolete dogmatic theories with no relevance to the crisis at hand. They are there just for the sake of theory. Another lot remains in the party in the hope that a privilege (a berth in the cabinet, for example) can one day be purchased with the help of a seasonal theory they hold onto. The main task of this lot is to explore a certain privilege and find some theoretical cover to justify why the privilege should not be missed.

In this write-up, an effort has been made to analyse main theoretical problems faced by Nepal's communist parties in relation to their programmes. On analysis of the problems, some potential solutions are also offered as the food for thought.

Problems

In its Eighth Congress, held in 2009, Communist Party of Nepal - Unified Marxist and Leninist (CPN-UML) had categorically stated that its class and political contradiction would be with "feudal, regressive and status-quoist forces." But in the last four years since the Congress, not a single activity has been implemented against these 'feudal' forces. If the identification of the main contradiction was right, why didn't the CPN-UML conduct any activity against them? If it is right not to initiate anything against these forces, then the diagnosis of the contradiction itself was wrong. The party now is facing these issues and questions and none have found matching answers. More surprisingly, the CPN-UML has for long adopted the People's Multiparty Democracy (PMD) as a theory of revolution, but has yet to define what in fact the theory means. The report adopted by the Eighth Congress explains the programmes of the PMD in 23 points under the "Basic Principles of People's Multiparty Democracy." And, on the basis of the explanation, the PMD is claimed to be the party's "guiding principle." But the report does not define what in fact the PMD is, nor does the Party.

The Communist Party of Nepal-Maoist (CPN-M) had launched the “People’s War” to conclude “new democratic revolution” through the capture of state power. It had named Maoism as the main theory to guide the revolution. In 2006, the Maoist party concluded that the “People’s War” had reached the stage of “strategic counter attack” passing already through the stage of “strategic defence” and “strategic balance”. According to the Party’s claim, some 80 percent territory of Nepal was under the influence of the “new regime.” What it meant was the CPN-Maoist was then very close to a point to smash what they called the “old regime” and establish their “new regime.” However, just a few years down the road, the same Party descended to a point to dissolve the “People’s War”, hand over the “people’s army” and their weapons, form a government in alliance with Madheshi political parties that champion identity politics, and face a split. Yet, it keeps claiming Maoism as its guiding principle despite its abandonment of the “People’s War”, which it based on the principle of Maoism. Why? Was the “People’s War” right – or wrong – which was launched to establish “new democracy”? The Party is now failing to satisfactorily answer such questions.

The Communist Party of Nepal-Maoist (CPN-M)², formed last year after the split with the Unified Communist Party of Nepal-Maoist, claims to conclude the “new democratic revolution” in Nepal on the base of the dissolved “People’s War” using the theory of Maoism – developed by Goujiao and the Revolutionary International Movement (RIM) drawing on the dogmas of the Chinese Cultural Revolution – as its theoretical guideline. The Party was formed alleging Prachanda and Baburam Bhattarai, the main leader and ideologue of the UCPN-Maoist, of deceiving “revolution”, adopting “reformism and rightist opportunism...”; and giving in to “economic and cultural way of life of a privileged class.” This claim is problematic in itself and raises a number questions at once, which the CPN-Maoist is failing to answer: Whether the ills pointed to were the consequence of the theory

2 Then CPN-Maoist was became UCPN-Maoist after unified, and later the split group took the previous name CPN-Maoist.

adopted by the Maoist (before its split) or these ills corrupted the theory? How does the CPN-Maoist guarantee that it would not repeat these faults as the Party is formed without seriously analysing the ills?

These are only a few representative cases of theoretical incompatibilities that the three representative parties are enmeshed in. Almost all communist parties share these discomforts. They also concur in the characterisation and class analysis of Nepali society, which they do on the basis of the account of the Chinese society done by Mao in 1920s and 1930s. The programmes and priorities of the parties are set accordingly. In fact, Nepal's communist movement is highly influenced by the Chinese revolution. The influence continues in the same depth and breadth as it was in 1949, when the Communist Party of Nepal was formed. The latest case in point has been the CPN-Maoist formed (or reformed) in July 2012, which defines the character of Nepali society as "semi-feudal and semi-colonial," borrowing heavily from Mao's theoretical framework of "new democracy".

Nepal's communist parties have never discussed and debated issues around the character of society and class, which forms the bedrock of programmes of a revolution. They rarely discuss theoretical issues and develop programmes accordingly. They mostly concerned the petty issues, not substantive ones. The numerous splits that Nepal's communist parties have undergone – never been on grounds of theoretical issues.

A revolutionary programme cannot be designed without a reasoned analysis of what stage of development a society has arrived at. Such analysis is practically non-existent in the case of Nepal. Since 1949, Nepal's communist parties have characterised Nepali society as "semi-feudal and semi-colonial." But they have yet to bother to explain what "feudalism" and "colonialism" exactly mean in Nepal's case. The parties and their leaders do not present objective facts to show how feudalism has remained influential. They think feudalism is influential, and keep repeating that it does. They see the hold of feudalism in the number of

rural communities – which are numerically more than urban communities – in a few families holding large tracts of land, in the labour-dominant means of production, in the workforce migrating for employment, in the vestiges of racial discrimination, and in the inequality existing between women and men.

The parties equate capitalism with urbanisation, small landholding, capital-dominant means of production, employment generation, eradication of racial discrimination and equality between women and men. Some of them, with scant knowledge of political economy of the time of Lenin and Mao, look at Nepali society anachronistically from the eyes of Lenin and Mao. Others debate Marxism even without a basic knowledge of the socio-economic basis of Marxist political economy. Nepal's political parties are, in essence, unaware of the character of modern capitalism.

In 1987, Chaitanya Mishra, the sociologist, wrote an essay on “Development and Underdevelopment: A Preliminary Sociological Perspective.” Based on deep analysis of historical facts, the essay discusses how Nepali society has come under the grip of world capitalism over the years. In his 1993 write-up, entitled “What's the Class Character of Nepali State,” Shyam Shrestha initiated an important discussion that a state dependent on non-agricultural sectors for basic sources of income cannot be feudal. In 1998, in a workshop organised by *Teshro Dhar* (third stream), this author introduced a debate, through a paper entitled “Directions of the Present Communist Movement,” that the labour invested in subsistence production and commodity production does not fall within feudalism. Nepal's agricultural economy, the presented argument, was either subsistence-oriented or somehow linked to the market, and, as such, it took on the basic character of comprador capitalism. The paper, on this basis, argued that Nepal was no more a “semi-feudal and semi-colonial” society. In the mean time, in 2003, the *Mulyankan Masik* (Evaluation Monthly) published a write-up based on issues and ideas raised by Professor Chaitanya Mishra and commentaries on those issues by various communist leaders and intellectuals. In the main theme of the

write-up, Professor Mishra had claimed that Nepali society has already been entered into capitalism. The communist leaders present in the discussion emphasized the need for a serious study on the character of Nepali society, but no party seems to take heed of the suggestion yet.

Among other initiatives towards redefining the character of Nepali society are two books written by this author, articles and commentaries by Professor Mishra and a few other writers/critiques, and the Complementary Proposal tabled by the author at the 8th Congress of the CPN-UML in 2009. The Proposal tabled on behalf of a group of party members claimed that: (a) Nepali society had already been capitalist, with the nature of capital being comprador, (b) capitalist political revolution was already over in Nepal, and, therefore (c) a communist party should now concentrate its energy on the development of national capital in order to create a base for socialism. The Proposal could not influence the programme of the Party and the leaders, who continue to dance in Pushpalal's tune developed 63 years ago.

Capitalism: the Character of Nepali Society

In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, ... are appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness.³

This conclusion by Marx is the main basis for the Marxist system of social analysis. As such, the “relations of production” define the character of a particular society because the totality of the “relations of production” of the society in question constitutes its economic structure – or the base. Put differently, the totality of the relations of production is the identification of a society's social structure or its (real) base.

3 Marx, Karl. 1859. *An Introduction to the Contribution of Critique to the Political Economy*. MESW: 181

Labour relations separate capitalism from feudalism. In capitalism, wage labour relations determine all social relations whereas it is unpaid labour that determines other social relations in feudalism.

Feudalism appeared in many forms and features in different societies in different times. But in the case of land relations, it maintains a universal character, in which land remains fully under the control of feudal lord, and serfs (farmers) are forced legally enslaved to the land. In “The German Ideology”, Marx and Engels discuss land-based wage slavery as the main form of property in feudalism. Similarly, in different sections of “Capital”, Marx attributes feudalism to a relation in which a serf is dependent on a feudal lord because of the labour tied to land-property. Lenin, Mao and many other political economists and sociologists also argue that feudalism is a socio-economic system built on the exploitation of agricultural labour unpaid.

To understand the state of feudalism in Nepal, labour relations of Nepali society should be analyzed using the theoretical framework of “the totality of the relations of production” and “the labour tied to land property.” Through this lense, no community is found to exist in Nepal where ‘serfs’ personally depend on feudal ‘lords’. Around the time of Sugauli Treaty, Nepali society came in contact with global capitalism and entered into the process of capitalist development itself with Chandra Shamsheer’s abolition of slavery. Then on, it has been the part of numerous political movements, social awareness campaigns and legal reforms. These are the central processes of capitalism.

In terms of production, Nepal has either subsistence or commodity production. Neither of them relates to feudalism as there is no exploitation of unpaid labour *or abaitanik shram soshan*, and commodity production is the antithesis of feudalism. Five forms of labour are said to exist in Nepali society⁴: domestic

4 Mishra, Chaitanya quoted in Bhusal, Ghanashyam. 2002. Nepal’s Political Economy: Reproduction of Crises and Direction of Transformation 100-102

labour, wage labour, *parma* (exchange of labour), dependent labour and tenancy labour. Of these categories, only dependent labour falls under feudal relations. Domestic labour involves the labour for production for self consumption. *Parma* is also a form of domestic labour. Tenancy labour is not based on farmers' personal dependence on landowners. It, rather, to a significant practical extent, guarantees tenants' or cultivators' freedom through a set of rights and protection vis-a-vis *talsingh*. So it is only the dependent labour that has the remnants of feudal relations, in which workers are forced to work without a wage. But this form of labour does not have a social existence in contemporary Nepal.

As Pushpalal has said, Nepal in early 1950s was in a confluence of feudalism and capitalism – moving towards capitalism but basically under the influence of feudalism. As such, Nepal then was semi-feudal. After the 1951 revolution and particularly after the enactment of laws dealing with economic and social issues in the changed context, Nepal began its journey to capitalism. By 1963, Nepal's economic base was basically capitalist, with its basic social character remaining no longer semi-feudal.

Main Features of Capitalism

Those who worked as brokers for feudalism were called “comprador capitalists” in China. Soon, the words entered into the lexicon of economics and sociology. After the end of colonial feudalism, the capital that did not generate employment was called “comprador capitalism.” Political economist Samir Amin says the following about comprador capitalism:

For a bourgeoisie to constitute itself as a dominant national force capable of developing the forces of production with the minimum of autonomy, it must be capable of controlling national reproduction of the labour force (hence agriculture-industry relations), technology, the markets and circuits for collecting capitals, etc. If it does not succeed, it is compradorized and therefore incapable of fulfilling the historical role expected of it.⁵

5 Amin, Samir.1990. Delinking: Towards a Policentric World. 115

Capital becomes comprador when it does not connect agriculture to industry or create employment as expected, but continues exploiting the working class. In other negative features, comprador capitalism neither free the labour entangled in traditional agriculture nor does it contribute to the development of productive forces. Such capital is mainly used to purchase, internally, raw labour and materials, amass unproductive property and sell commodities of other countries. It thus acts as a tool to promote foreign industries and block national industriousness. The character of existing economic life of Nepali society is comprador. It is evident from the nature of capital, the situation of agricultural development and the population dependent on agriculture, labour relations, the condition of trade and industry, and the condition of the totality of the development of productive forces. Nepal's capital neither link agriculture with industriousness nor does it create employment in the agricultural sector. Resultantly, Nepali youth force is migrating for foreign employment.

In productive or industrial capitalism, a worker sells his labour to a capitalist who buys raw materials for his industry from another capitalist. For example, a capitalist with a flour mill buys wheat from a capitalist landlord. A worker works in the land of the landlord and also in the mill. The landlord and the mill owner should augment their production to earn more profit. To enhance production, they should also enhance their investment in equipment and agriculture. This gradually leads to agricultural industrialization. In productive or industrial capitalism, profit and labour productivity, thus, increase in parallel in a form of extended reproduction.

However, in comprador capitalism, a market/trader buys raw agricultural products from a worker and sells them consumer goods. Here, workers do not directly sell their labour force. Their labour is sold as goods. As the worker is both the 'producer' and the 'investor,' the investment in primary production becomes negligible - so becomes the rate of profit. The worker cheaply sells their labour to traders and buys consumer goods at a price.

They make no savings, and resultantly, no investment and no development of productive forces. This results in a situation in which there is some production but the producer does not have savings and is unable to invest to enhance production. It is the state of simple reproduction.

Simple reproduction is the main feature of Nepal's agricultural production, a feature defined by a kind of productive stagnation in which no production increases despite hard labour, and workers continue to struggle to make their ends meet. It occurs in the lack of sufficient land and other means of production. It is also the result of decreasing productivity of land. At the root of all this is the comprador character of Nepal's economy. Those who see it "semi-feudal" are not well versed in the system of Marxist economic analysis. They claim so pointing to the preponderance of subsistence farming in Nepal's agriculture, which in fact is the result of comprador capitalism and not of feudalism.

Some hold that means of production determine the character of society. They might have based their claim on Marx's statement that relations of production depend on the existing stage of development of the objective forces of production. But this is a fallacy, a wrong understanding of Marxist political economy. Tools (forces) of production do not determine a social character. Seen in a social lens, a production process encompasses a continuum from the use of a tool (for production) by a worker to the actual use of a product. For example, a farmer produces some wheat with the help of two workers, takes it to a flour mill five miles away on a bullock cart, and sells the flour to a trader five miles from the mill. From the money earned, wages are paid to workers and some consumer goods purchased. Here, all these relations – between the farmer and the workers, the farmer and the mill owner and the farmer and the trader – are capitalist. All these relations are formed because of a particular community that consumes the wheat, a community that can be another five miles away from the trader. As such, in the production process, the farmer's relation of production is connected to the wheat-consuming community 15 miles away from them. If the

community had not developed or had some other thing to feed on, the farmer would not have hired the two workers and they would not have been connected to a wage relation. If the wheat-consuming community is the settlement of industrial workers, then the settlement of the wheat producing farmer 15 miles from them is one of capitalist economy and its production a part of industrial capitalism. A wheat growing farmer does not become a feudal lord just because s/he does not own a tractor. A production relation is not an interaction between a person and a tool. It is one between human beings. To argue otherwise is in direct contradiction to the basics of Marxism.

Let's discuss comprador capitalism based on the same example above. If the trader buys the wheat produced in all settlements within 10 miles, sells it in another country, invests the profit earned in money lending at exorbitant interest to earn more profit or buys goods produced in other countries and sells for profit – the trader is a comprador capitalist. If the profit is used to establish another flour mill, it then becomes productive capital. If the wheat produced by Nepali farmers supports flour mills to run in India, then Indian capitalism is contributing to the capitalization of Nepal's agriculture. If the profit gained from the sale of wheat in India results in the installation of flour mills in Nepal, the transaction turns into productive capital. If, on the other hand, the produce keeps going to India, the trader keeps earning a profit but does not invest in productive activities, and the fate of Nepali farmers does not improve, this process of production becomes comprador capitalism, with the production system taking on a reactionary character. The wheat producing process is capitalist but is prevented from being productive for our society. Nepali farmers have been generating employment in India and profit for the Indian mill owner. Put differently, the labour of Nepali farmers is contributing to the development of the forces of production in India. As such, the social relations of the wealth producing Nepali farmers are determined by the Nepali wheat trader and the Indian mill owner. Here, the forces of production and relations of production of Nepal are shaped by the forces of production in India. Nepali society has transformed

from feudalism to capitalism but the character of the capitalism is comprador.

There are also analysts who see the predominance of feudalism in the number of rural communities since Nepal has greater number of villages than urban centres. They invoke this fact to claim that feudalism preponderates in Nepal. But the difference between a city and a village is not determined by a system of production. The difference lies in the area of production. In a general parlance, a village is an area of agricultural dominance. And, a city is an area where the sectors of industries, business and services are extended. When agricultural production is capitalist, the villages where such production takes place automatically become capitalist. As such, for an analysis of a social character, a village or a city does not make a difference. There are also claims that the trend of youths migrating for foreign employment is related to the feature of feudalism. Such claims originate from the lack of basic knowledge of feudalism itself. That Nepali youths are migrating for foreign employment is true. They are forced to migrate because of comprador capitalism and not because of feudalism.

Classes in Nepali Society

On its establishment in 1979, the Communist Party of Nepal (Marxist-Leninist) had analysed the class nature of Nepali society as comprising of the following classes: (a) landlords and comprador capitalists (b) rich farmers and middle or national capitalists (c) mid-income farmers and urban low capitalists (d) poor farmers and urban poor, and (e) agricultural workers and proletariats. Other communist parties have also followed this pattern of analysis, which in fact is based on Mao's analysis of Chinese society done in 1926 and 1933.

Nepali society was identified as "semi-feudal and semi-colonial" without establishing objective benchmarks to define its feudal production relations. As a result, the terms used by communist parties – such as "proletariat", "working class",

“labourer”, “farmer”, “poor famer” – turned to be a vague jargon, and, their “liberation” even vaguer.

According to Marx:

The owners merely of labour-power, owners of capital, and land-owners, whose respective sources of income are wages, profit and ground-rent, in other words, wage-labourers, capitalists and land-owners, constitute then three big classes of modern society based upon the capitalist mode of production.⁶

Following this analysis of Marx, it is the income source that determines classes. And the source of income is determined by ownership: ownership of one's labour and ownership of capital and land. Seen in this perspective, the ‘middle class’ – one between the capitalists and the workers – in Nepal has two sources of income: profit and labour. The people in this class also work as labourers and also exploit the labour of others. In this light, Nepali society seems to have three main classes, namely capitalist class, middle class and working class. But the peculiarity of Nepali society demands more nuanced analysis. First, to name all profit earning people as capitalists and keep them in a class overshadows the character of comprador capitalism. In times of Marx, capitalism was thought basically to be industrial. But, in a society like ours capitalism has developed with a comprador character. Here, creative capitalism plays a progressive role and comprador capitalism a reactionary one. As such, a capitalist class should be separated as comprador capitalist and national capitalist. Similarly, unlike in Europe, the term ‘labourer’ or ‘proletariat’ does not represent all the working class people in the existing context of our social development. We can lump together proletariats (who do not own the means of production) and the marginalised workers with ownership of some means of production, whose condition of life is worse than that of the proletariats. These two categories can make the working class. But this way of classification excludes a large mass of people socially marginalised by comprador capitalism. So a more

6 Marx, Karl. 1971. *Capital*, Vol. 3 : Part 3 : 885

appropriate way, which would address this difficulty, would be to categorise them separately as 'working class' and 'marginal working class' people.

Analysed in this context, the following five principal classes are found in Nepali society.

1. Comprador capitalist class

As discussed above, comprador capitalism does not link agriculture with productiivity. It does not directly engage in production. It supports foreign capital that blocks the production process at home. Business houses importing various consumer goods and agents engaged in weapon smuggling, land transaction and construction make an enormous profit. Hydro-power agents of foreign companies and the brokers engaged in imports for public institutions also make enormous profits. There is yet another category of fortune makers: people earning riches overnights and engaged in various transactions remaining in high positions of political parties or being in close touch with them. Apparently, these people are not in any substantive productive business. But their income is unnaturally high and lifestyle extravagant. As such, the class of comprador capitalists is a political-economic alliance of big businesspeople, commission-dependent *nokarshaha* or bureaucrat, commission-earning political leaders and their henchmen. It is the income and its source that brings these people together and keeps them influential in all times under all political and governance systems. This class always stands opposed to genuine social transformation because of its class interest, and, as such, is the main obstacle to revolutionary transformation.

2. National capitalist class

The national capitalist class owns the capital that enhances internal productivity, contributes to regeneration of internal employment and links subsistence-oriented agricultural labour with the organised sector to engage them in a capital generation process. This class, thus, becomes a medium for developing underdeveloped productive forces. Comparatively small and

big industrialists belong to this class, which can even be further classified as 'big', 'middle' or 'small' on the basis of the sector of business/industry, its size and level of income. But such classification is not imperative for revolution because both small and big capitalists share the same interest due to their main contradiction with imperialist and comprador capitalists. Currently, this class is not organised and cannot be organised on its own. It will be organised only when revolutionary forces consolidate themselves and engage them in the development of national capital. Put differently, the national capitalist class becomes organised as soon as comprador capitalism starts to get cornered and marginalised.

3. Middle class

What distinguishes this class from the 'National Capitalist Class' is the source of income, which is the mix of labour and profit. The middle class sells their labour and also purchases the labour of others. In terms of the amount of income, the class can be further divided as 'high middle' and 'low middle.'

In the 'high middle class' fall those who own land sufficient to feed their family members and make some savings, those with business and industry and those with two or more sources of income, such as some land and a job. Those with one good source of income, substantial bank balance and capacity to invest money in other sectors also belong to this class. Good earners such as doctors, noted lawyers with assistants, consultant engineers, chiefs of national and international non-governmental organisations, high ranking government officers, editors of big newspapers, owners of mid-range private schools, managers of bank and other enterprises, and, owners of mid-range industries and businesses also belong to this class. The people in this class support every process of social change if the outcome does not adversely affect their status. Since this class of people keep a close relation with the lower class, the government and the high class compete to maintain a good rapport with this class paying due honour and privileges as necessary. In terms of political

character, this class of people display vacillating character. Now, they support progressive forces, now they even back to reactionary ones. The choice depends on what benefits to them and how.

Those who own and work some piece of land, technicians with a small workshop, small business owners, such as a tea stall or a vegetable shop, teachers and civil servants with some piece of land or a small shop belong to the 'low middle class'. Directly involved in production processes, the people in this class are more revolutionary and less opportunist than the high middle class.

4. Working class

What distinguishes this class from the Middle Class is the source of income, which is their labour. And what sets it apart from the Marginal Working Class (discussed below) is the amount of income which is just enough to maintain their family, including education for children. These people are junior officers, school teachers, junior policemen and soldiers, working journalists, artists, lawyers, workers in the organised sector who operate automatic or semi-automatic machines and drivers. These are single-income category people with a permanent source of income.

They work full time to maintain livelihood, and bear an active and positive outlook towards social justice and transformation. Familiar with almost all difficult aspects of life and actively engaged in the process of economic production, the people in this class are always updated on evolving political events and their possible effects on their lives. They are easy organising and, as such, are the main driver of revolution.

5. Marginal working class

The people in this class are deprived of the means of production. They work for a wage on which their livelihood depends. They are proletariats. In Europe, when the term proletariat was coined, the workers were expelled from land and were brought in touch

with industries where they had an opportunity to get organised with other workers. In a comprador capitalist society like ours, workers are not pulled out (by industries) from land. They are rather pressed (by market) into remaining in the land so that they can be exploited to the fullest. The market exploits them in two ways: by not paying the wage they deserve and by not allowing them to enter the industrial sector after being uprooted from the land.

The proletariats in Nepal, who have no land and other profession but labour to make a living, are not 'free' like industrial proletariats. In Europe, it was machine or industry that created the condition for an organized proletariat and their consciousness. In our production system, such a situation did not develop. We have a workforce dependent on their own labour for a living, but with uncertain living conditions in the prevailing production system. This category of workforce thus becomes marginal. It includes landless people, ploughmen, other agricultural wage-labourers, porters, domestic workers, rickshaw pullers, cart pushers, brick kiln workers, construction workers, temporary factory labourers, and helpers in the transport sector. A huge mass of rural people, firmly tied to subsistence agriculture but unable to eke out a living, also falls into this class.

Changes of 2008: Nepal's Capitalist Democratic Revolution

We often see social-economic transformation and political revolution as one and the same. A subtle analysis however differentiates them, and such differentiation is necessary.

A social structure is basically analysed at two levels: at the level of economic 'base' and at the level of legal and political 'super structure.' Socio-economic transformation basically takes place at the economic base. It is, as such, the transformation of production relations. Political transformation, however, occurs at the super structure level and it affects the legal and political systems and arrangements. In a process of economic transformation, contradictions emerge between the old political

system and the newly developed class. These contradictions soon take a political character. New social classes demand new systems of politics, but those benefiting from the old legal and political order want to maintain the same. In this tug of war, new classes dismantle the political system of the old class, and introduce a new legal and political order. This process is called revolution. In other words, even in a new or developed production system, old classes might have control over political power, which new classes smash and bring about a change at the political level. Such a change is revolution. This way, political revolution replaces an old state by a new legal and political system, consolidates new relations of production and creates an environment for productive forces to develop.

It is in the nature of the ruling class to expand their interests and explore ways to nurturer them. In doing so, they trigger changes in the relations of production, which then triggers development in the forces of production. In the midst of these changes, the ruling class may transform itself to a new class. For example, feudal landlords may transform themselves into a capitalist class. It is an easy process of social transformation, a process in which both social and political changes can go hand in hand without any obstruction and a huge political upheaval. On the other hand, the ruling class may also choose to resist its transformation. In this case, it should face an opposition arising from the changes and the resultant new relations of production, which give rise to a new form of contradiction. In such a situation, a huge force created by the pace of socio-economic development will open a door to kick-start a new political process of transformation. The process will have the force similar of an earthquake. As such, a revolution can, sometimes, appear in the form of a specific event and makes a leap forward. And, sometimes, it appears as a gradual political development.

If a new bourgeois class confronts head-on with feudal forces when feudalism in on the wane, the resultant revolution gives rise to a completely new class and produces colossal impacts on political as well as social sectors. Although infrequent, a faction

of feudal forces is also found to side with an emerging progressive class due to an internal contradiction amongst the forces. Given their legacy of the past regime and the readiness to cooperate with an emerging order, the faction becomes crucial to the revolution against the feudal class. The post-revolutionary outcome can even be to their advantage, and the rebellious faction can even prevail as a formidable force. In a revolution thus concluded, the pace of revolutionary transformation will be slow. The feudal and bourgeois classes will still be on collaborative terms in the exercise of political power, but their class base also keeps them in a contradictory relationship.

The old feudal class cannot remain unchanged as it has also been a part of the revolution. It has to transform itself into a new bourgeois class. It remains equidistant from a new bourgeois class and the old nobility, and maintains a hold on power. In such a situation, a liberal bourgeois class sees the power holding illiberal bourgeois as a feudal junk, which it does to justify itself as a more progressive force. Now emerges a long term contradiction between liberal and illiberal bourgeoisies. Failure to creatively manage and resolve the contradiction leads to a chaos, which the illiberal bourgeoisie may try to tap into to launch a counter revolution. After the 1789 bourgeois revolution in France, a series of counter revolutions were staged. This happened also in Britain, Russia and China. Such events keep recurring until new progressive classes consolidate themselves. Put differently, the chances of bourgeois political revolution do not end until new progressive classes emerge. The emergence of new class is, thus, the closure of the capitalist democratic political revolution.

To see Nepal's revolution in this theoretical framework suggests that the 1951 revolution ended the traditional feudal political system and introduced a capitalist political system. The Rana regime represented the traditional feudal class. The royal palace, also a faction of the class, sided with the revolution due to their internal contradictions. After the revolution, internal contradictions became intense within the newly emerged capitalist class while the feudal class narrowed down their

internal differences and got united. In the ensuing contradiction as to who should lead capitalism, the palace prevailed over the Nepali Congress party, which then represented the emerging capitalist class, sidelined the political achievements of the 1951 revolution and consolidated its position. Within a decade, while the new progressive class was still struggling to consolidate itself, the 1961 counter revolution occurred and the palace became dominant.

The palace, fully surrendered to the old feudal class and international influence, did not take the country towards industrial capitalism. The country was rather pushed towards comprador capitalism. This soon led to a new contradiction, now between the capitalist socio-economic system and the royal monopoly, which culminated into the 1990 revolution in whose success the representatives of the working class had a decisive role. After the revolution, they also participated in the government through communist parties which represented them. A few years later, a communist party even formed an elected government. However, the new system soon faced a crisis emerged in the name of the “People’s War.” The Maoist “People’s War” was the result of the two developments that occurred in parallel. The first development was marked by the contradictions between the Nepali Congress party representing the liberal bourgeois class, and the communist parties; and, also between the illiberal bourgeois institution – the monarchy, and the liberal bourgeois class. The second was the clash between the Indian bourgeois state and Nepal’s national interests.

The “People’s War” was a bit of competition of a sort. The Maoists exploited any option available, and the Maoists were also heavily exploited. Taking advantage of the crisis, King Gyanendra, the leader of the illiberal bourgeois class, mounted an easy counterrevolution and pushed the tide of political progress back to the pre-1990 era. But it was not possible for the feudal monarchy to prevail as Nepal had already outpaced the level of socio-economic development on which the monarchy would thrive. Even the bourgeois class opposed the King’s design.

The Indian bourgeois state also supported the anti-monarchy movement as the instability that would result in the aftermath of the demise of the monarchy would be to India's advantage in many respects. A new revolution was concluded once again. The parliament reinstated after the revolution ended the political influence of the monarchy and the feudal monopoly over the state.

After the Soviet Revolution, a prominent voice emerged that the proletariat should lead even the capitalist revolution. It was argued that imperialism supports feudalism and vice versa. Lenin and Mao held this view, which practically reflected in the democratic revolution in China and some other countries. But the recent events in South Korea, Thailand, Malaysia, Singapore and some Arabian countries suggest that the capitalist class can lead capitalist revolutions. The leaders of democratic revolutions in France, England and some Western European and Asian countries were the capitalist class. The revolutions in China, North Korea and some Eastern European countries were led by the working class. Nepal's capitalist democratic revolution was jointly led by the working class and the capitalist class. This is a unique feature of Nepal's revolution.

Currently, the Indian bourgeois state has expanded its influence on all spheres of Nepali life. As the UCPN (Maoist), Nepali Congress and CPN -UML started to engage in a battle to hold control over the new state after the Constituent Assembly, the Indian state firmed up its influence more aggressively than ever before. Taking advantage of Nepal's social diversity and weak government, some western capitalist forces, in their bid to maintain their influence in Asian politics, also supported the voice for crafting provinces along racial lines. Finally, sensing that the Constituent Assembly would not deliver the constitution of its preference, the Indian bourgeois state caused its dissolution through the alliance of the Maoists and the so-called Madhesis.

Given Nepal's geo-politics, economic development in China and India and the contemporary tide of international politics, the

future of Nepal's politics is likely to be in the tug of war between the forces who stand for its independent capitalist development and those who want to see the continuation of the history of external-dependence.

What should be the Programme for Revolutionary Transformation ?

Nepal's dependent capitalism developed over two hundred years is responsible for the persistence of grinding poverty, unequal development and existing discrimination in access to power and resources. It is this capitalism that maintains Nepal's unequal relations with India. These problems are sustained by the hegemony of comprador capitalism in Nepal's economy. As long as such hegemony remains, political crises keep recurring. In fact, comprador capitalism requires such crises to continue for its nourishment.

The root of the problems discussed above is the dependent capitalism or the comprador capitalist political economy. The main solution to the problems is, therefore, the development of national or creative capital. It is a gigantic responsibility that cannot be fulfilled by a capitalist class and its representative party as the theory of capitalism does not define these problems. A liberal capitalist theory fails to comprehend Nepal's class, caste and social problems, and sees its cure in more integrated capitalism. Nor these historical problems can be understood by today's racist and regionalist forces that resist seeing these problems from a national lens. Extremists and opportunists do not see politics in the totality of society and history. They see politics through a narrow and cunning military lens, keeping it detached from its politico-economic underpinnings, and seek solutions to the problems concerned in an absolute control of state power. They divide revolutionary forces, stand in obstructing the way to social transformation and, ultimately, contribute to the status quo.

This gigantic responsibility of developing creative productive capital can be discharged only by the Marxist communists and

socialists because (a) there is no organised class of national capitalists, who could otherwise contribute to development of national capital, and (b) no base can be created for socialism without developing national capital.

In Nepal, political requirements have basically been fulfilled for new democratic or capitalist democratic or people's multi-party democratic revolution. Now, the revolutionaries should focus on fulfilling the remaining socio-economic requirements, which, in actual fact, are the requirements of the capitalist democratic revolution, can be fulfilled only with a socialist goal and direction. The development of capital does not guarantee socialism, but without the development of capital, it is certain, socialism is impossible. As such, in our revolution, there is no contradiction between the way to the national capital and socialist goal. But we are also aware that there is no short-cut to socialism. We cannot be blind to the failure of the Soviet model of socialism nor can we pretend not to learn from the Chinese and other revolutions. We should also be conscious of our cultural and geographic diversity and the history of revolutions and counter-revolutions. The revolutionary party will thus be one with (a) the goal of socialism, (b) commitment to replacing dependent capitalism with national capitalism, and, most importantly, (c) the programme for building a just and prosperous society.

An economic question may be raised as to how a capital generating state can be socialist as capital generation requires labour exploitation. The answer to such question requires putting issues in perspective. Providing care and employment to the marginal working class living an uncertain life and to the productive workforce migrating for employment is a progressive step. So is the institutionalisation of a minimum wage for workers and creation of an environment in which they can freely organise for their development. Changing comprador capital into a process to generate taxes for social investment, create employment for unemployed workforce and free them from the clutches of poverty and humiliation is not a small revolution. When we emphasise creative capitalism, we are not advocating for programmes that

freely develop private capital. It is the development of national capital through a planned and balanced exploitation of public, cooperative and private capital. A revolutionary party and the government under its influence creatively mediate between labour and capital and prevent the two from being antagonistic.

Capitalism, especially comprador capitalism, is the main character of Nepali society now. So the main contradiction – a programme of revolution – should resolve is the one with comprador capitalism as it is the main obstacle to the development of all productive forces. And the main problem – the programme of revolution – should solve is the one faced by the marginal working class. They should be lifted from the state of marginalisation, have a guaranteed access to livelihood, be supported to build their agency and capacity to freely participate in productive processes. This in fact is the first basic step towards revolutionary transformation. Then the focus should lay on expanding democratic rights and liberties, and bringing all marginalised groups and categories in the mainstream of national processes. This task is important not only in terms of social justice but also to create a base for socialism. Alongside, this also develops capitalist process and the unemployed and subsistence-based workforce, which is now participating in a productive process. All this happens as the policy of the state and in a planned way. Our way ahead is thus to organise people into movements, elect their representatives freely and fairly, force the existing state to enact laws and policies in favour of the people, gain a majority in parliament, and form a government and introduce policies and programmes to develop national capital. This is how we move ahead to conclude the process of social transformation through people's movements, people elected parliament and parliament elected government.

The state, cooperatives and private institutions should participate in productive investment. Local governments and public institutions should be encouraged to invest in the public sector, especially in education, health, local infrastructure, housing, micro-hydro projects, tourism, forestry and irrigation.

This promotes public property and creates a socialist base for the future. A progressive tax system should be introduced in which all citizens pay a tax. This should be done through the policy of 'who earns, pays a tax.' It is the policy in which all participate and claim state services in return. This increases the proportion of public income and establishes that the life of national income is not the monopoly of capitalists but also the concern of the people at large. In the sector of education and health, a progressive service tax should be levied based on one's income. Through inclusive democracy, planned regional development, delegation of authority to local bodies, federalism based on Nepal's unique unity in diversity, and, political parties and bureaucracy free of commission and corruption; democratic rights will be expanded, regional and racial discrimination ended and a strong national unity of all people established. All policies of the state will be informed by the vision of sustainable development of national capital. This is how national independence and freedom will be protected and consolidated, linking it to everyday life of the people.

The conclusion of the above programme will transform the character of the state from comprador capitalism to national capitalism. A section of the present middle class will be transformed into a capitalist class. The circle of comprador capitalists and extreme reactionaries will be narrowed markedly. Others will transform into national capitalists. Today's poverty will be eliminated, and today's marginal workers and working class people will be organised as the majority of the working class. Even the root of discrimination against Dalits, Janajatis, women and those in marginalised areas will be uprooted. The problems of Nepal's dependent development will be solved and Nepal will establish an equality-based relation with India, China and other countries. Our programme will, thus, focus on developing and completing such national projects that aim to bring physical and cultural prosperity to a majority of the working class people. Central to the programme will be the nationalisation of land, massive expansion of public property, the establishment of the cooperative economy, and the state guarantee of education

and health. And these will be the main base for socialism. As far as a revolutionary programme is concerned, to see less than these basics in a given situation, will be a short sight, and hope to achieve beyond them a daydream.

Condition for Revolutionary Transformation: Development of Revolutionary Party

In modern politics, political parties become the vehicle for social transformation. If the programme of revolution in Nepal is to change the process of dependent capitalism, establish the process to develop national capital and then to lay the foundation for socialism; we need a party which is aware of the root of the problem, fully committed to its solution and has socialism at heart as its political goal. A revolutionary political party is the totality of theory and organisation, and policies and organisational structures to apply the theory. But the discussion above suggests that Nepal's communist parties are not theoretically aware of the programme, and their organisational structures are not appropriate to implement the programme. Had they been aware, they would not have downplayed the importance of the 1951 revolution, would have adopted the policies to protect the achievements of the 1990 revolution, would not have been a cause to the demise of democracy achieved thereafter and would not have cast aside the socio-economic priorities of the recent democratic revolution.

Calling Nepali society as "semi-feudal and semi-colonial", the communist parties of Nepal have devised policies that keep the political revolution in the centre. It is despite them being in power, one way or another, after 1990. Their analysis suggests that new democratic or people's multi-party democratic revolution will occur in future. To them, what is revolutionary now is, therefore, to try hard for a maximum share of power. Marred by this theoretical confusion, they just move around power. So do party organisations and cadres at all levels. Having no principle to stick to, party organisations and cadres have been a tool to serve the personal interests of party leaders who, on their part, are dying for high positions of the state. As personal

interests prevail over national priorities, party committees split into lobbies and factions. Politics becomes a tool to win a bid or help someone win it for certain commission, destroy forest and other resources for personal gains, support smugglers and the corrupt and misuse public property and funds. Communist parties are, thus, being subservient to comprador and dependent capitalism, which is bent on pushing Nepal into further chaos and crisis in various ways. This explains why Nepal's communist parties failed to give the nation a constitution despite them having 62 percent share in the dissolved Constituent Assembly. With this failure, the parties also failed to lead a historical process of institutionalising revolution and transformation of the socio-economic structure and organisation. Central to this failure is the parties' theoretical emptiness and personalized party structures.

As we speak of the programme of revolution, we speak of two things: a clear theoretical goal and an organisational structure and culture that empowers its members and mobilises them in actions (prioritized by the organisation) to achieve the goal. In terms of organisational structure for the programme of revolution, following should be the minimum:

- The central leadership of the party should have unflinching commitment to transforming the comprador capitalist process into a national capital development process. To that end, the leadership should take responsibility for developing and implementing specific plans and programmes. National plans for infrastructure development, employment generation, enhancement of national production, and a just distribution of national income and services should be the responsibility of the central committee, including the responsibility to mobilise national and international support and cooperation in favour of these priorities. It should also prepare representatives for parliament and government, with necessary education and orientation, to implement these priorities. When needed, the entire party and people should be mobilised to create pressure on the state to develop and implement pro-people policies and programmes.

- Party leaders should be chosen, and responsibilities assigned, only on the basis of one's contribution to materialising these priorities. Only then will the party leadership be responsible for social transformation, and a culture institutionalised in which no one can be a leader just on the basis of vague speeches and internal lobbying and factionalism.
- Local party committees should establish (by the action) that the party's policy on production aims to free the country from dependence and the marginal working class from existing production relations, elevate the living standard of the working class, rid the people at large of social discrimination and establish a just and progressive society. To do so, the local committees should first be fully aware and convinced that this is how national capital develops and a base is created for the socialist future.
- Party committees and members at all levels should directly participate in the development of cooperative and public capital and create environment to mobilise private capital. Each committee should have their plans for education, health, poverty alleviation, corruption eradication, environment protection, local capacity development, employment promotion, electrification and public security. A system should be developed to merit all members on the basis of their role in getting the plans implemented, and all members should be fully aware that social transformation is the responsibility of each of them.
- Except whole-timers, all party members should engage in a production process. The party should be an organisation of the industrious members who compulsorily pay a tax proportionate to their income. The whole-timers should oversee and lead the implementation of the plans about production and distribution. They should also be responsible for initiating reform (vis-à-vis production and re/distribution) as necessary in their working area. Once institutionalised, this system connects party members to a production process and protects them from corrupt practices.
- Those willing to contest committee positions should prepare a plan of action detailing what social transformation initiatives

would be implemented in their tenure. The quality of the plan should determine their election.

- The party constitution should provide that every member contesting representation in any party convention should be theoretically aware of the party's programmes and goals. This is to ensure that the committee the convention would elect is fit, both ideologically and theoretically, to represent the party and execute its programmes.
- It should be mandatory that each party committee regularly discuss and debate party programmes and its preparations towards socialism. Each party member should regularly study to enhance their critical thinking ability. The party constitution should provide for at least one ideological mouthpiece, which each member should compulsorily subscribe to.

Only a party thus formed will be able to link Marxist principles with Nepali society. Such a party will represent all classes, castes and regions, and solve the problems specific to these categories; establish ideological appeal over people of all classes and regions; mobilize public support in favour of the party in elections; guarantee free and fair elections; organise large demonstrations and assemblies as necessary; and, in a word, unifies the entire nation. A party thus organised and mobilized becomes revolutionary, establishes itself as a genuine leader of revolutionary social transformation and brings us and our society closer to the goal of socialism.

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4 | **State Restructuring in Nepal: A Politico-economic Perspective**

Pitamber Sharma

The present paper is an attempt to revisit the issue of state restructuring and explore the prospects for a balanced approach to the contentious issues of identity and capability, the two principle bases around which state restructuring was proposed to be undertaken. The discourse on federalization of Nepal has largely been constructed around ethnicity and it is this construction that has polarized perceptions with respect to state restructuring. The historical context of state restructuring, the congruence of ethnicity and class, and the contemporary spatial picture of ethnicity is discussed to highlight why ethnicity cannot be ignored in Nepal's federalization. The perception particularly of major political parties on the basis or criteria for state restructuring is presented. This is followed by a critical review of the federalization exercises undertaken during the tenure of the last constituent assembly, to basically underline its inadequacies. Finally, an approach to balance identity and capability is suggested with some concluding observations.

The Context of State Restructuring

Nepal is a country forged in migration. The claims of indigeneity of population groups notwithstanding historically speaking Nepal was peopled largely by the migration of Mongoloid population

groups from the north and the east and Caucasian groups from the west and the south. This migration occurred in spurts over a long period of time. The periodicity of migration differed a great deal and is a matter of conjecture. The Mongoloid migration comprised of the speakers of Tibeto-Burman language groups. These population groups expanded their reach in the highlands of the Gandaki and Koshi basins. There seems to have been no imperatives for further migration probably because of relatively small population size and a mode of livelihood based on some sedentary agriculture complemented by livestock and hunting. By the time the Caucasian migration began there were a number of mongoloid groups occupying specific territorial niches. However, not all Mongoloid groups that inhabit Nepal today predate the arrival of the Caucasian groups. The identity of hill caste population groups in terms of language and culture was established in the farwestern hills by the 12th-14th centuries after which they gradually began to expand eastwards probably in search of new agricultural land. This eastward migration of Hinduized groups which remained spontaneous for the most part was patronized, and privileged by the state after the Gorkha conquest in the 18th century. The migration of Hinduized groups from the Far and Mid-Western hills to the east was instrumental in populating the low-lying areas and river valleys where they practiced sedentary agriculture based on paddy. As population movements proceeded the mongoloid groups, collectively referred today as the Janajati, and Caucasoid Hindu caste groups occupied distinctly different ecological niches by virtue of different livelihood strategies and systems of production. Generalized areas of the occupancy of major mongoloid Janajati groups can be recognized even today. The Limbus, for example, occupied the hills east of the Arun river known well up to the 1960s as Pallo Kirat. The Rais inhabited the Koshi watershed, mainly west of the Arun river in what was known as Majh Kirat. The Tamangs occupied the highlands surrounding the Kathmandu valley comprising of the western part of the Koshi watershed and the eastern segment of the Gandaki watershed. The Gurungs occupied highlands from the Budhi Gandaki in the east to Kali Gandaki in the west. The Magars occupied a wide swath of territory from the Gandaki to

the Bheri River in the west. The Newars championed a distinctive agropolitan civilization in the Kathmandu valley. Smaller groups such as the Sherpa, who were relatively later migrants to Nepal also occupied specific niche areas in the northern highlands such as the Khumbu. There were also areas of overlap such as between the Limbu and the Rai, and between the Rai and the Tamang in the Koshi basin and the Magars and the Gurungs in the Gandaki basin.

As the stream of migration patronized by the state gathered momentum in the hills the competition for resources, particularly land became more and more contested. This contest also sharpened the political, economic and cultural divide and helped draw identities of each groups in sharp relief as there was little economic and cultural interaction among them. This generalized scenario played differently in different areas and regions in the hills. Kathmandu valley, peopled mostly by the Newars with an incipient but unique urban civilization based on highly productive agriculture and long-distance entrepot trade, was naturally the focus of political and military conquest. The conquest of the valley also set the stage for the gradual imposition of the Parbatiya ethos and the Khas, now Nepali language, on the Newars. The cultural fabric of the Newars by virtue of population concentration and linkages with the production regime, remained strong but many of the elements that derived from non-Hindu sources gradually lost the inspired patronage of the state. The Newars were alienated from the state as the new rulers naturally manipulated power to serve their own cultural, economic and political interests.

The genesis of Nepal's federal project can be traced to state-sponsored differentiation, discrimination and inequality among social and regional groups particularly after the conquest of the Kathmandu valley in 1768 which was the beginning of the unification of Nepal. The motivation for the unification of Nepal by Prithvi Narayan Shah were many but two inter-related facts stand out: the creation of *asli hindustan* (true land of the Hindus), and for that purpose a strong Himalayan defence capable of withstanding the onslaught and expansion of British

power in India. With unmatched fortitude, political and military prowess, cunning and undoubted deceit Prithvi Narayan Shah led the foundations of a highly centralized Hindu, monarchic, exclusionary unitary state. It was an attempt at political unification and assimilation in a territory with diverse ethnic groups, and their social, cultural and religious traditions. According to his “divine counsel” he envisioned Nepal as a “garden” of “four *varna* and 36 *jats*”. It was of course a euphemism, more an expression of his socio-political imperatives to wield the country together rather than the all-inclusive magnanimity of a Hindu monarch. The state’s patronage was decidedly biased in favour of a selected class of high caste Hindus. The leaders of many ethnic organisations and political parties today portray Prithvi Narayan Shah as an imperialist, a ruthless colonizer who imposed his will on a diverse social, economic and cultural landscape, and a despot who denied cultural and human rights to Nepal’s indigenous population. But as a product of his times, Prithvi Narayan Shah was no different from his contemporaries. Had he or any of his kind not succeeded in laying the foundations of modern Nepal, in all likelihood the small, mutually bickering principalities and fiefdoms that comprised Nepal would have been liquidated within the realm of British India. It is, however, true that political unification under the Shah kings did not lead to political and socio-economic integration of diverse population groups, because that was neither their intent nor their compulsion.

Nepal’s ethnic question, that is to say, the problem arising from the differential status and privileges enjoyed by different social groups and categories with respect to their socio-cultural, economic, political and demographic rights has been in the making for over two centuries. The Hindu *varna* system was really a system of blatant institutionalisation of social differentiation and discrimination to serve the interests of the higher castes who were also the ruling classes. While this was in vogue under the Hindu chieftains in different principalities and fiefdoms even before unification, Jang Bahadur, the founder of the Rana oligarchy, codified it in the national legal code (the *Muluki Ain*) in 1854. The legal code distinguished and graded caste/ethnic groups based on

the ritual notion of 'pure' and 'impure' into five status categories: the high caste *tagadhari* (wearers of sacred thread), the enslavable *matwali* (consumers of alcohol), the non-enslavable *matwali*, unclean but touchable, and unclean untouchable. The non-Hindu caste groups were included under the *matwali* but clean category. The *Muluki Ain* served two critical purposes for the ruling elite: it became the instrument to ensure that the socio-cultural, and therefore political and economic supremacy of the *tagadhari* remained entrenched. It also created the basis and context for the acceptance and internalization of non-Hindu groups into an all-encompassing Hindu 'world view'. This was the most comprehensive and explicit attempt at bringing all ethnic, cultural and linguistic groups within a single social universe (Hoefer 2004) and imposing a Hindu 'social order' within Nepali society. These hierarchies remain very much alive in contemporary Nepal in spite of the adoption of a new *Muluki Ain* in 1963 and successive constitutions that guarantee non-discrimination on the grounds of caste, creed, race, religion and sex.

Differentiation and discrimination so resulting inequality based on geographic regions and territories followed a different trajectory. The unification of Nepal was basically the unification of hill-based principalities and fiefdoms both in the east as well as in the west. The Tarai region had lost any semblance of an autonomous rule even before it became part of unified Nepal. Geographical and cultural differences gave Tarai a distinct character, and was referred to as *Madhes* by hill people. After the Gorkha conquest the eastern Tarai was the largest source of revenue for the Nepal government. There were areas of significant settlement and population, but by and large Tarai had extremely sparse population. Throughout the nineteenth century the state policy of Nepal was to encourage settlement of the Tarai to exploit its productive potential and enrich the state coffers. Immigration from India was encouraged as the hill folk remained reluctant to inhabit the Tarai on account of its inhospitable climate and endemic malaria. Other than the indigenous population such as the Tharus, and caste groups that inhabited the old, established settlements, a large section of eastern and central Tarai population

comprised of immigrants from across the border well up to the first half of the twentieth century (Regmi 1972). Immigration remains largely invisible in the Tarai as the immigrant groups blend easily into the cultural landscape. Unlike the rest of the Tarai, the Inner Tarai or Bhitri Madhes enclosed by the Siwalick range in the south and the Mahabharat range in the north, were sparsely inhabited by indigenous groups and did not experience immigration from across the border. Bhitri Madhes (Udaypur, Sindhuli, Chitwan, Dang and Surkhet valleys) comprise distinct demographic and cultural entities, quite different from the Tarai even today.

Ruled from Kathmandu by hill men, the Tarai throughout history was considered a frontier, almost a colonial possession by the Nepali state. Hill migration to the Tarai accelerated after the eradication of malaria in the 1960s. This large scale inflow of hill folk patronized by the state further exacerbated the divide between the hill migrants and the Tarai population groups, although they did not encroach upon established settlements. Meanwhile, the economic clout of the Tarai increased as a result of steady population growth, due largely to hill migration, realization of its productive potential and the investments made by the state to improve the circulation as well as agricultural and industrial production particularly since the 1970s. The state in contrast continued to thwart the political, cultural and linguistic aspirations of the Madhesi people. Madhesi loyalty to the Nepali state controlled by the hill elites was suspect. The sense of alienation from the state did result in sporadic political movements in the 1950s. The potency of this alienation was noted by Gaige as early as the 1970s (Gaige 1975). The Madhesi movement of 2007 which challenged and confronted the state signalled a definitive, and for the traditional holders of power – a problematic departure.

But the Tarai is far from a homogenous region in socio-economic terms. It remains one of the most socially differentiated regions of Nepal. People of non-hill origin comprise of three distinct groups: Tarai Janajati, Tarai Caste groups and Muslims. There are sharp differences between the Janajati and caste groups so much so that the Tharu groups refuse to call themselves Madhesi. Muslim identity is

distinct due to religion. Culturally five linguistic groups – Maithili, Bajjika, Bhojpuri, Abadhi and Tharu dominate. There is no pan-Madhesi identity in cultural, religious or linguistic sense. There are extreme inequalities in social and economic development indicators among different social groups. The common denominator that binds together the Madhesi population as a group is the sense of discrimination, inequality and exclusionary treatment at the hands of the Nepali state.

Ironically, Karnali region straddling the mid and the far western hills and historically the cradle of hill caste groups, particularly the Chhetris and the Bahuns, has not fared better in terms of the attention from the state. The increasing political, economic and strategic clout of the Kathmandu valley, after the unification of Nepal cast a shadow in the Karnali. It was no longer a region inspiring civilizations such as the ones it witnessed during the 12th and 14th centuries. The interest of a basically predatory state naturally waned and it was forced to languish in isolation, poverty and neglect. Remoteness and the stranglehold of feudalism, patronized by the political class, contributed not only to the underdevelopment of resources but also to an increasing dependency (Adhikari 2008). Historic north-south economic and trade linkages which was once the basis of an evolving civilization, with its reach beyond the borders to western Tibet, have long been wiped away and Karnali is a region in total distress (Bishop 1990).

At the extreme of discrimination, marginalization and dehumanizing exploitation are the Dalits, the so-called untouchable casts at the lowest rung of the Hindu caste system. They are invariably asset-poor, socially ostracized, and have very little control over or access to resources. Their condition is rendered unique by the fact that they do not possess a distinctive language and do not have a defined territorial presence. While Janajatis claim identity, for the Dalits identity has been a bane.

The above narrative provides an overview of the salient cultural, economic and political fissures within the Nepali state

even as it consolidated itself well up to the middle of the twentieth century. Development strategies pursued during the Panchayat period (1960-1990) basically supported the status quo and continued the policy of cultural and political assimilation through a highly centralized process of governance. Nepali nationalism was not the product of a multicultural society which Nepal is, but a reflection of the culture and the ethos that the state patronized. The state played no role in ensuring the realization of region-specific aspirations and potentials, or in preserving the continuity of languages and cultures. On the contrary there was a concerted effort at homogenization of cultural diversity into a single *parbatiya* (hill Bahun-Chhetri) culture and language. The form of regional, social, economic and political inequalities changed somewhat over time but the substance remained essentially the same. Homogenization of culture was the name of national unity. Cooption was construed as representation. Regional aspirations of population groups in the Tarai or the Karnali or Kathmandu were frustrated. Political innovations and policy initiatives were reduced to slogans and clichés. Land reform, regional approach to development, decentralization, basic needs, integrated rural development and so on were inaugurated as development strategies in the sixties, seventies and the eighties with varying donor support but with no substantive dent on the nature of intra-state social, economic and political relationships. It was in the Fourth Plan (1970-75) that the country was divided into first four, and later five development regions for purposes of reducing regional inequalities, fostering a planned process of regional development based on comparative advantages and integrating the Tarai and hill economies. The development regions, however, never received the status of a political commitment to restructure the country's spatial economy. Indeed the idea of regional development was based on the imperative of structural change and meaningful decentralization and devolution of political and economic power, an idea that was naturally abhorred by the political class under the Panchayat regime.

The legacy of the highly centralized governance during the Panchayat period continued under the successive post-1990

governments. The social, economic and political policies pursued by the state were not aimed at addressing the problematic legacies of the nation's history. In fact, the neo-liberal economic policies which had made inroads during the last decade of the Panchayat regime were consolidated with renewed vigour. The result was that the roots of inequality, discrimination and marginalization were further strengthened.

Ethnicity, Caste and Class

The systematic bias and deep and entrenched socio-political and structural roots of the problem of inequality and discrimination linked to ethnicity have been highlighted and analysed by a number of scholars (Bhattachan 1995, NESAC 1998, Neupane 2000, Lawoti 2005, Bennet 2005, Gurung 2006, Gellner 2007, UNDP 2009, Lawoti and Gunaratne 2010). Nepali censuses ignored the ethnic dimension in data collection and analysis until 1991. Before 1991, ethnicity of population could only be approximated by language. This was not a satisfactory approximation in a changing migration context as well as the patronage of the state for the Nepali language. Census and the successive Nepal Living Standard Surveys conducted since have highlighted a very close association of ethnicity/caste with the indicators of development. Available NLSS data show high incidence of poverty, high rates of illiteracy and low income levels associated with Dalits and Muslims in particular and the Janajati population groups in general (CBS 2011). Likewise, population groups such as Bahuns, Chhetris and Newars make up an overwhelmingly large proportion of state functionaries at the middle and high levels in the civil and judicial administration. This bias is a reflection of an uneven playing field, a product of centuries of inequality, discrimination and alienation, and therefore a function of the structural biasness inherent in Nepali society.

To a certain extent, and historically, there is a broadly perceptible congruence between ethnicity, caste and class in Nepali society. Socio-economic classes, following the

Marxist approach, are defined and structured by the relations concerning work and labour, and the relationships to the means of production which determines the source of income. In the classical formulation landlords derived income from renting land without being engaged in labour. Capitalists control the means of production, provide employment on the basis of wage and derive income from the profits on investment. The working class or proletariat derive income by selling ones' labour on wage. Varying relationships of labour and the means of production result in classes and sub-classes. The social system of production and relationships of production determine the formation of classes in society and the change with the changes in the system of production triggered by forces – both internal and external. Class is therefore a very dynamic concept.

Ethnicity/caste in contrast is a deterministic/fatalistic concept determined by ones birth and therefore beyond ones' control. The Hindu caste system influenced the livelihood strategies and the source of income as well as access to and control over the means of production and the ensuing relations of production (Mukherjee 1999). This was a definite outcome of an ascriptive social division of labour based on caste. It is no coincidence that the landlords, the aristocrats, big traders and the money lender came from the 'high' castes while the marginal farmers, the landless and those who sold their labour and the skills came invariably from the 'low' castes. The congruence between the caste and class in general was a direct result of a social system of production that was explicitly caste based. It is true that not all of the high caste people belonged to the 'upper class', but the door to the entry into the upper class was relatively wide open (and relatively easy for those with a drive) to the higher castes than those from the 'lower' castes. For the Dalits, the door, for all practical purposes, was tightly shut.

Among the Janajati groups there was no strict hierarchy based on purity. There were subtle differences, but these were based on lineage rather than purity. The means and methods of production were not sophisticated and developed. Common ownership of

land necessitated communal self-sufficiency in production. To provide for a growing population it was necessary to maintain a level of social and economic influence and bring surrounding communities under control. As a result periodic conflicts were common. With very few exceptions, the leadership was mostly ascribed and based on lineage. Forms of feudal exploitation varied, and expressed itself in different ways.

Regmi (1977) describes three social classes in existence around the time of the unification of Nepal. Political and military leadership was with the Bahun-Chhetri castes. They also were the major landowners. They were also the beneficiaries of the rights to the production and revenue from land granted by the state on various accounts. While Janajatis had their own areas of traditional occupance and tenurial forms, they did not benefit from the patronage of the state. Some Magars and Gurungs among the Janajatis had been included in the middle and lower rungs of the political and military structure. Rais and the Limbus did not participate in the campaign of Nepal's unification. The rise in Bahun-Chhetri population resulted in their increased participation in the middle and lower rungs of the military at the expense of the Mongoloid groups. At the lowest rung of the class ladder were the Dalit occupational groups. Of the three social classes obtaining then, the Dalits had little assets and made a livelihood selling their labour and skills. This was not the case with the Janajatis who had communal assets and made livelihoods independent of the landlord class. In later times some Janajati groups were ascribed to an inferior status and bound by various obligatory relationships to the state. The Jhara system of compulsory labour to the state was mostly obligatory to these groups. The Newars in the Kathmandu valley observed a Hindu caste system that categorized social groups by occupations where the nature of occupation often determined sources of income and class character. The Bahun-Chhetris as a caste were distributed across the class spectrum (from landlords to tenants) but in terms of class mobility the definite advantage lay with the Bahun Chhetris. But conditions also varied spatially. Even in remote poor regions such as the mid and the far western hills the

caste had undoubted social significance in terms of the ascribed status and the opportunities for social and economic mobility it afforded although it made little difference in terms of the sources of livelihood.

This congruence between ethnicity, caste and class remained largely intact with reference to certain social groups until recently. However, a number of processes have historically been in motion affecting this congruence. The first was the recruitment of Janajati groups in the British Indian army which picked momentum in the late 19th century. This influenced the formation of classes within these groups as it affected differentiation on the basis of their sources of income and production relations. The second was hill-Tarai migration. As the migration from the hills to the Tarai picked up in the 1960s it gradually attracted other hill castes and Janajati groups, although the first groups to take advantage of the opportunity were the Bahun-Chettris. Most hill subsistence farmers became surplus producers in the process utilizing wage labour and production relations underwent a definite change. There were also *sukumbasis* (squatters) who encroached and settled in public land, and made up of all castes and Janajatis. The third and the most important process dismantling caste-class congruence is the rise in the level of urbanization. With urbanization rose the level of awareness and literacy. It also opened up opportunities in the non-agricultural sector, in services, trade, transport, construction and in a variety of informal opportunities. As capitalist relations began to take hold the old ascriptive caste barriers begin to crack. In the last three or four decades the classes within the Janajatis who have been part of the process of migration and urbanization has been in flux. Migrants from rural to urban areas whose main source of income is the non-agricultural sector, those who have been the beneficiaries of Gorkha recruitment in British and Indian armies (such as the Gurung, Magar, Rais and Limbus), or those who have benefitted from the growth in trekking tourism (such as the Sherpa) are all part of a growing urban middle class comparable to their Bahun and Chhetri counterparts.

The rise in migration abroad since the last two decades has increasingly brought within its fold all caste groups – in fact anyone who can mobilize resources to meet the cost of migration. Remittances have effectively influenced the structure of asset ownership, access to resources, migration to market towns and urban areas, and the elements of the class structure of rural Nepal. Traditional patron-client relations are fast changing. Market oriented competition and conflict has introduced novel elements of class as well as ethnic mobilization. But the Dalits, in general the lowest in the caste hierarchy, constitute the most marginalized and disadvantaged class even today. The determinism of caste remains an obstinate challenge to the dynamism of class.

Ethnicity and Identity

In the literature, the caste and ethnicity are often used interchangeably in Nepal. In Nepali the words *Jat* and *Jati* have been increasingly used in recent years to denote the caste under the Hindu varna system, and non-Hindu ethnic groups respectively (Gurung 2003; 2006). Madhes is a geographical region, but also has been used and interpreted in ethnic terms identified as a category of communities belonging to the Madhes region, irrespective of caste, and on that basis unequally treated and discriminated by the state. Like the *Jati*, Madhesi denotes a group identity.

Terms like Adibasi, Janajati and Dalit are in vogue. Adibasi (original inhabitants in Sanskrit) is widely used in India to denote tribal groups. Janajati refers to native inhabitants. Dalit is also an imported term indicating communities considered untouchable under Hindu orthodoxy. In Nepal these terms have received wide currency on account of government Committees and Commissions set up to address the issues of these groups mostly after 1990. The National Foundation for Development of Indigenous Nationalities Act 2002 defined Adibasi-Janajatis as ethnic communities “with their own mother tongue, traditional customs, distinct cultural identity, social structure and written or oral history of their own”. On that basis it recognizes 59 scheduled groups as Adibasi-Janajatis. In 2008 the government set up a high

level task force to revise and improve upon the earlier schedule (HLTF 2010). The report classifies 81 communities under the Adibasi-Janajati of which 11 have been identified as endangered, 51 as marginalized, 17 as excluded from opportunities and two as having access to opportunities. This classification regards “self identification” also as a criteria. The government has to-date not made any decision with respect to the report of the Task Force.

In spite of the presumption of earliest inhabitants not all Adibasi-Janajati groups have been in Nepal for a longer period of time than the non-Adibasi-Janajati groups. Sherpas in the Khumbu date back only to 1533 according to Oppitz (1973). Bahuns and Chhetris appeared in the scene much earlier at least from the Lichhavi period.

Adibasi-Janajati, the term, does not have a universally accepted definition although its increasing use gives a contrary impression. Even Indigenous and Tribal people’s Convention ILO 169 does not define indigenous and tribal people though it identifies elements that make up these population groups. In Nepal the construction of the academic concept of Adibasi-Janajati has been inordinately influenced by the colonial history of the Americas where the migration and expansion of west Europeans had a devastating impact on the population, livelihoods and the ways of life of the aboriginal population. In fact much of the construction of Adibasi-Janajati identity derives from the work of western anthropologists whose efforts have been to highlight the distinctive ethnology of particular communities focusing on the uniqueness rather than on the commonalities, on areas of conflict rather than on the areas of harmony and interaction. The rights of indigenous populations championed by the International Labour Organisation (ILO) also reflects the indigenous experience of west European colonization of the Americas and the ensuing plunder of natural resources and the absolute decimation of cultures. As our knowledge about the aspects of the internal migration and occupance of Nepal’s population groups is enhanced, the perspective on Adibasi-Janajati based on territorial occupance is likely to be reviewed and revised.

The Adibasi-Janajati concept at the present seems to lay emphasis on three particular aspects (a) historic continuity of settlement (that-thalo in Nepali) and association with a specific geographical area, (b) common historic system of economic production distinctly different from that of the mainstream, and (c) political, economic, social and cultural exclusion and discrimination with respect to language, culture etc including the hegemony of a different language and culture. In all these aspects it is the distinction between the mainstream (meaning upper caste Hindu groups) and the Adibasi-Janajati groups that has been the main focus of attention. Considerable confusion prevails over the meaning and interpretation concerning the common historic system of economic production. It is generally presumed that this system was based on communal ownership of resources and was relatively egalitarian. But *kipat* system of land tenure, which is often cited as an example of this production system, constituted a very tiny fraction (4 percent in 1952) of Nepal's land tenure system. It was prevalent among Mongoloid groups such as the Limbus, Rais, Sunuwars, Danuwars and Tamangs. Moreover, it was only the communal character of land ownership based on customary law that distinguished the *kipat* from other systems. It did not entail the cultivation, production and distribution of produce (Regmi 1977). It also contained elements of an obligatory feudal system. Further, production system and social relations of production differed as much by ethnic groups as by the spatial context of production and settlements. Some Janajati groups such as the Newars display a whole system of variations in terms of internal differentiation and forms of communal ownership.

The federalization debate has put the spotlight on ethnicity as the preeminent marker of identity. Ethnic identity is a powerful concept because of its potent emotional appeal which imparts a sense of social and cultural bond and oneness. Three approaches to ethnicity are found in the literature. The primordialist approach regards ethnic identity as something socio-biological, natural, given and fixed. Primordial elements such as race, descent and lineage are emphasized to reinforce and consolidate internal cohesion and solidarity. Indigeneity is seen as a particular and

unique quality unchanging and distinct irrespective of the changes in the world around. The privilege of indigeneity is restricted to the select who happen to be part of that community. Indigeneity confers a different world view where the distinction with the 'other' are sharply drawn. In this sense, the concept of ethnic identity is outward-looking: it tends to minimize the diversity, discrimination, inequality and exploitation within the group, and maximize the distinction with other groups. It is class-blind. It has the potentiality of addressing aspects of class conflict, inequality and exploitation only to the extent that there is a congruence of ethnicity and class. But this congruence begin to dissipate as externally induced or internally driven changes occur in the system and relations of production. The major critique of the determinism inherent in the primordialist approach is that ethnic identities are not universal, all-time constructs. These are as much subject to change, modification, renewal, renegotiation and reconstruction as the socio-economic, spatial and temporal context in which ethnic communities make a living and interact. Moreover ethnic identities in terms of the consciousness that it entails may be at different levels for different groups depending upon their historical experience.

In contrast, the instrumentalist approach views ethnicity as an instrument to achieve particular political, economic, social, cultural and even psychological ends. The establishment of ethnic identity becomes a means to address issues of development of ethnic populations, promotion of language, culture and traditions, participation in the process of governance and decision-making, and in that sense achievement of not just legal but full-fledged citizenship.

There is still a third approach which regards the nature of ethnicity as something socially constructed. This, so called constructivist approach, regards ethnicity as neither immutable and unchangeable nor completely open and ever changeable. It is essentially a social construct and is affected by the forces of contradiction and conflict that are operative in society. These may relate to competition over resources and livelihoods,

and serve as vehicle for the mobilization of human and other resources for specific purposes. The emphasis on primordial elements or indigeneity itself may be a social construct and a strategy to reinforce perceived ethnic-ness on the one hand and achieve certain social, cultural, economic and political goals on the other. Ethnicity then becomes an instrument to create social capital among communities that want to define their identity and uniqueness and on that basis negotiate their social, economic and political space. Ethnic consciousness may therefore be created and recreated and there may be ethnicities in the making or under formation to serve certain ends all the time.

The federalization debate in Nepal has shown that these approaches need not be exclusively expressed. A primordialist approach could easily meander into an instrumentalist or a social constructive position and so on as a matter of ethnic mobilization strategy.

Can, or should ethnicity be regarded as the sole or the most significant indicator of identity? It is this issue that has elicited the most sharply divided response in the course of the federalization debate in Nepal. Those who regard ethnicity as the most distinctive element in Nepal's federalization do so for several reasons.

First, federalization is the result of a deep dissatisfaction with the unitary structure of governance and polity in Nepal which ignored the aspirations of ethnic and regional population groups. Federalization can be a means of breaking from the shackles of a highly centralized structure of governance and of assuring self-rule and shared rule. Nepal's history is witness to the hegemony of Bahun-Chhetri in social, cultural and political affairs at the expense of mainly the Janajati, Madhesi and Dalit groups. The idea of shared rule can be attained only when conditions are created for breaking the hegemony of the Bahun-Chhetri. Janajati activists are unequivocal about the need to erode the caste Hindu hill elite hegemony of power (Lawoti 2005). Ethnicity based federalism creates conditions for breaking the existing

hegemony and creating a wider sense of ownership in the state. Self-rule or autonomy under federalism can promote plurality groups. Territorially concentrated ethnic groups can then have a better scope for the exercise of autonomy. Federalisation on ethnic basis can help minimize inter-ethnic conflicts and allow a more democratic space for accommodation.

Second, federalization is also about dealing with historic and present inequalities and discriminations visited upon the marginalized, disadvantaged communities and groups by a decidedly partisan state. This can be redressed only when reparations are made for historic omissions by recognizing ethnic claims on territories and resources. The idea of self-determination by ethnic groups and communities under various international instruments to which Nepal is signatory (such as ILO 169, UNDRIP) is basically an acceptance of group rights in addition to the individual rights.¹ This is based on the notion that the recognition of certain collective rights are consistent with liberal democratic principles (Kymlica 1995). On this premise, ethnicity based federalism is regarded as more egalitarian and fairer political system for the disadvantaged and marginalized ethnic communities and groups. This particular argument is highlighted often for its universal appeal by virtue of the binding international conventions.

Third, Nepal is a multi-racial, multi-religious, multi-lingual and multi-cultural state. But this basic tenet of the country is not reflected in the socio-cultural and political reality of Nepal – neither in its governing structures nor in its institutions

¹ The core elements of self rule as interpreted by ethnic activists are free, prior, informed consent. This includes the respect for indigenous people's (IP) mechanisms for decision making, acceptance of IP rights prior to discussion, recognition of customary laws, institutions and practices, and the right to say yes or no, and the right to a recourse mechanism against breach of trust. Control of ancestral land, territories is regarded as basic to self determination. This includes right to dispense of natural wealth and resources in ancestral lands, right to self rule without external interference, right to freely determine political status and to freely pursue economic, social and cultural development. (Bhattachan 2012).

and systems of representation. Federalization is basically an attempt to reflect this inherent socio-cultural diversity and project multi-culturalism as the cornerstone of Nepali nationalism. Multi-culturalism is based on the theoretical and philosophical premise that different ethnic, linguistic, cultural and religious groups can co-exist in harmony on the basis of equality. Ethnicity based federalism can provide the basis for the practice of multi-culturalism. In Nepal the slogan of cultural diversity of the country is invoked to appease the marginalized cultural groups while the state continues to patronize the mainstream cultural values and ethos. Ethnicity based federalization will have the potentiality to alter this context. Multiculturalism is closely associated with the politics of recognition where the emphasis is not on withering away of differences but the nurturing of institutions that promote a healthy respect for differences. Ethnicities are in essence the bearers of culture. Cultural federations therefore can be the only basis for fulfilling the aspirations of the marginalized groups. Federalization on the basis of culture is presented as a “humanist” approach in contrast to the “mechanistic approach” of territorial federation because it considers physical resource, infrastructure, distance, terrain etc more important than “the aspirations of cultural autonomy of marginalized people” (Sharma 2007).

Multi-culturalism demands a different perspective on the construction of citizenship. Nepal’s ethnic question is a product of the pursuance of the west European idea of the nation-state which takes cultural homogeneity as an ideal. This relentless chase of cultural homogeneity has been counter-productive and hostile to cultural pluralism (Tamang 2008). The concept of national state that endures the values of cultural pluralism may need to be adapted to foster the “dignified co-existence of plurality of cultures” (Oommen 2012).

At the other end, and in contrast to the above, is the position that regards ethnicity and ethnic identity as irrelevant to federalization.² Primordiality claimed by ethnic activists as ‘permanent’ and

² This position is best exemplified by Mishra (2012).

‘unchanging’ is seen as a product of the essentialist account of western academics. Prevailing definitions of ethnic groups such as “comprising of some unique essence, owning up a specific and relatively fixed and unchanging sets of values, beliefs, rituals and identified by self and others as belonging to a particular group” is seen as misrepresenting reality and therefore deeply unsatisfactory. The attempts to territorialize ethnicity at a time when traditional hierarchies are weakening is seen as counter-productive and almost a return to the Muluki Ain of 1854 which attempted to naturalise, primordialise and divinize ethnicity by the creation of horizontally differentiated and hierarchised body of subjects and citizens. The legitimacy of the claim of privileged citizenship for indigenous groups is redundant.

Mishra (2012) locates the reasons for the present ethnic upsurge on specific transitions in global and national structure and on factors both internal and external. The continuing hold of ascriptive caste-based hierarchies, continuing exclusion of Dalits, hill ethnic groups and Madhesi, the widening gap in social and economic development outcomes for different social groups, aspirations of greater equality, equity and material reward by the new generation of marginalized groups are identified as major internal reasons affecting the ethnic upsurge. It is also inspired by the global process of ethnic upsurge that started in the 70s and the 80s, and the growth of indigeneity as a powerful strategic tool backed by international instruments spearheaded by the UN. The donors support and funding for multi-culturalism and their penchant to localize, ethnicise and moralise has also been no less significant for the ethnic upsurge.

The perspective articulated by Mishra views the ethnic upsurge as a struggle waged by a generation that is literate and educated, claiming of democratic rights and citizenship, pushed from family farms and striving to make a living in the highly competitive urban, non-agricultural sector with a sense of seizing the future. Ethnic identity is about this contest, a strategy to confront the future in better terms. At the heart of ethnic struggle is not about “ethnically platformed federalization”, it is about

“seeking new livelihood in a new Nepal”. Ethnicity, indigeneity is a social construction, a social, historical product with no fixity or permanence to it. And like all social constructions it is also a fluid, in-the-making, human endeavour. If ethnicity is “not a set of specific, fixed, distinctive attributes and distinctive blood and semen the case for separate homeland ceases to hold water.” State policies for affirmative action and positive discrimination can and should suffice in taking care of the inequalities and discrimination suffered by marginalized, disadvantaged communities and ethnic groups. State policies should undermine the ascriptive values prevalent in society even as liberal capitalism promotes democratic ethos across the social spectrum. Ethnic federalization is therefore unacceptable and divisive with the potentiality of sowing the seeds of civil conflict. The tenor of these arguments is such that it not only critiques ethnicity based federalization, but appears critical of the whole idea of federalism itself.

The arguments that regard ethnicity as the preeminent form of identity and the basis for federalization harp generally on the political and cultural aspect. There is also an assertion of the primacy of the social origin and cultural capital of population groups. Cultural productions and symbolic systems are believed to play an essential role in the reproduction of social structures of domination which defines the position of different groups in the social space (Bourdieu 1994).

Those who argue for ethnic federalism question the political and cultural construction of Nepal with one preeminent objective: to loosen the hegemony of the Bahun-Chhetri groups and create if possible ethnic areas or enclaves which can restructure political power and renegotiate the basis of power-sharing. There seems to be a deep-rooted belief that inequality and discrimination that originated in differentiations based on ethnicity can only be addressed through ethnicity inspired federalization. Ethnicity is regarded as a representation of “ethnic consciousness” rather than a product of it (Shneiderman 2012). Ethnic groups are seen as comprising of neat, ahistoric and homogenous categories in easy contrast with one another, with no intra-group contradictions and

differentiation based on economic and livelihood criteria. The belief that Nepal minus the hegemony of the Bahun-Chhetri would be a paradise misses the point, that nearly two million people, mostly Janajatis, Madhesis and Dalits have to be lifted from poverty, new opportunities for skill enhancement, employment and income have to be created, services in education, health have to be strengthened, natural resources have to be optimally harnessed and all this requires a resource based development strategy in addition to recognition of ethnicity specific issues. The question may not be whether the concern for ethnic identity is legitimate or not; the question is whether the concern for development, of which identity is obviously a part, can afford to ignore it.

Ethnicity is a constructed category which “itself is in a phase of restructuring” in tandem with the restructuring of the state in Nepal (Shneiderman 2012). It is because of its “constructedness” that ethnicity has been mobilized as a resource in transforming the state, and in ensuring the participation of marginalized groups at the national level. History has undoubtedly shaped the current forms of ethnic production in Nepal. The ethnic upsurge is certainly about the contest for “new livelihood in a new Nepal”. The commodification of ethnicity as property to “brand” and “sell” is also an acknowledgement of the limited range of options for politico-economic survival of a number of marginalized groups in the contemporary neo-liberal context (Shneiderman 2012). International development actors have used this formulation of ethnic identity as a quantifiable resource to push the agenda of mainstreaming the marginalized and have learned to their dismay that it can be hijacked for purposes other than what was originally intended. But this does not make ethnicity totally irrelevant to Nepal’s federalization, nor the ethnic question a detraction from the development agenda. Ethnicities are certainly fluid but this does not make the ethnic question any less important. Ethnicity may not be as significant a factor for social mobility in the emerging urban setting but it certainly makes a difference in terms of opportunities it opens up. An asset poor hill upper caste person may face the same problems of livelihood as an asset poor Janajati, but the scope for upward mobility for a hill upper caste is certainly greater than

for a Janajati. That is the reality of Nepal and this reality has to be confronted by recognising it for what it is. But “to recognize both the constructed nature of ethnicity and the rights of those who possess ethnic consciousness” is a critical and “devilishly difficult” task. The missing element in the current debate on ethnicity as the basis of federalism in Nepal is in precisely formulating the substantive content of ethnic consciousness. The challenge in the case of Nepal may be a creative form of federalism that “recognizes the power of ethnicity without reifying it as a timeless category” (Shneiderman 2012).

The social, cultural, political and economic dimensions of the question of ethnic identity are no less important and cannot be easily dismissed in spite of the constructed but changing nature of ethnicity. The formal/informal space accorded to different ethnic groups in social discourse, the concepts and ideas developed on such groups and the impact of these concepts in the day-to-day interaction and relations between different groups relate to the social dimension. The question of ethnic identity relates to the deconstruction of social concepts on ethnic groups, and the role that the state should play in ending social deprivation and exploitation. The cultural dimension of ethnicity includes the recognition and promotion of ethnicity specific languages and cultural features. Such identity can enhance awareness regarding the cultural achievements of particular groups and elucidate the cultural diversity and the deference for coexistence. The political dimension of ethnic identity subsumes the questions and methods of political representation, the questions of ethnic autonomy and “self-determination”, of participation and dialogue in policy formulation, prioritization in development issues, and proportionate distribution of development results. The economic dimension of ethnic identity relates to issues of opportunities in employment and income generation, access and control over resources and economic activities, and economic exclusion resulting from ethnic identity. The ethnic and regional disparities in development indicators call for strategies to end the cultural, political and economic status quo. The question is: can federalization be part of such a strategy?

Can ethnicity be ignored in Nepal's federalization ?

The above discussion presents essentially two opposing views on federalization in Nepal. The first looks at federalization basically as an exercise in addressing the ethnic issue. Holding together of different ethnic groups within the Nepali union is regarded as the prime purpose of federalization. The second view considers ethnicity as irrelevant to federalization because the idea of ethnic purity is a myth, ethnicity as a social construction is fluid, mutable and influenced by national, regional, global systems. Nature of the state and relations between state and citizenship are considered more critical issues than the inordinate primacy given to ethnicity in federalization exercises.

Federations are brought about in two different ways, either through aggregation of independent states or through the disaggregation of unitary state i.e., through a devolutionary process leading to the federalization of a once unitary political system. The first is “coming together”, the second is “holding together”. But “holding together” imparts a sense of impending break-up. The federalization exercise in Nepal may be called “devolutionary federalism” in so far as it involves some form of democratic bargaining concerning the devolution of political and economic powers to federal units and below.

Ethnicity in the federalization process cannot be considered in the abstract. If ethnicity binds communities with a “we” feeling, gives members the sense of belonging to a group even if in a temporal sense, and mobilizes and inspires them for collective action in social, cultural and political spheres then the spatial distribution and coherence of such communities can become a matter of considerable significance in the federalization process.

The 2001 census identified 100 ethnic caste (EC) groups in Nepal.³

³ 2011 census identifies 125 EC (EC) groups by name. Of these 9 ethnic groups including Chhetri, Bahun, Magar, Tharu, Tamang, Newar, Musalman, Kami and Yadav have a population of more than a million. Two groups (Rai and Gurung) have a population between half a million to less than a million. These 11 groups with a population of over half a million make up 70.7 percent of the

Six EC groups including Chhetri, Bahun, Magar, Tharu, Tamang and Newar had population of more than a million. A total of 11 EC groups (comprising 71 percent of the total population) had population of more than half a million; 31 groups had population of more than 100,000 and 69 EC groups had population of less than 100,000. With the largest EC group, Chhetri, having only 15.8 percent of the total population, Nepal is truly a country of minorities, contrary to the impression given by the policies and praxis of the state for over two centuries. In 2001, there were 18 EC groups with a share of more than 1 percent each in the total population.⁴

The 2001 census shows that twelve EC groups have the largest share of population (or plurality) in 3535 VDCs or 89 percent of the VDCs in the country. Chhetris are the largest groups in 928 VDCs, followed by Bahun (491 VDCs), Magar (362), Tharu (310), Yadav (308), Tamang (301), Muslim (278), Rai (180), Gurung (130), Limbu (121), Newar (84), and Sherpa (42 VDCs). Chhetris and Bahuns are also the most widely distributed population groups in Nepal, being present in numbers of 500 or more in 1852 and 1374 VDCs respectively. There are 3973 VDCs in Nepal.

In terms of the territorial dominance and majority the picture is different. There are five ethnic/caste groups (Chhetri, Magar, Tamang, Tharu, and Bahun) that are in the majority in over 100 VDCs. Chhetris are by far the largest group with a majority in 387 VDCs. Likewise Magars have a majority in 175 VDCs, Tamang in 159 VDCs, Tharu in 106 VDCs, Bahun in 102 VDCs and Gurungs and Rais in 77 and 76 VDCs respectively. Among other ethnic/caste groups with majority in VDCs are Limbus

total population. 27 groups have a population between 100,000 to less than 500,000, and 87 groups have a population of less than 100,000. Chhetri is the largest EC group but comprises only 16.6 percent of the total population. The percent of non-Dalit hill caste groups (Chhetri, Bahun, Thakuri, Dasnami/Sanyasi) is 31.2 percent in the total population.

4 These are Chhetri, Bahun, Magar, Tharu, Tamang, Newar, Musalman, Kami, Yadav, Rai, Gurung, Damai, Limbu, Thakuri, Sarki, Teli, Chamar and Koiri. The 2011 census shows these same groups with more than 1 percent each of the population.

(44), Yadavs (38), Muslims (36), Newars (29) and Sherpa (22). Among the hill Dalit groups the Kami are the largest and are in the majority in four VDCs and have the largest population share in 13 other VDCs. There are 17 other EC groups that have a majority in at least one VDCs. In 1291 VDCs (or 32 percent of total number of VDCs) one or the other EC group is in the majority. Several minority EC groups also have their niche areas. For example, Chepangs form a majority in a group of 4 VDCs, Thami are in the majority in 3, Chhantel and Sunuwar in 2 each and Lepcha and Pahari in 1 each. But a total of 72 EC groups do not have a majority in any VDC, and 37 do not have a plurality in any VDC.

However, in terms of the contiguity of VDCs with the plurality of a particular EC group, eight major generalized EC domains can be identified (Sharma 2008) in the hill-mountain regions (Map 1). The word domain has been used here to recognize areas in which a particular EC group has a plurality. The nature of these ethnic domains reveals that while the core can be more or less identified defining the boundaries poses problems.

Chhetries are the largest and most widely distributed EC group in Nepal. The largest cluster with Chhetri plurality cover almost 500 contiguous VDCs spanning 18 districts from Dang, Rukum, Rolpa to Darchula, and covering almost the entire mid and far-western hill-mountains. There are large areas of Chhetri plurality in the central and eastern hills also, but the Chhetri domain is mainly the mid and far west.

The Magar ethnic domain lies mainly in the western hills covering nearly 250 VDCs in districts from Tanahu to Palpa, Gulmi and Arghakhanchi, and Myagdi, Baglung, Dolpa to Rolpa, Rukum, Dang and Pyuthan. In the Magar domain is punctuated by a wedge of over 150 VDCs with Bahun plurality in districts from Arghakhanchi, Palpa through Parbat to Tanahu. The Gurung domain is adjacent to the Magar domain in almost 90 contiguous VDCs from Gorkha, Lamjung, Kaski, Manang, Mustang and Dolpa. Newar ethnic plurality characterizes about

40 contiguous VDCs in Kathmandu-Bhaktapur-Lalitpur and adjoining districts.

Tamangs have a strong territorial presence in about 250 contiguous VDCs from Dolakha-Ramechhap to Kavre, Makwanpur, Dhading, Nuwakot, Rasuwa and Sindhupalchok in the hill districts in and around the Kathmandu valley. Rai domain makes up over 130 contiguous VDCs in Solu, Sankhuwa Sabha, Khotang, Bhojpur, Udaipur, Okhaldhunga and Dhankuta. Limbu domain includes nearly 120 contiguous VDCs from Taplejung, Tehrathum, Panchthar, Ilam and Dhankuta. Sherpas have ethnic plurality in 18 contiguous northern VDCs in Taplejung to Solu and Okhaldhunga.

In the Tarai, Tharu domain is seen in a group of nearly 80 contiguous VDCs from Banke to Kanchanpur district and nearly 40 VDCs from Rupandehi to Dang. In the eastern Tarai also Udayapur-Saptari and Sunsari-Morang districts have clusters of Tharu ethnic plurality. It is however the Maithili language which is in plurality in 505 VDCs from Rautahat to Saptari that defines a distinct contiguous Maithili linguistic domain in the eastern Tarai.

In terms of territorial spread the nine EC groups (Chhetri, Magar, Tharu, Tamang, Newar, Rai, Gurung, Sherpa, Limbu) and the Maithili language groups together make up 60.6 percent of the total population of Nepal. Of these Sherpa is the only group that makes up less than one percent of the national population.

Major conclusions derived from studies in the distribution of ethnic and language groups in contemporary Nepal (Sharma 2008) reveal the following:

- Major EC groups in Nepal have their territories of traditional occupancy, where they have settled continuously, are relatively concentrated, and have a significant presence in plurality. This is true with respect to all large and small Adibasi

and Janajati groups and with respect to the Chhetris.

- Most EC groups do not constitute a majority in areas in which they are in plurality. In VDCs in which they are dominant only 42 percent of Chhetri, 21 percent of Bahun, 48 percent of Magar, 34 percent of Tharu, 12 percent of Yadav, 53 percent of Tamang, 13 percent of Muslim, 42 percent of Rai, 59 percent of Gurung, 36 percent of Limbu, 35 percent of Newar and 52 percent of Sherpa are in absolute majority.
- The spatial distribution pattern of most Janajati groups is such that as one maximizes the proportion of target ethnic population within a province, the proportion of the national population of the target ethnic group declines and vice versa (Sharma and Khanal 2009). The result is that a larger territory would have a higher percent of the target ethnic group nationally but would have a lower percent of provincial population.
- In the Tarai, language appears as an important marker of ethnicity. Language regions can be identified in the Tarai where particular mother-tongue speakers are dominantly distributed. There are 476 contiguous VDCs with a majority of Maithili speakers, 312 with Bhojpuri speakers, 96 with Tharu speakers, 91 with Awadhi speakers and 50 with Bajjika speakers in the Tarai.
- From the point of view of population size, Dalits together comprise the largest group (about 12 percent in the 2001 Census) preceded only by the Chhetri and Bahun. But Dalits do not have their own distinguished geographical territory or a separate identity by virtue of language.
- The major Hindu caste groups in the hills are much widely distributed than the Adibasi-Janajati groups, although in recent decades there is an ongoing process of migration of the Adibasi-Janajati groups in the Tarai, Inner Tarai and neighbouring urban areas and market towns. In 2001, 24.9 percent of Chhetri, 37.6 percent of Bahun, 25.4 percent of Magar, 15 percent of Tamang, 17.4 percent of Newar, 26.4 percent of Kami, 21.1 percent of Rai, 19.8 percent of Gurung, 28.3 percent of Damai, 27.8 percent of Limbu population

was in the Tarai.⁵

- From a geographical or topographical perspective or from the point of view of ethnic, language or socio-demographic formation – the Nepal Tarai is not a continuous expanse of territory. Although for reasons of political expediency the Madhesi parties include Inner Tarai within the Tarai; there are in fact significant differences in settlement history, demographic and social attributes between the Tarai and the Inner Tarai.
- The common denominator among the Tarai ethnic-caste groups is the shared sense of alienation and discrimination at the hands of a state that has consistently denied them their political, cultural and language identity and aspirations. This has also been the symbol and rallying cry, as it were, of Madhesi identity. There is no pan-Madhesi identity based on ethnicity, culture or language.
- As a result of centuries of migration in the hills and the more recent migration in the Tarai there are clusters or concentrations of some EC groups within the geographical domains of major EC groups. There is considerable EC diversity even in areas that have a dominant EC population. Even among the Janajatis there are dominant and minority Janajatis in the same geographical area.

The above facts reveal that the distribution and spread of the EC groups is such that irrespective of how they are conceived the federal units in Nepal cannot – but be multi-ethnic and multi-lingual. However, in spite of this multi-ethnic and multi-lingual nature there are generalized areas with distinct cultural character among particular EC groups. The spatial contiguity of major EC groups and their cultural areas makes it almost impossible to ignore the distribution of EC groups in the federalization exercise. The question then is not whether ethnicity should be taken as a

⁵ The 2011 census shows an increase in the hill caste and Janajati population in the Tarai. In 2011, 26.6 percent of Chhetri, 39.4 percent of Bahun, 28.4 percent of Magar, 16.1 percent of Tamang, 15.7 percent of Newar, 29.1 percent of Kami, 25 percent of Rai, 21.6 percent of Gurung, 29.5 percent of Damai, and 31.5 percent of Limbu population was in the Tarai.

basis for federalization; the question is what other criteria need also to be taken into account to make federal units viable.

Perspectives on the basis for the restructuring of the State

In the last decade a number of proposals designed to facilitate and expedite administrative restructuring of the state have been made by scholars as well as by different political parties and interest groups including ethnic groups. The assessment of a number of the proposed models has been made elsewhere (Sharma and Khanal 2009); the attempt here is to provide a perspective on the proposed basis for federalization.

In 2002, the late Harka Gurung made a proposal for a New Nepal with just 25 districts. On the basis of the analysis of annual revenue collection and expenditure of districts he argued that a reduction in the number of districts could result in reduced administrative expenditure and more self-dependent districts. He argued that decentralization in Nepal had failed due mainly to the command system at the centre and economic fragility of the districts. District autonomy was feasible only through the consolidation of the economic base with a wider tax authority and revenue sharing of income from local resource base. However, there is no explanation of how the reduction in the number of districts would lead to the reduction of the obligation of the state, and how can districts be self-dependent without an adequate framework for inclusive development and a comprehensive strategy for regional economic development.

In his book *Nepalko Jatiya Prasna* (The Ethnic Question in Nepal 2000) Govinda Neupane proposes federalism with 11 federal regions or Pradesh. These are the Kirant Pradesh of the Kirat people (the Rai and Limbus) in the eastern hills, Tambasaling of the Tamangs in the central hills, Nepa of the Newars in the Kathmandu Valley, Tamumagarat of the Magars and the Gurungs in the western hills, and the eastern, central, and western Khasan of the Khas people in the mid and the far west. He proposes four states in the Tarai, namely, Vijaypur and Mithila

in the east, Lumbini in the centre and Kapilbastu in the west. Neupane's emphasis is on the historical-cultural background, language and the areas of historical occupancies of particular population groups and is reminiscent of the situation existing in the beginnings of the 18th century. There is no explanation of geographical or economic feasibility of the states.

Various Janajati groups have also proposed their own versions of the restructuring of the state in a federal set up. Most of the major ethnic groups such as the Limbu, Rai, Tamang, Gurung, Magar in the hills and Tharu in the Tarai have demanded the creation of states based on their historic areas of occupancies. Areas of historic occupancy, however, have been interpreted and identified differently by different groups and there is considerable overlap of territorial claims (ICG 2011). Most of the Janajati groups have articulated their demands on ethnic states in a general way and some have based their claims on the distribution of ethnic groups as reported in the census. The federation of the Janajatis – Nepal Janajati Mahasangh for example – has called for autonomous ethnic states with right to self-determination but has not clarified the number and extent of such ethnic states or forwarded a concrete proposal.

Major political parties in Nepal, have in various ways expressed their views regarding the basis for the formation of federal units (regions, provinces or states), and some have even provided a generalized picture of the proposed federal units. In the election manifesto of the Constituent Assembly elections (UNDP 2008), CPN-Maoist (now UCPN-Maoist) had proposed 11 federal units based on considerations of ethnic structure, geographical convenience, major language and economic potential. The UCPN-M has submitted a framework of 13 federal units to the concerned committee of the last Constituent Assembly. Of these 11 (Limbuwan, Kochila, Kirat, Sherpa, Newa, Tamsaling, Magarat, Tamuwan, Tharuwan, Bhote-Lama and Madhes) have been identified on the basis of ethnicity, and two (Bheri-Karnali and Seti-Mahakali) on a regional basis. Maoists have attempted to interpret ethnicity in terms of nation-nationalities derived

from the writings of Lenin and Stalin, in the context of the Soviet Union. A nation is regarded as a “historically constituted, stable community of people, formed on the basis of a common language, territory, economic life and psychological make-up manifested in a common culture” (Stalin 1913). According to the Leninist approach ‘oppressed nations’ need autonomy and a right to self determination to overcome semi-feudal and semi-colonial exploitation. Lenin had proposed the granting of self-determination as a strategy aimed at gaining the support of smaller nationalities. Rosa Luxemburg vigorously argued against this position and maintained that such self-determination would only grant legitimacy to the feudal and fascist leadership of these nationalities (Luxemburg 1976). The Maoist call for self determination during the insurgency was an attempt to mobilize mass support based on a generalized idea of ethnic homeland (ICG 2011). Other than ethnicity, there has been no analysis regarding “commonness” of the attributes related to economic life. Lately, Maoists have also included economic capability as a basis for federalization.

The Maoist proposal does not seem to have given enough attention on aspects such as the size of population, geographical and territorial spread, economic inter-relationships, objective conditions of livelihood and resource potentialities of federal units. Recent developments suggest that there is a continuing reassessment of the party’s position with respect to the geographical structure of federalism.

In its Constituent Assembly election manifesto, the Nepali Congress Party had proposed a number of criteria as the basis for the designation of federal units. These included national integrity, geographical conditions and convenience, population size, natural resources and economic potentials, regional inter-relationships, concentration of ethnic, language groups and cultural attributes, political and administrative potentials, the distinctive habitats of the Madhesi, Adibasi, Janajati, Dalit as well as other language groups and communities. It has advocated for a minimum number of federal units.

The CPN-UML has put forward geographical conditions and distinctiveness, situation with respect to population and occupancy by ethnic/caste groups, mother tongue and situation with respect to its use, cultural distinctiveness, administrative convenience, economic and social inter-relations, capacity and potentials, situation with respect to the availability of natural resources, and historicity as the basis for the identification and delineation of federal units. In its submission to the concerned committee of the last Constituent Assembly the Party proposed the delineation of 15 federal units. Of these, seven are based on ethnicity (Limbuwan, Kirat, Newa, Tamsaling, Tamuwan, Magarat and Tharuhat), two on the basis of language (Mithila and Bhojpura), and six as mixed (Birat, Sunkoshi, Gandaki, Lumbini, Karnali and Khaptad). The UML proposal indicates that their take on ethnic federal units is based on the notion of nation-nationalities, similar to that of the Maoists. Similar to the Maoist proposal the UML proposal also does not analyze, nor seems to have adequately taken cognizance of the question of economic viability and potentials of the proposed federal units. In recent times the CPN-UML has not explicitly articulated a proposed federal model but appears to be in favour of a small number of federal units.

Even before the last Constituent Assembly elections were announced the Madhesi Janadhikar Forum had proposed the concept of a single Madhes province on the basis of geographical, ethnic, language, social and cultural distinctiveness, diversity and similarities, and economic potentials. The Tarai Madhes Loktantrik Party in its manifesto for the Constituent Assembly elections had also proposed for a single Madhes autonomous region comprising the entire Tarai ecological belt from Jhapa to Kanchanpur based on geographical similarities, affinity in culture and language, similar climatic and economic conditions, emotional solidarity and unity. The Madhesi political parties have attempted to rationalize the slogan of “One Madhesh, One Province” on the basis of cultural distinctiveness and identity. The factions of the Sadbhavana Party are in favour of three provinces (Madhes, hills and mountains) based on geographical characteristics, history and culture.

Rashtriya Prajatantra Party has not articulated a federalization model but has proposed geography, population, ethnic community, language, cultural identity, natural resource endowment and economic potential as the basis for federalization. Similarly, Rashtriya Janashakti Party has proposed physical and geographical features, ethnic, language and cultural sensitivities, economic means and resources, and administrative conditions and convenience as the basis for federalization.

Rashtriya Janamorchha Nepal and Rashtriya Prajatantra Party Nepal are among the national parties that have opposed the idea of federalization although ideologically both parties are poles apart.

Rationalising federalization

With the exception of Maoists and the Madhesi parties federalisation of Nepal has been regarded as almost a *fait accompli* by major political parties. Maoists in particular had argued in favour of federalization since the insurgency, and the comprehensive peace agreement implied it. But it was the Madhesi movement of 2006/07 that was the catalyst for including the federal agenda in the fourth amendment of the interim constitution. Federalization was seen as a way of expressing the people's will as manifested in different political movements.

The Committee charged with the task of Nepal's federalization, i.e., Committee on the Restructuring of the State and Distribution of State Powers (CRSDSP) of the dissolved Constituent Assembly (CA) in its draft report does not go into the details of the rationale for federalization of the country but cites the following (CRSDSP 2010:15):

- “Nepal's diversity: linguistic, ethnic, community, religious, cultural, geographical, regional and gender-based exploitation;
- the unwillingness of governance mindset for effective decentralization of power in the past;
- establishment of affinity, ownership and proximity to the state;

- enhance representation and participation through changes in the weak structure of the state;
- address the agenda of the Madhes agitation of 2006 in favour of equality and against social, economic, political, linguistic, cultural discrimination, injustice and exploitation by a centralized feudal state power;
- democratization of society and the search for equal and inclusive democracy;
- aspirations to address issues that could not be addressed through a unitary state;
- the demand for the recognition of ethnic, linguistic and cultural identity;
- address issues relating to all forms of discriminations based on class, ethnicity, women and gender; and
- establish equal distribution of services and facilities availed by the state and equal share in development outcomes.”

Recognition of Nepal's socio-cultural diversity – ethnic, language and cultural identity – and representation, participation and ownership of the state comprise one set of issues expected to be addressed by federalization. The second set of issues relate to social, economic and political discrimination and exploitation on various grounds, and the third set concern with decentralization, equitable economic opportunities and share in the fruits of development. The presumption is that the issues of diversity, identity and discrimination are primary. Once these issues are addressed the issue of development will follow. This may be a very simplistic perception of federalism.

The rationale for federalization in Nepal has to be appreciated from three perspectives. The first is that the reality of Nepal's social and cultural diversity has to be reflected in the identity of the Nepali state and the nation. The recognition of diverse ethnic, language, cultural and regional identity is a step towards the establishment and strengthening of a sense of ownership and affinity to the state. If the Nepali state is regarded as the sum-total of its ethnic/caste groups and nationalities, each ethnic,

language and cultural identity has to be reflected, as it were, in the mirror of the state. Such an identity can be expressed in different ways: (a) recognition of designated languages through some formula in government administration, in schools and as a medium of instruction; (b) special policies for the promotion and development of languages and cultures; (c) recognition and promotion of tangible and intangible cultural heritage; and (d) recognition of autonomous cultural areas for particular communities and establishment of a system of prior information and consent regarding development activities in such areas. Recognition of ethnic identity should not be understood in the narrow sense of ensuring ethnic purity, “blood and semen”, but as a basis for taking pride in ethnic, social and cultural diversity and institutionalizing multicultural nationalism.

The second perspective is related to inclusive development—the idea that socio-economic development has to be equitable and inclusive based on the principles of social justice. This calls for a reassessment of the content, direction, pace and the outcomes of development to ensure that opportunities available are both equal and equitable. This has implications for the availability and mobilization of natural and other resources for reducing regional, class, ethnic, gender inequalities. In a country like Nepal where poverty is a major impediment to development federalization has also to be appreciated as medium of poverty alleviation and progressive socio-economic transformation. The advocates of ethnic identity as the panacea for all ills idealize and simplify the problem. The fact is that—the opportunity for better livelihood—is the pivot around which the politics of development under federalism is going to move. While affirmative action policies can address issues of caste, ethnicity and the like to some extent, the broader issues of poverty can be addressed only through a class-based approach. The state has to negotiate on behalf of the basic classes. The resource base of federal units will to a large extent determine this capacity.

Federalism is just a means to an end, and the end is a prosperous Nepal where the prosperity is shared by all irrespective

of ethnic identities and class. If federalism is the means to development, and assertion of identity is an important dimension of development in its broadest sense can be considered the end because it is ultimately against the yard sticks of however we define development as reduction in poverty, improved access and provision of basic social services such as education and health, enhanced capabilities of all groups and classes of people, increased income and employment opportunities, improvement in livelihoods and so forth – that the achievements of federalism will be assessed by the people concerned. This calls for creating equal and equitable conditions for development, particularly for those groups of people that have been historically disadvantaged, marginalized and neglected.

The third perspective relates to decentralization, devolution of power and consequent autonomy. Nepal's development history is witness to the futility of attempts at decentralization under centralized unitary system of governance. The case for federalism in countries like Nepal rests on the imperative it creates for administrative and fiscal decentralization and devolution of power to the lowest level. In the process it bridges the distance between the rulers and the ruled. Devolution is also the crux of participatory democracy because it devolves power to the lowest level, i.e., the level from which power evolves. The principles of shared rule and self rule make decentralization and devolution of power inescapable under federalism. It can be an exercise to end the hegemony of the centre and the ruling elites that have historically dominated it.

The perspectives of inclusive development and devolution also underline the critical importance of the infrastructure and existing and potential natural resource base in the federalization exercise. The better the initial conditions of natural and human resource base of the federal units, the better will be the prospects for the exercise of autonomy and formulation of a province-specific development strategy. The extent to which the issues of social and economic inequalities, poverty, affirmative action etc can be addressed will also depend on the mobilization of existing

or potential resources. The key concern is to build and share prosperity through federalism.

Review of federalization exercise

CRSDSP Proposition and Critique

Federalization exercise in Nepal is no longer in the theoretical realm. The draft report of the Committee for Restructuring of the State and Distribution of State Powers (CRSDSP) of the dissolved Constituent Assembly, through a majority decision has made recommendations for the federalization of the country. This was followed by the report of the High Level State Restructuring Commission (HLSRC). Although both of these reports were cursorily debated in the CA, no decision could be taken. Indeed, state restructuring provided the pretext for the ultimate dissolution of the CA. Both of the reports will be briefly reviewed particularly with reference to the basis that was used for federalization. The next constituent assembly, if and when it comes into being, may not be in a position of ignoring these two reports.

First, a brief summary of the major features of the CRSDSP draft report. The draft report proposes the federalization of Nepal into 14 provinces (Map 4.2). Identity is taken as the primary basis of federalization. Indicators for the recognition of identity include ethnic, community, linguistic, and cultural identity, continuity of geographical, regional habitation, and historic continuity in occupancies and settlements. Capability is taken as the other basis for federalization. The indicators of capability include economic interrelations – the condition and possibilities of infrastructural development, availability of natural resources and administrative convenience. However, the emphasis is on keeping intact areas with geographical continuity and ethnic concentration, areas with concentration of language speakers and culture, regions that have suffered from exploitation, and distinctiveness in terms of history and communities. The meaning of capability or its indicators is only presumed. It is neither adequately explained nor operationalised.

The report proposes the nomenclature of the 14 provinces, the geographical extent and boundaries of the provinces in terms of existing VDCs, and makes a preliminary identification of the capitals of the provinces. Of the 14 provinces, 8 have been proposed on the basis of ethnic plurality. These include Limbuwan, Kirat, Sherpa, Tamsaling, Newa, Tamuwan, Magarat and Jadan in the hills. Lumbini-Abadh-Tharuwan and Mithila-Bhojpura-Koch-Madhes are the two provinces in the Tarai identified on ethnic-linguistic basis. Two provinces, Sunkoshi and Narayani, are identified on the basis of mixed ethnic criteria; and two, Khaptad and Karnali, are delineated on the basis of geographical regions. The delineation of provinces is also based on the understanding that no province shall be circumscribed by another province, i.e., a province will be bounded by at least two provinces. The two provinces delineated in the Tarai are not contiguous. The district of Chitwan forms part of the Narayani province.

Three tiers of government – federal, provincial and local – have been proposed. Within the provinces three types of ‘special structures’ (*bishes samrachana*) have been envisaged. Autonomous regions are areas with the concentration, dominance or plurality of particular ethnic, community or language groups. Protected areas are delineated for the protection and development of minority ethnic groups or endangered and marginalized ethnic groups. Special areas are geographical areas that may have population groups that are lagging or disadvantaged in terms of economic and social conditions or needing special attention for the development of particular sectors. A total of 23 autonomous regions have been proposed on a preliminary basis.

The report proposes to give the right of self determination to the provinces with the condition that it does not impinge upon the sovereignty, independence, unity and territorial integrity of the country. A condition of political prior rights has been proposed in the case of provinces formed on the basis of ethnic community plurality. Political parties during election and in the process of formation of the government are required to give priority for the

main leadership of the government to members of the dominant ethnic, community group for the first two terms. This gives a privileged citizenship to concerned ethnic groups.

The following provides a brief critique of the federalization proposed by the CRSDSP.

Wide variations in population and area: The federalization exercise is not based on considerations of population size, territorial extent, density or agricultural potential. There is no scientific or realistic appreciation or establishment of the principles of minimum population size or territorial extent or indicators of man-land relationships in the division of 14 provinces. As a result there is an enormous difference in demographic and territorial magnitudes between provinces. Jadan and Sherpa provinces, for example, have only 0.2 and 0.4 percent of the national population while Mithila and Tharuwan have 29.5 and 16.3 percent of the national population. Similarly, Karnali occupies 12 percent of the national territory while Newa and Sherpa occupy 0.6 and 3.3 percent of the national territory (Table 4.1). The differences in population density are more glaring. With densities of about 3 persons to the sq km Jadan is a population vacuum compared to Newa and the Tarai provinces of Mithila and Tharuwan. Most hill-mountain centred provinces have very low proportion of arable land. But Jadan exemplifies an extreme low with only 0.2 percent. Management of federalism can become difficult when the demographic and production potentials of provinces display enormous variations.

Inconsistent use of ethnic criteria: Ethnic/linguistic identity is the primary, and the only basis on which the federalization exercise has been undertaken by the CRSDSP. The provincial map coincides almost exactly with Nepal's map of ethnic plurality. But this basis has not been rigorously followed. It recognizes 12 provinces in the hill-mountains, eight (Limbu, Sherpa, Kirat, Tamsaling, Newa, Tamuwan, Magarat and Jadan) on the basis of ethnicity, two (Sunkoshi and Narayani) on the basis of mixed

ethnic population, and two (Karnali and Khaptad) on the basis of geographic regions. However, if historic occupancy and generalized ethnic plurality based on census data is taken into account only eight ethnic domains (Chhetri, Magar, Gurung, Tamang, Newar, Rai, Limbu and Sherpa from west to east) can be recognized in the hills and mountains of Nepal.

All the 14 provinces have a predominantly mixed ethnic character (Table 4.2). Target EC groups make up 1 percent of the province population in Jadan, 35 percent in Kirat, 27 percent in Limbuwan, 26 percent in Lumbini-Abadh-Tharuwan, 35 percent in Magarat, 36 percent each in Newa and Sherpa, and 32 percent in Tamuwan. It is only in Mithila-Bhojpura-Koch-Madhes and Tamsaling that the target population of Madhesi and Tamang comprises 47 and 44 percent of the province population. In fact in Limbuwan, Magarat, Newa and Tamuwan the hill caste population is slightly larger than the target EC population. There is therefore no rationale for the creation of provinces on the basis of mixed ethnic linguistic identity. The CRSDSP Report does not dwell into the question of historic continuity of habitation or the basis on which the historic continuity is assessed. Much of Sunkoshi falls in the Rai and Tamang ethnic domains, while Narayani falls in the Tamang, Gurung and Magar ethnic domains. In terms of ethnic plurality all the three provinces in the mid and far western hill-mountains, i.e., Karnali, Khaptad and Jadan are Chhetri dominant.

Not all provinces based on ethnicity criteria have a majority of the target national ethnic population in them. It is only in Limbuwan, Tharuwan and Mithila that Limbu, Tharu and Madhesi make up a majority of the population. In Kirat, Newa and Tamsaling the target groups approximate over 40 percent of the national target group population. In Jadan and Sherpa, nearly 97 and 79 percent of the respective EC population lives outside the province.

Table 4.1 Population, area, density and percent of agricultural area in the proposed 14 provinces

Province	Population (000) 2001	Percent of national population	Area (sq km)	Percent of national area	Population density (per sq km)	Agricultural land as percent of province area
Jadan	50	0.2	14623	9.9	3.4	0.2
Karnali	980	4.3	17864	12.1	54.9	2.8
Khaptad	1160	5.1	13569	9.2	85.5	1.5
Kirat	900	4.0	8462	5.7	106.4	3.7
Limbuwan	930	4.1	8652	5.9	107.5	2.1
Lumbini-Abadh- Tharuwan	3700	16.3	15151	10.3	244.2	61.9
Magarat	2000	8.8	14670	10.0	136.3	4.4
Mithila-Bhojpura-Koch-Madhes	6680	29.5	13908	9.4	480.3	75.6
Narayani	1770	7.8	7499	5.1	236.0	19.4
Newa	1700	7.5	927	0.6	1833.9	4.1
Sherpa	89	0.4	4790	3.3	18.6	3.4
Sunkoshi	700	3.1	5127	3.5	136.5	4.3
Tamsaling	1420	6.3	9885	6.7	143.7	8.3
Tamuwan	570	2.5	12054	8.2	47.3	1.8

Source: CRSDSP (2069) for population and area. Agricultural land has been computed on the basis of available data.

Table 4.2 Ethnic characteristics of CRSDSP proposed provinces

Province	Major/ target EC group	Major/target EC group as percent of province popu- lation	Mjor/target EC group as percent of national EC group population	Broad ethnic /caste categories in province (percent)*		
				Hill Caste**	Jana- jati	Dalit Madhesi
Jadan	Bhote	1.2	3.1	54.3	36.0	7.1
Karnali	CBST	62.4	8.8	62.4	14.8	20.3
Khaptad	CBST	74.7	12.3	74.7	2.1	19.3
Kirat	Rai	34.1	48.2	28.7	59.7	10.6
Limbuwan	Limbu	27.4	71.2	28.1	64.0	7.3
Lumbini-Abadh- Tharuwan	Tharu	26	62.9	26.8	35.4	13.3
Magarat	Magar	34.1	42.5	39.9	41.6	16.5
Mithila-Bhojpura- Koch-Madhes	Madhesi	46.6	75.7	13.0	23.9	15.6
Narayani	CBST	42.6	10.8	42.6	43.0	12.3
Newa	Newar	36.2	49.8	38.2	55.6	2.8
Sherpa	Sherpa	36.1	21.1	15.2	73.7	7.2
Sunkoshi	CBST	36.9	3.7	36.9	49.4	10.6
Tamsaling	Tamang	43.8	48.7	29.8	63.1	5.7
Tamuwan	Gurung	31.5	33.4	34.7	50.1	13.4

* The categories do not add up to 100 because other category is not included ** Hill caste groups comprise of Chhetri, Bahun, Sanyasi and Thakuri.
Source: CRSDSP 2069

The situation is different if the EC are grouped into broad ethnic/caste categories (Table 4.2). Ten provinces have majority EC groups – CBST in Jadan, Karnali and Khaptad; Janajati in Limbuwan, Kirat, Sherpa, Newa, Sunkoshi, Tamsaling and Tamuwan, and Madhesi in Mithila. The use of the second criteria shows that it is only in Limbuwan and Tharuwan that a large majority of the national ethnic Limbu and Tharu population reside in the respective provinces. In another three provinces – Newa, Tamsaling and Kirat – the respective ethnic population is about half of the national ethnic population. Jadan province has only about 3 percent of the national Bhote population while Sherpa has 21 percent of the national Sherpa population.

The CRSDSP report characterizes Nepal's federalization as "federalization by deaggregation". It does not lay down the principles for "deaggregation" and the basis on which the status of province is to be granted to particular ethnic and linguistic identities. When does an ethnic or linguistic community deserve the status of a province for the recognition of its identity? When is autonomy within a province enough for such recognition? These are the kinds of questions that the CRSDSP does not address.

Layers of ethnic identity: A major basis of "federalization by deaggregation" is an appreciation of the history and level of ethnic consciousness and associated political mobilization. The CRSDSP report is silent on this critical aspect of ethnic regionalization. The reality in Nepal is that there is a significant difference in ethnic consciousness between and among ethnic groups residing in different regions in the country. The ethnic groups of the eastern hills such as the Limbus have a long history of the struggle for autonomy than ethnic groups such as the Magar and the Gurungs. There are today ethnicities in the making as a result of the mobilization of indigenous and Janajati groups by organisations such as NEFIN. Ethnic identity is also a layered identity. The major ethnic/social contradiction in Nepal is one among the hill castes or CBST, Janajati, Dalit and Madhesi as groups first, and then only as specific ethnic or caste groups. This perspective on federalization has not been articulated in

the CSRDSP report. Such articulation would provide a different perspective to federalization.

Economic capability and potential of provinces

Contrary to the claims there is no evidence in the CSRDSP report that any economic capability indicators such as the condition of natural and other resources, economic activities, trade and commerce, the situation with respect to infrastructure, or inter and intra-provincial flows have been used in the federalization exercise. The economic base of the provinces, the situation with respect to the revenue base, use and mobilization of resources at present and the possibility for the future – none of these aspects have been considered in the delineation of provinces. Each province, by its very nature, has to function as a unit of development planning and there are significant externalities associated with it. A strong sense of ethnic identity and association with a territory can motivate political mobilization as seen in countries such as Ethiopia. But political mobilization alone cannot be a substitute for the availability of natural and other resources. It may even be counter-productive in terms of raising the expectations and being short in the capability to deliver. Available information on proposed provinces reveals not only enormous variations in the economic conditions of provinces but also critical disparities in revenue generation capacity and in levels of economic activities.

Population carrying capacity: Nearly all hill-mountain districts in Nepal are food deficit. The Population Pressure Index (PPI) computed on the basis of the contribution of the production of six major crops (rice, wheat, maize, millet, barley and potato) to the calorific requirement of population in districts (New Era 2004) reveals that Sherpa, Sunkoshi, Newa, and Jadan had moderately high to high PPI. A higher positive value of PPI indicates a lower population carrying capacity, and a negative value of PPI means higher population carrying capacity and potential. The only districts with low PPI were Tehrathum and Bhojpur in Limbuwan/Kirat, Rasuwa in Tamsaling, Chitwan in Narayani, Nawalparasi

in Magarat, Manang and Mustang in Tamuwan, Surkhet and Sallyan in Karnali and Doti in Khaptad. All other districts in these provinces had 'moderately high' to 'high' PPI. Tharuwan and Mithila are the only two provinces with 'moderately low' to 'very low' PPI. Continuing population growth and the likelihood for reduced political incentive for migration to the Tarai in the future means that population carrying capacity of the hill-mountain centred provinces will remain severely constrained.

Forest resources: A generalized picture of forest resources in Nepal based on the work of JAFTA (2001) reveals that Jadan, and the districts of Manang and Mustang in Tamuwan have acute shortage of forest resources. The hill-centred provinces are generally better-off in forest resources. The state of forest resources in Mithila is relatively critical. Provinces in the west like Magarat, Karnali, Khaptad and Tharuwan are relatively better endowed in forest as well as biodiversity resources.

National Parks and Protected Areas: There is enormous variation in the area under Protected Areas (PA) such as national parks, reserves and conservation areas in the provinces. Over two-thirds of the area of Tamuwan, nearly half of the area of Sherpa, and a quarter of the area of Jadan province comprise of PAs. In Limbuwan, Kirat and Tamsaling the northern mountain areas only are designated PAs. Narayani and Tharuwan have major national parks with flagship wildlife species but these cover a small proportion of the territory of these provinces. Mithila, Sunkoshi, Karnali and Khaptad are among provinces with small areas under PAs. The role of PAs particularly in the hills and mountains is critical in dealing with both the mitigation and adaptation aspects of climate change not only for the respective provinces but for the lower catchments of major hydrological systems.

Tourism potential: Tourism potential in rural Nepal is related to PAs. Newa comprising the Kathmandu valley presently receives almost all the tourists (around 750,000) visiting Nepal. Pokhara in Tamuwan receive about 40 percent of all tourists,

and Chitwan in Narayani and Lumbini in Tharuwan get about 16 percent each. ACAP in Tamuwan, Sagarmatha in Sherpa, and Langtang in Tamsaling are the main trekking areas in Nepal and account for over 90 percent of tourists visiting rural areas. Western Tharuwan also has potentials for wildlife tourism. There is enormous potential for trekking, adventure and wilderness tourism in Karnali, Khaptad, and Jadan in the western hill-mountains and Kirat, Limbuwan, Sunkoshi provinces in the east. But this remains largely unexploited for reasons of the lack of tourism infrastructure and marketing. Mithila has potentials for religious tourism.

Major watersheds and hydro-power potential: All hill-mountain provinces have significant potential for the economic exploitation of hydropower resources. But theoretical potential is only in the realm of possibility. Actual exploitation of the hydropower potential depends on many factors—road infrastructure to potential sites, factors influencing domestic and foreign investment, political stability and the strategies and policies pursued both by the federal government as well as those in the provinces. The larger the project the greater is the likelihood of inter-provincial bargaining over resource benefits. An important factor in the exploitation of hydro-power may be the ownership regime and the integrity of major watersheds within a province. In Kirat, Sunkoshi, Tamsaling, Sherpa, Tamuwan, Magarat and Narayani the major watersheds and hydro-power sites are fragmented among provinces. In Khaptad, Karnali, Jadan and Limbuwan the major watersheds remain more or less intact. Resource sharing, and the right to self determination with respect to resources can be contentious issues in inter-provincial relations.

The provinces of Newa, Tharuwan and Mithila do not have potential for hydro-power although the latter two can be significantly impacted by large scale multi-megawatt projects such as the large dam projects in the Karnali and the Koshi. The experience of neighbouring India shows that the riparian regime can also affect the exploitation and use of water resources.

Road infrastructure: Road infrastructure orients economic, commercial and trade relations and is often the basis on which major development initiatives can be undertaken. It also influences the emergence and growth of urban centres which become the hub of diverse economic activities. Ease of access and administrative convenience is also a function of roads.

The present road network in Nepal is a reflection of both the excessively centralised character of Nepal's space economy and market orientation of the economic policies of the state (and that of the major donor community) which discouraged relatively costly road construction in mountainous and remote areas. Road density is therefore high in Mithila, Tharuwan, Newa, Narayani and Tamsaling. Provinces such as Karnali, Khaptad, Kirat, Limbuwan and Sunkoshi have very low road densities. Sherpa and Jadan have no roads to talk of. The roadless Jadan province straddles the trans-himalayas from eastern Dolpa to Simikot and beyond. Here as in roadless mountains of Karnali, Khaptad and other provinces basic access is limited to measuring the distance on foot in very difficult terrain.

The question of administrative convenience is related to the ease of access to the capital of the province and the state of economic integration of the province as defined by existing or feasible infrastructure. In both these counts the high-mountain centred provinces such as Jadan and Sherpa have very critical problems.

Spatio-economic orientation of provinces: Provinces make economic sense when they are congruent with economic regions. A study in 2007 (NPC/ADB 2007) looked at economic regions in Nepal on the basis of the identification of major economic centres and their sphere of influence determined by trade and migration flows and economic linkages reflected in the level and quality of infrastructure. The study identified 8 economic regions in Nepal. With the exception of Kathmandu and Pokhara, all the economic regions were oriented to major economic centres in the Tarai. These economic centres (Dhangadhi, Nepalganj, Bhairahawa-

Butwal, Birganj, Janakpur, and Biratnagar from west to east) varied in terms of status and hierarchy but oriented the flow of goods, services and people from the adjoining hill-mountain regions. This illustrates the nature and dependence of Nepal's hill-mountain economy on the Tarai urban centres.

The 14 provinces remain fragmented in terms of their economic orientations. The whole of Limbuwan and parts of Kirat and Mithila come under the Biratnagar economic region. Parts of Sunkoshi, Sherpa and Mithila are influenced by Janakpur. Tamsaling, Newa and parts of Sunkoshi are oriented by Kathmandu. Parts of Mithila, Narayani and Tamuwan come under the Birganj-Bharatpur economic region. Parts of Narayani, Tamuwan and Magarat are oriented by Pokhara. Bhairahawa-Butwal influences parts of Tharuwan and Magarat. A very large area comprising the whole of Jadan, the whole of Karnali, parts of Magarat and Tharuwan come under the influence of Nepalganj. Similarly, the whole of Khaptad and parts of Tharuwan are influenced by Dhangadhi. With better infrastructural growth and complementary strategies of development these economic regions will change over time. Meanwhile, inter-provincial economic linkages will remain critical aspects in the development of respective provinces. This reveals that inter-provincial economic links remain much more important and fundamental than intra-provincial economic links. Also, ethnic orientation of provincial boundaries disregards the spatio-economic logic defined by existing flow of goods and services. Tanahu, Syangja and much of Parbat are important hinterlands of Pokhara but in the provincial division much of these districts fall under Narayani. A similar problem can be seen with respect to Dharan which is the major gateway to the eastern hills but is kept within the bounds of Mithila.

Province capitals and urban centres: The level of urbanization, as measured by municipal population, varies significantly among the provinces. Newa has more urban centres and a higher level of urbanization than any other province. Sherpa and Jadan have no urban population. Among the provinces with few small urban

centres and very low level of urbanization are Khaptad, Karnali, Limbuwan, Kirat and Magarat. Mithila, Tharuwan, Tamuwan, Narayani have levels of urbanization at par with the national level.

The problem in many provinces such as Jadan, Sherpa, Khaptad, Tamsaling, Sunkoshi, Kirat is the lack of urban centres with the minimal infrastructure, services and facilities to cater as provincial capitals.

Revenue generation and regular expenditure: The viability of provinces is often judged on the economic merit, which is the existing situation and potentials for revenue generation to meet regular and critical development expenditure. DDC wise revenue and regular expenditure data show that only 9 among the 75 districts of Nepal generate revenue that is equal to or above their regular expenditure needs. These districts are Kathmandu, Lalitpur, Morang, Dhanusha, Parsa, Chitwan, Rupandehi, Sindhupalchok and Jhapa. Six of these are in the Tarai. In terms of the proposed provinces only Mithila, Tharuwan, Newa, Narayani and Tamsaling generate enough revenues to meet or exceed regular expenditures. The situation is particularly grim in Khaptad, Karnali, Jadan, Magarat, Sunkoshi, Kirat, Sherpa and Limbuwan provinces where the districts do not even generate a quarter of the revenues required to meet regular, not to talk of development expenditures.

The contribution of provinces to central revenue shows that nearly 93 percent of central revenue accrues from four provinces: Newa (45), Mithila (33), Tharuwan (10) and Tamsaling (5). In other words the 10 other provinces contribute little to central revenues.

This reveals that inter-governmental transfers will be decisive in the planning of development in the proposed provinces and can significantly circumscribe the decision making autonomy of provincial governments.

HLCRS Recommendations and Critique

As the term of the CA was coming to a close, a High Level State Restructuring Commission (HLSRC) was formed by an executive order with the consensus of three major political parties and the Samyukta Loktantrik Madhesi Alliance in November 2011. The HLSRC was clearly a result of the inability of the CA to endorse the CRSDSP report. The nine member committee reflected the differing and entrenched positions of the sponsoring parties, and as expected, could not arrive at a consensus. Two separate reports reflecting both the majority and minority views were submitted to the government by the end of January 2012. The majority 6-member report recommended federating the country into 11 provinces, including a non-territorial province for the Dalits. The minority report recommended six provinces. The reports were presented to the CA and briefly discussed before they were sent to the Constitution Committee.

The majority recommendation of the HLSRC report basically drops three provinces – Jadan, Sherpa and Sunkoshi recommended by the CRSDSP – and merges Karnali and Khaptad provinces, to bring the total number of geographical provinces to 10 (Map 4.3). Narayani, for some reason, not explained in the report is maintained with significant changes in coverage and boundary. The two provinces in the Tarai are made contiguous to circumscribe the hill provinces. Also, unlike in the CRSDSP proposition, the names of both the Tarai provinces mention the word Madhes. Considerable gerrymandering imagination has been used in extending the boundary of the Newa province to Narayani presumably to save the province from being bounded by Tamsaling. Tamsaling is almost double the area proposed in the CRSDSP. The majority report proposes political prior-rights only to special structures for the first term in leadership but reiterates those local bodies; although the powers will be enshrined in the constitution, will remain under the purview of the provinces. Twenty-two autonomous areas have been proposed under special structure. The position on the right to self-determination is basically the same as in the CRSDSP.

The report advocates residual rights to provinces on provincial matters. The composition of the majority members and the parties they represented has clearly been reflected in the federalization process.

The minority report of the HLSRC proposes 6 provinces, 4 in the hills and 2 non-contiguous provinces in the Tarai, but refrains from naming the provinces. Parts of eastern and far western Tarai are included in respective hill provinces.

The ethnic characteristics of the 10 provinces (Table 4.3) reveal that nearly one-third of the area falls in Karnali-Khaptad while nearly a third of the population is in Mithila. Six of the ten provinces (Kirat, Limbuwan, Tharuwan, Mithila, Newa and Tamsaling) have been bounded in such a way that they have a majority of the target EC population in the country. All hill provinces with ethnicity nomenclature, with the exception of Magarat, have a majority of Janajati population. However, significant differences remain in terms of area and population size of the provinces.

The critique in terms of capability remains essentially the same as for the CRSDSP. The better aspect of the report is the reduction in the number of provinces like Jadan and Sherpa which were hard to justify on population size, ethnicity and capability grounds. Sunkoshi and Narayani have similar characteristics – the former has a plurality of Chhetri and the latter of Bahun. The HLCRS does not dwell into the reasons why a gerrymandered Narayani was maintained when Sunkoshi was abandoned. The report mentions that 16 indicators of capability were used to measure the viability of provinces recommended by the CRSDSP. Sherpa, Jadan, Khaptad and Sunkoshi, we are told, were found to have extremely low viability and therefore not deserving of the status of a province. The report does not enlighten us on what these indicators were or how they were used for the measurement of viability. How could Limbuwan or Kirat or Tamuwan be viable when Khaptad could not make the mark?

Table 4.3 Ethnic characteristics of HLCRS proposed provinces

Province	Major/ target EC group	Major/ target EC group as percent of province population	Major/ target EC group as percent of national EC group popu- lation	Broad ethnic /caste cate- gories* in Province (percent)**				Total pop- ulation 2001 (percent)	Total Area (percent)
				HC	JJ	D	M		
Karnali-Khaptad	CBST	68.4	21.8	68.4	8.9	19.5	0.7	9.8	31.9
Kirat	Rai	34.7	50.8	27.9	61.2	7.3	0.4	4.1	7.5
Limbuwan	Limbu	27.4	71.2	28.1	64.0	7.3	0.4	4.1	5.9
Madhes-Abadh- Tharuwan	Tharu	26.4	62.9	26.5	35.4	13.1	23.5	16.0	9.5
Madhes-Mithila- Bhojpura	Madhesi	45.3	75.9	13.6	24.7	15.4	45.3	30.3	10.7
Magarat	Magar	35.4	43.3	37.2	44.8	16.0	0.8	8.7	10.3
Narayani	CBST	47.8	10.6	47.8	35.9	14.2	1.4	6.8	3.4
Newa	Newar	35.7	49.9	38.5	54.1	2.8	3.0	7.7	0.7
Tamsaling	Tamang	34.7	61.0	31.4	60.3	7.2	0.6	9.9	12.0
Tamuwan	Gurung	32.2	33.1	34.1	50.6	13.6	1.0	2.4	8.2

*HC=Hill caste, JJ=Janajati, D=Dalit, M=Madhesi. ** Does not include 'others'. D includes Madhesi Dalit also.
Source: HLCRS Report, 2012.

Number of Provinces

From a managerial point of view federalism is complex because of the features of shared rule and self rule. Federalism is also a relatively costly system of governance because barring some organs of the government each federal unit would have a structure of governance (particularly executive and legislative branches) that mimic the structure of federal government. Therefore, the fewer the number of federal units, the less costly it is. But the question is not only of fewer numbers of provinces, the more important concern is how and on what basis these few units are formed.

In Nepal those who argue for a large number of provinces envisage in excess of 10 provinces (Sharma 2007; Lawoti 2012). For most proponents of a larger number of provinces the arguments for a smaller number recalls the politically bitter taste of five north-south elongated development regions during the Panchayat regime which was used as an instrument of assimilation rather than identity. The number of provinces has direct implications for the idea of provinces as vehicles of expressing ethnic identity. Large number of provinces is proposed for the following reasons:

- Identity (whether ethnic or territorial) is basic to the formation of federal units. The larger the number of provinces the better can the identity of territorially concentrated ethnic/community groups be reflected in federalization.
- In a culturally diverse society a large number of provinces can mirror the diverse social and cultural formations better. Cultural identity would inhibit secessionist tendencies. Secession would be less viable because of smaller size of provinces. A larger number of provinces would make for more stable politics.
- The larger the number of provinces, the greater the chance for territorially concentrated minority groups gaining prominence and dominance in electoral politics. This would make political and social structures more inclusive. It would also help break the hegemony of more dispersed but nationally dominant EC groups.

- The purpose of development would be better served by small provinces. The smaller the size of province, the easier it would be for the provincial government to tailor services to specific cultural and social groups. Development would also be more accountable as the procedural distance between the people and provincial government is shortened. It has also been argued that the competition for resources would contribute to efficient and effective investments.
- A larger number of provinces would give more flexibility to the central government. Small provinces would be less intimidating and more cooperative with the central government. The central government can also more effectively use its fiscal powers to negotiate and deal with provincial governments.

These arguments basically presume that the political and economic objective of federalization is achieved when cultural diversity and inter-provincial dependency (as a result of small resource base) is maximized. There is also an implicit assumption that politics and for that matter development would remain driven by ethnic and not ideological considerations. Indeed, some recent political formations in Nepal have professed idigeneity itself as an ideology.

The arguments for a small number of provinces follow a different line.

- Autonomy with respect to development and governance is the crux of federalization. Autonomy is a function of the resource base of provinces. The larger the resource base the greater is the ability of provinces to exercise autonomy in terms of the expression of identity and in terms of charting a development strategy. Federal units that perennially depend on the largess of the centre usually find their decision-making autonomy circumscribed.
- Notwithstanding the constitutional mechanism of ensuring inter-provincial cooperation, an important aspect of federalism is political competition among federal units with

respect to the opportunities and resources for development. Federalisation should essentially be an instrument for rapid political, social and economic transformation. Federal units need to be considered as units of regional development. The development capability of provinces is higher when federal units are larger. A counter argument has been that in a country where over half of the development expenditure is met through donor support, there is nothing wrong in following the donor-driven and dependent model for the development of federal units. While this may be true such logic tends to look at the future merely as a continuation of the dependent economy of the present. It does not view federalism as a means of expediting the impeded process of internal social and economic development and transformation.

- Larger provinces can reflect the reality of Nepal better where one or two ethnicities can be in plurality and remain dominant but not so dominant as to ignore the aspirations of other EC groups. The unequal initial conditions between provinces can be addressed more efficiently when federal units are larger. In so far as accountability and efficiency in the delivery of services is concerned it is more a function of powers devolved at the local level rather than the territorial extent of the provinces.
- Nepal is among those mountainous countries where the effects of climate change, namely, increase in temperatures and increased incidences of extreme climatic events, has already begun to manifest. Although our knowledge regarding the many aspects of the effects of climate change remains still limited, there is increased likelihood that the effects will become more comprehensive, more dynamic and perhaps more destructive in many situations.

The response to climate change would make it imperative to (Sharma 2009) :

- Increase the effective size of protected areas particularly in the hill-mountains for sustained bio-diversity conservation
- Promote connectivity conservation between ecological zones

to enhance natural catchments and safeguard environmental integrity

- Strengthen ecosystem services between the highlands and the lowlands and ensure that highland communities derive benefits from conservation which helps the lowlands
- Ensure that the carbon benefits from one federal unit is not cancelled out by deforestation and degradation by another unit.

From the climate change perspective the north-south watersheds of the major rivers would be ideal for purposes of federalization because of the ecological inter-connection and complementarity. *Ceteris paribus*, north-south elongated five to six provinces would be ideal for integrating the hill-Tarai economies and for regional resource complementarity.⁶ This would, however, be politically unfeasible. While this may be so, considerations for keeping intact the watersheds in the hills clearly merit attention.

In general, federal units with small territorial coverage make it easier to address clearly the issue of ethnic, language and identity. However, such units may suffer from lack of economic potential and may be untenable as meaningful units of development planning. Similarly, in smaller territorial units because of dominant ethnic identity the tendency to ignore the aspirations of minority groups can be strong. On the other hand, in federal units with large territorial coverage the target EC groups may not be numerically larger to challenge the hegemony of the historically dominant groups, and the discriminations and prejudices can continue.

On the issue of the territorial coverage of federal units the experience of India and Nigeria are instructive. While federal

⁶ Such a north-south six province framework was presented by the author earlier (Sharma 2006). See also Acharya (2012) who has proposed a four province framework recently. Ethnic activist/scholars of both the Janajati and Madhesi fold tend to see a *parbitiya* Bahun-Chhetri “conspiracy” in such suggestions (See in particular Lawoti 2012).

units with large territorial coverage can eventually break into smaller units in search of separate identities, the possibilities of smaller federal units coalescing together to form larger units remain quite remote. There are virtually no examples in the world where this has happened. Federalisation is not a once for all choice, it is always a choice in the making.

Federalising Nepal: Search for a balance

In trying to address the ethnic question – the question of inequality and discrimination in Nepal – the late Harka Gurung made some very pertinent observations (Gurung 2003). There are three main social groups that have been marginalized by the state's monopolistic policy. These are the Janajati on the basis of culture, the Dalit on the basis of caste, and madhesi on the basis of geography. Gurung notes cultural, economic and political problems faced by these groups and the interventions called for in dealing with the issues. It should be noted that the observations were made before Janaandolan II, and the move towards a republic and the call for federalism.

In the cultural, economic and political sphere the major hurdles for Janajatis are religious and linguistic discrimination, low literacy and unemployment, poor political representation and subjugated governance. For the Madhesi linguistic discrimination, employment bar in certain sectors, the dominance of hill people and gaining citizenship are major problems. For the Dalits caste discrimination, poor literacy, unemployment and landlessness, and poor representation are the key problems.

The creation of a secular state, according to Gurung, would address the issue of religious discrimination. Official status to Janajati and Madhesi languages would address linguistic discrimination. Targeting in education, affirmative action and a system of proportional representation would address Janajati issues. Lifting of the employment bar in sectors like the army, regional autonomy and easing citizenship issue by ascertaining long term residents can address the hurdles for the Madhesis. Free

education, reservation in employment, provision of alternative livelihoods and collegiate elections would be the interventions for dealing with the problems of the Dalits.

Gurung's analysis basically views the problem of ethnic inequality and discrimination in terms of four major social groups in Nepal: the Janajati, the Dalit, Madhesi and hill caste groups comprising of the CBST.⁷ In fact much of the analysis on Nepal's socio-economic and regional inequality has been made on this basis. This presents the ethnic problem in a meso scale. The micro scale would be looking at the problem from the perspective of each ethnic/caste group, at the scale of the 100 identified EC group in the 2001 census or the 125 identified groups in the 2011 census. The micro-scale is clearly unworkable for purposes of federalization of the country.

The distribution of population by the plurality of major ethnic groups show that there are major ethnic domains, i.e., areas with relative concentration and dense population of major ethnic groups even as the population is highly mixed due to centuries of migration not only of hill caste groups but also of Janajatis. The diversity in the distribution of ethnic and language groups in Nepal is such that all the existing ethnic/caste groups and languages cannot be provided a separate territorial identity through a federal structure. On the other hand, the historical experience and cultural consciousness created by political actors and ethnic organisations, has been such that ethnic/caste groups are unlikely to refrain from demanding the recognition of their ethnic/caste and language identity. The rationale for federalism in Nepal presented in the early part of this paper clearly indicates that federal units based solely on grounds of major ethnicity/language

⁷ The categorization of EC groups varies among scholars but in 2001 Janajatis made up 37.2 percent, Dalits together 11.8 percent, Madhesi (including Muslim) 19.1 percent and hill castes 30.9 percent of the national population respectively. As per the 2011 census Janajatis together comprise 36.9 percent, Dalits together 13.1 percent, Madhesi (including Muslims) 18.1 percent and Hill castes 30.8 percent of the national population respectively. Others make up 1.1 percent of the total population.

groups carry the risk of not adequately addressing the equally important concerns of equitable and inclusive development, and the decentralization and devolution of power to the lowest level. In such an eventuality federalism could defeat its very purpose, which is the empowerment of all citizens and a prosperous Nepal where prosperity is shared by all.

Ethnicity cannot be ignored in Nepal's federalization, not because it is a timeless category but because promotion of cultural and linguistic heritage and identity is very much a part of development itself. Federalisation has to be a vehicle of expressing Nepal's socio-cultural diversity not as a medium of harking back to the past but as means of charting a multicultural course for the future. It is in this sense that ethnic identities at the meso level (i.e., Janajati level) and economic viability or capability appear most pertinent as the basic principles of federalizing Nepal. This would make for a small number of provinces where (a) there would be a plurality of one or two ethnic groups, (b) a major presence of Janajatis, in the east, centre and the western hills, with the potential to make a difference in political representation, (c) a major presence of Madhesi and Janajatis in the Tarai provinces, (d) a sizeable territorial coverage to minimize the difference in population, area and natural resources between provinces, and (e) to a large extent maintain the integrity of the watersheds in the hills in particular. This would go against the claim of federalization based on single ethnic identity particularly for ethnic groups that have a relatively small territorial coverage.

The framework for such a federalization can be created by making use of two concepts. The first concept is of ethnic groups with contiguous historical occupancies. This would basically group together ethnicities that have historically inhabited geographically adjacent and contiguous areas, have suffered discrimination at the hands of the state, and have over time developed a sense of relative affinity towards one another. Such federal units can encompass a larger natural resource base and be able to sustain as meaningful units of regional development.

For instance, Limbu and Rai in the eastern hills are ethnic groups that have historically shared contiguous habitats, have dominant territorial presence and traditions in those habitats, and share a sense of ethnic affinity. They have also been at the receiving end of the exclusive policies of the Nepali state. A similar yet more general situation obtains with respect to the Gurung and Magar in the western hills. It may therefore be possible to recognize one federal unit that incorporates the ethnic areas of the Limbu and Rai, and another encompassing the Gurung and the Magar. The name of such federal unit can be decided through mutual consultations to reflect the cultural roots of respective ethnic groups. The Tamang ethnic area covers a large territorial space and may be considered as a separate federal unit. The Newar ethnic area happens also to be the capital city, and may need a separate recognition not only as a capital but also as the expression of Newar cultural heritage. In the mid and the far west, the area of Chhetri dominance, a single large federal unit can be envisaged to encompass Karnali-Khaptad region. This would yield five provinces in the hill region. All these federal units or provinces, with the exception of the Karnali-Khaptad would have not only plurality but a majority of Janajati (in Rai-Limbu, Tamang, and Newar areas) thus influencing the ethnic representation in the provinces, a major concern of all proponents of ethnic based federalism⁸ (Hachhethu 2010). The situation should not have changed much in the 2011 census. The circumscription of Kathmandu valley by one single province should not be a serious consideration as it would result in the creation of a wholly inappropriate artificial boundary, and gerrymandering as has

8 Computations based on the data used in the HLSRC report show that in the hills Limbu and Kirat areas together would have around 28 percent of hill high caste (HC) and 63 percent of Janajatis (JJ); Tamang areas would have 31 percent of HC and 60 percent JJ; Newa would have 38 percent HC and 54 percent JJ; Gurung and Magar areas would have 37 percent HC and 46 percent JJ. The division of Narayani into Tamang and Gurung/Magar areas would still provide the edge to JJ plurality. In the eastern Tarai Madhesi (M) comprise 47 percent and JJ 24 percent of the population. In western Tarai HC comprise 26 percent of the population compared to JJ 35 percent and Madhesi 23 percent. Dalits would comprise less than 10 percent of the population in Rai, Limbu, Tamang, Newar areas, and around 15 percent in the rest. It would be more in the Karnali-Khaptad.

been done in HLSRC majority report.

In the Tarai, two provinces as has been proposed in the CRSDSP can be envisaged based mainly on regional identity in the east and ethnic identity in the west. Based on ethnic, language and hill identity considerations the inner Tarai valley of Chitwan would be part of hill province. There have been suggestion for incorporating the hill dominant areas in the eastern and western Tarai to respective hill provinces. This may not be a feasible course in view of the geographical identity of the Tarai, and the fact that the sizeable presence of hill-origin population in the Tarai could foster better interdependence and good will among the Madhesi and Parbate or Pahadi populations.

Federalization would not provide an ethnicity based territorial identity to the Dalits mainly because of the dispersed nature of Dalit settlements, and the juxtaposition of hill caste and Dalit settlements. Provisions for special non-territorial representation, reserved constituencies in Dalit plurality areas, special reserved quotas for Dalits in local government, and more assertive affirmative action at all levels and employment sectors might be the different ways through which the problem of the Dalits could be addressed under federalism.

The second concept is that of special autonomous areas. Areas with particular ethnic/caste dominance and cultural features can be designated special autonomous areas (SPA) of those ethnic/caste groups. SPA can be identified for both the large and small ethnic groups that have a contiguous territorial spread and a historic continuity in habitation. These can come under the purview of the provinces and the distinctiveness of the special autonomous areas, their rights and obligations can be enshrined in the constitution itself. This would make it possible to recognize the identity of even smaller ethnic groups that have a contiguous geographical or territorial spread. It should also be possible to provide for special representation of such special autonomous areas in the formation of the provincial legislature. Special autonomous areas can also be an expression of the

cultural integrity and solidarity of EC groups. The SPAs would incorporate the special structures envisaged in the CRSDSP and the HLCRS.

Concluding Observations

In Nepal federalization has been seen by the major stakeholders (political parties and ethnic organisations) as an once-for-all exercise. The experience of India shows that it is an evolving exercise that moves from larger entities to smaller ones, from population groups with heterogenous attributes to less heterogenous attributes, and also from specifically ethnic concerns to development concerns. The broad seven province framework may be seen as an evolving exercise where the scope for the recognition and expression of socio-cultural diversity is matched by the capacity to exercise autonomy and engage in development that is in consonance with the resource base and the genius of the people.

The federalization debate in Nepal has been rife with concepts and constructs that are often misleading or shrouded in confusion. The federalism being advocated in Nepal by major political actors is not ethnic federalism in the sense that certain ethnic groups have privileged citizenship relative to others. It could be an expression of ethnicity only to the extent that the language and culture of plurality groups could gain wider provincial recognition and patronage. A lot of noise is being created about nomenclature and single or multiple identity federalization as if single identity would deny equal citizenship to other groups, or that multiple identity would deny the recognition of specific groups. Except for the name, the socio-economic and political implication of identity-based federalization has not been adequately elaborated by contending parties. With the exception of a few who hold extreme positions with regard to privileged citizenship and political prior-rights for particular ethnic groups in the areas of their historical occupancies, the kind of federalism being considered Nepal is within the context of liberal democracy. This is unlikely to change. Federalization has also been confused with affirmative

action, when the former is about redistributing power and the latter about equalizing opportunities. There have been attempts to conflate the two via the self-determination model (Shneiderman and Tillin 2012). The idea of self-determination that violates the rights of local communities irrespective of indigeneity could be a recipe for conflict particularly when Nepal provides a model for community management of natural resources, where community is defined by locality and relationship to resources rather than ethnicity.

The federalization debate in Nepal has been constructed with an eye on domestic ethnic and developmental issues. The fact that Nepal is located between two giant neighbours with their own geo-political perceptions, aspirations and imperatives has not entered the federalization debate in any conscious way so far. This does not mean that the concerned forces and processes are not in play, on the contrary. Federalisation of Nepal will have implications for its relationship to its neighbours and to the wider region. Some have surmised that a meaningful state reconstruction will include significant transformation in Nepal's current relationships with its neighbours (Sharma 2010). This makes it all the more urgent for all stakeholders in Nepal's federalization to take explicit cognizance of these geo-political implications even as domestic ethnic and developmental concerns shape the federalization agenda.

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5 | **Way Ahead for Nepal in the Context of Development of China and India**

Keshav Acharya

Introduction

The observers of socio-economic development are in consensus that twenty-first century will be the century of Asian prominence as nineteenth century was dominated by Europe (particularly England) and the twentieth century by the United States of America. Japan evolved as the formidable global economic power in the decades following 1970s. Chinese Taipei and South Korea followed the Japanese economic miracle since the 1980s. Two most populous country of the world, China and India entered into the phase of accelerated economic development since the decade of 1990s; both of these economies are still maintaining their growth momentum. Today, the growth performance of the world economies including those of global economic power houses of North America and Western Europe is linked with performances of the emerging economies such as China, India, Brazil and Russia. In terms of GDP, China elevated its ranking to the second biggest economy of the world in 2011; while India ranked tenth. Following table illustrates this fact.

Table 5.0 Main economic Indicators of the 13th largest economies of the world in 2012

S.N	Economies	Gross Domestic Product (in billion dollars)	GDP Growth Rate (in percent)	Current Account Deficit (in percent of GDP)	Annual CPI Inflation Rate (in percent)	Rate of Unemployment (in percent)
1.	U.S.A.	15,685	1.8	-3.1	1.4	7.6
2.	China	8,227	7.7	2.6	2.1	4.1
3.	Japan	5,964	4.1	1.0	-0.3	4.1
4.	Germany	3,401	-1.4	7.0	1.9	6.8
5.	France	2,609	-0.2	-2.4	0.9	10.8
6.	U.K.	2,441	0.3	-3.5	2.7	7.8
7.	Brazil	2,396	1.9	-2.3	6.5	5.8
8.	Italy	2,014	-2.4	-0.5	1.4	12.0
9.	Russia	2,022	1.6	4.0	7.4	5.2
10.	India	1,825	4.8	-3.4	4.7	NA
11.	Canada	1,819	2.5	-3.7	0.7	7.1
12.	Mexico	1,177	0.8	-0.8	4.6	5.0
13.	South Korea	1,116	1.5	2.3	1.0	3.2

Source: International Herald Tribune; July, 2013, page 19

From this table, it is evident that China is growing at the fastest pace of 7.7 percent, followed by India at 4.8 percent. The rate of inflation is modest in both of these economies: China at 2.1 percent and India at 4.7 percent. China is running a surplus of 2.6 percent of GDP in its current account, while India has a deficit equivalent to 3.4 percent of its GDP. There is no statistics on India's unemployment rate. China has an unemployment rate of 4.1 percent, which is higher than 3.2 percent of South Korea, but lower than all other economies represented in the table. The past trend and future prospect indicate that Chinese and Indian economies are likely to surpass the performance of their competing economies. Whether analyzed from the perspective of growth rate, employment generation, the pace of inflation or the state of current account balance, the Chinese economy is better placed than India's.

China and India both have emerged and are competing as bigger source of official donors and foreign investment in the various countries of Africa, Asia and Latin America. In addition to economy, China and India are also advancing in the field of military, scientific technology and sports power. Such evolving power scenario is evident in the United Nations (UN), International Monetary Fund/World Bank (IMF/WB) and World Trade Organizations (WTO). Their growing power also gets reflected in the regional economic and strategic forums such as Asian Development Bank (ADB), South Asian Association for Regional Cooperation (SAARC), Association of South East Asian Nations (ASEAN) and in the ongoing conflicts in Afghanistan and West Asia including Arab and the Gulf.

Ample sources and literature are easily available on the socio-economic development of China and India. But, very few references are available on the dynamics of labour market and employment which helps in achieving such spectacular socio-economic transformation. This paper makes an attempt to reflect on the development dynamics of labour market in China, India and Nepal. In this process, the paper will reflect on the developments

in the rate of labour force participation and unemployment, labour skill, the structure of employment, living standard and labour productivity in China, India and Nepal.

In this process, the paper will shed light on various factors that impact on labour market. The factors that are considered include comparative analysis of social cohesion, policy and institutions and international connectedness of these three labour markets. The paper concludes with major findings and the suggested approach to be adopted by Nepal in the light of experience of Chinese and Indian labour market developments.

A. Population and Labour Force Participation Rate

This section of the paper will reflect on the comparison in the size of the population, participation and employment rate by age group, skill/efficiency of labour force, social cohesion, policy and institutions. The paper also reflects on the comparison of global connectedness of the labour markets of China, India and Nepal. The only base of analysis and comparison will be the data as published in the World Bank's World Development Report, 2013. Most of the statistics are grouped in the sequence of 1995, 2005 and 2010.

Population, Labour Force and Unemployment

Table 5.1.1 below presents total population;

Table 5.1.1 Total population (in million)

	1995	2005	2010	<i>percent change 2010 over 1995</i>
China	1,211.2	1,307.6	1,340.9	10.71
India	932.2	1,094.6	1,170.9	25.61
Nepal	21.6	27.3	30.0	38.89

Between a period of 15 years (1995-2010), population growth rate of India was 2.4 time faster than that of China. During the same period, population growth rate of Nepal exceeded the population growth rate of China by 3.6 times and that of India's by 1.5 times. In other words, Nepal's population grew at the fastest pace, followed by India and then by China.

Table 5.1.2 Size of working age population (In percent of the total population)

	1995	2005	2010
China	66.7	71.4	74.5
India	59.9	61.8	64.5
Nepal	55.0	55.7	57.4

The size of working age population clearly resembles the state of economic development. In 2010, assuming the number of total population equal to 100 in each country, the number of working age population was 74 in China, 64 in India and only 57 in Nepal. This means that, out of 100, the number of dependent population (children and old age) at 43 was highest in Nepal. It was followed by 36 in India and 26 in China. Dependent population for its survival either leans on family or on the state. In other words, higher ratio of dependent population implies that employed population has to support larger number of idle (non-working) population. Another striking fact is that, between 1995 and 2010, the share of working age population increased by the largest magnitude of 7.8 percentage point in China: from 66.7 percent in 1995 to 74.5 percent in 2010. During the same period, the share of such population increased by 4.6 percentage point in India and by the lowest magnitude of 2.4 percentage points in Nepal. Higher the population growth rates, higher remains the dependency ratio and lower the share of working age population. A look back at table 5.1.1 clears this scenario. Chinese population grew at the lowest rate; hence lowest is the Chinese dependency ratio. There is just a reverse case for Nepal: highest population growth, hence highest dependency ratio.

Table 5.1.3 Labour force participation rate (in percent of total population)

	1995	2005	2010
China	—	71.7	71.0
India	62.0	62.2	56.6
Nepal	62.3	81.3	75.7

In contrast to table 5.1.2, Nepal exhibits the highest labour force participation rate. It is much higher than India, and slightly higher than even China. In 2010, assuming the total number of populations at 100, nearly 76 in Nepal and 71 in China was active in labour force, while it was only 57 in India. Labour force participation increased massively in Nepal between 1995 (62.3 percent) and 2005 (81.3 percent). However, between 2005 and 2010, there was decline from 81.3 percent to 75.7 percent. Such decline was marginal for India. There was, however, a common feature: all three countries experience a slowdown in such participation rate between 2005 and 2010. Increase in the size of working age population (table 5.1.2), but decrease in the rate of participation between 2005 and 2010 (in table 5.1.3) could be an outcome of either one or a combination, of all of the following factors:

- An increase in the rate of unemployment,
- Or, working age population joined schools and colleges rather than going to work,
- Or, there has been an increase in the incidence of disability,
- Or, people of this age group neither attended schools/colleges, nor went to work, a classic case of voluntary unemployment.

Table 5.1.4 below shows the incidence of unemployment in these three countries. There is no statistics for Nepal for the year 2005. When compared between 1995 and 2010, there is a completely reverse scenario for Nepal: among the three countries, in 1995 Nepal suffered from the highest incidence of unemployment, in 2010 it was the lowest.

Table 5.1.4 The rate of unemployment (In percent of working age population)

	<i>1995</i>	<i>2005</i>	<i>2010</i>
China	2.9	2.7	2.9
India	2.2	4.4	3.6
Nepal	4.5	NA	2.7

Unemployment scenario does not look that disappointing for all of the three countries. Between 2005 and 2010, the employment scenario has somewhat improved for India, and marginally worsened for China. In the case of China, the increase in unemployment in 2010 could be a reflection of the shock caused by global financial crisis. The fall in Chinese labour force participation rate in 2010 as compared to 2005 as seen in table 5.1.3, is thus not due to unemployment. It is rather due to expansion in education, whereby younger population enrolled for education rather than for work.

Table 5.1.5 below shows labour force participation rate by age group and sex. The first two panels A and B of table 5.1.5 show participation rate for age group 15-24 separately for male and female; while the last two panels show participation rate for age group 25-64 for both sexes.

Table 5.1.5 Labour force participation rate by age group (In percent of the population of this cohort)*Table 5.1.5(a)* Age Group 15-24

	<i>A. Male</i>		
	<i>1995</i>	<i>2005</i>	<i>2010</i>
China	—	60.4	59.6
India	66.0	63.3	52.1
Nepal	50.0	76.4	58.0
	<i>B Female</i>		
	<i>1995</i>	<i>2005</i>	<i>2010</i>
China	—	58.7	55.1
India	29.1	27.6	19.1
Nepal	53.5	69.1	52.7

Table 5.1.5 (b) age group 25-64

	A Male		
	1995	2005	2010
China	—	90.5	90.8
India	94.9	94.8	95.1
Nepal	72.1	93.9	91.5
	B Female		
	1995	2005	2010
China	—	74.5	74.1
India	40.7	43.4	34.4
Nepal	64.1	78.9	80.3

From perusal of table 5.1.5 (both 5.1.5 (a) and 5.1.5 (b)) one can discern following facts:

- In all three countries, participation rate is higher in age group 25-64, than in age group 15-54,
- Excepting the case of 15-24 age group in Nepal in 1995 when participation rate of female is higher than male (53.5 percent vs. 50 percent); in both age group in all three countries and in all the years, labour force participation rate of male is higher than that of female,
- In both age groups (15-24 and 25-64), participation rate of Indian women is lowest. Furthermore, it is observing a declining trend over the years. Labour force participation rate of Nepalese women of age group 25-64 is steadily increasing while that of Chinese women seems to be saturated at around 74 percent.
- Table 5.1.3 had shown that compared to 2005, in 2010, there has been a general decline in the participation rate of overall labour force in all the three countries. Table 1.5.1 answers this curiosity. The reason is a fall in the labour force participation rate of age group 15-24 of both sexes. This implies an expansion in education for this group in all of the three countries.

Table 5.1.5(b) depicted acceleration in the participation rate of Nepalese women of the age group 25-64. The scenario is just reverse for Indian women: In case of India female labour

participation rate is consistently declining over the years. This begs following serious questions.

1. Does it mean that Nepalese women are getting more skilled and efficient over time?

Or,

2. Did Nepalese woman enter labour force to supplement the meager income of their spouse?

Or,

3. Were the Nepalese women forced to join the labour market in absence of their spouse who migrated to other countries or elsewhere within the country?

Or,

4. Is it in response to falling incidence of household chore due to absence of adult male members, that they joined the labour force?

Or,

5. Is it to meet the increasing domestic demand for labour in absence of male labour that migrated?

Or,

6. Is it due to the policy of reservation of government jobs for women?

Or,

7. Is it due the falling fertility rate, which leaves them free to join paid employment after raising fewer numbers of children?

Or,

8. Is it due to growing private, public and cooperative developmental activities taking place in their vicinity?

Or,

9. Is it due to expanding urbanization and massive migration taking place in the country?

Or,

10. Have political developments such as people's war and Jana Andolan 2nd, and activities of Constituent Assembly

has to do anything with Nepalese women's steadily increasing labour force participation rate?

The answer to these questions requires a separate research.

B. Skill and Efficiency of Labor Force

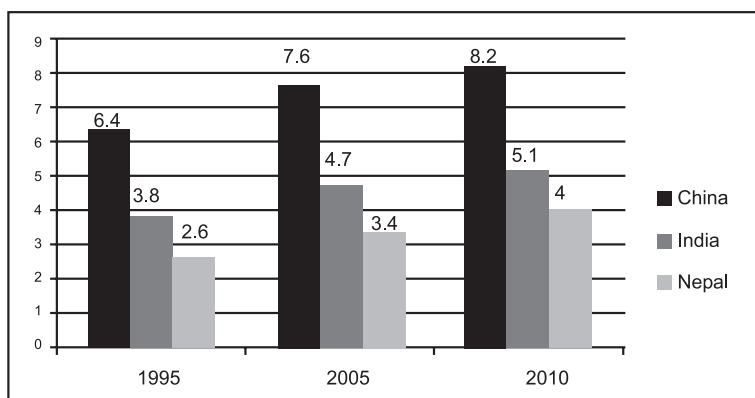
In this section, the skill or efficiency of labor force is used as proxy by the average of the number of years of official schooling attended by the labor force of that country. This implicitly assumes that higher the average number of years of schooling, higher will be the skill of labor force. This, in turn, means that more literate labor easily understands the instructions issued by the supervisors; hence the labor performs the assigned task with better ability and with ease. The table 5.2.1.1 through 5.2.1.3 below represents the average number of schooling achieved by the total labor (5.2.1.1), male labor (5.2.1.2) and female labor (5.2.1.3).

Table 5.2.1 Average years of schooling of total labor force

Table 5.2.1.1 Overall labor force

<i>Country/year</i>	<i>1995</i>	<i>2005</i>	<i>2010</i>
China	6.4	7.6	8.2
India	3.8	4.7	5.1
Nepal	2.6	3.4	4.0

Figure 5.2.1 Labor skill measured by number of years of schooling



Year of schooling resembles the state of socio-economic development of respective countries. Among these three countries represented in the table, China is the most developed. Accordingly, its labor force is the most literate, hence most skilled. Chinese labor's average education level exceeds India's and Nepal's all across the comparison period. In 1995, Chinese labor's average schooling at 6.4 years exceeded India's by 2.6 years and Nepal's by 3.8 years. In 2005, Chinese labour increased its average schooling by 1.2 years and that of Nepal's by 1.4 years. Average schooling of Chinese labours further increased to 8.2 years in 2010. In that year, average schooling of Indian labour was lower than China's by 3.1 years, and Nepal's by 4.2 years. Thus between 1995 and 2010, average schooling of Chinese labour increased by 1.8 years. Such increase was 1.4 years for Nepal and 1.3 years for India.

Table 5.2.1.2 Average school year of male labour force

	<i>1995</i>	<i>2005</i>	<i>2010</i>
China	6.9	8.2	8.7
India	4.9	5.8	6.1
Nepal	3.7	4.1	4.4

In all three years of observation and for all the countries, literacy rate of male labour force was higher than the literacy rate of overall labour force. Nevertheless, such gap is lowest for China and highest for India. Nepal appears to be seriously compressing such gap.

Table 5.2.1.3 Average years of schooling female labour force (in years)

	<i>1995</i>	<i>2005</i>	<i>2010</i>
China	5.9	7.0	7.6
India	2.6	3.6	4.1
Nepal	1.6	2.7	3.5

All the three countries experienced increase in the average literacy of its female labour force. Between 1995 and 2010, average literary rate of Chinese female labour increased by

1.7 years and that of India's by 1.5 years. In case of Nepal it increased by the highest magnitude of 1.9 years, which indeed represents an encouraging progress. Notwithstanding such progress, in each year of observation, Chinese female labour outperforms Indian, and Indian outperforms Nepal, in terms of average years of schooling. However, in terms of difference made by female labour literacy rate over male, Nepal has made the fastest progress. In 2010, the gap between male and female literacy rate was 1.1 years in China, 2.0 year in India and only 0.9 year in Nepal.

C. Structure of Employment

In the time series and cross section comparison of socio-economic progress of countries, employment structure is considered as an important indicator. It is because, an important goal of economic policies and programmes is the generation of productive employment for its labour force. In this context, the dynamics of structure of employment becomes important. It is observed that in the early stage of development, modernization or commercialization of agriculture tops the economic agenda. It is then followed by development of modern manufacturing. The additional income stream originating from modernization of agriculture and manufacturing generates additional demand for services such as hotel and restaurant, transport and communication, education, health and entertainment. However, countries that are short in agricultural land and natural resources such as Singapore will tend to move directly into the development of modern services sectors.

This section will deal with the dynamics of the structure of employment with respect to two basic dimensions. One is sectoral and other is occupational structure of employment.

C1. The structure of sectoral employment

The table below shows the share of labour force employed in primary (5.3.1.1), secondary (5.3.1.2) and tertiary (5.3.1.3) sectors of the economy over the period of time.

Table 5.3.1.1 Employment in the primary sectors (in percent of total employed labour force)

	<i>1995</i>	<i>2005</i>	<i>2010</i>
China	52.2	44.8	36.7
India	61.9	56.1	51.2
Nepal	-	80.1	76.3

Primary sector includes agriculture, mining and quarrying. In 2010, of the total employed labour force, over three fourths in Nepal, over half in India and over a third in China was engaged in the primary sectors. There is no statistics available for Nepal for the year 1995. Between 2005 and 2010, the share of labour force employed in primary sector has dropped by a higher magnitude of eight percentage points in China, by five percentage points in India and by less than four percentage points in Nepal. This clearly shows that as the countries advance economically, successively falling share of labour force is employed in primary the sectors.

Table 5.3.1.2 Employment in the secondary sectors (in percent of total employed labour force)

	<i>1995</i>	<i>2005</i>	<i>2010</i>
China	23.0	23.8	28.7
India	15.8	19.0	22.3
Nepal		8.1	10.5

Secondary sector encompasses activities such as manufacturing, power, and construction. The table consistently shows that the Chinese economy employs the highest share of labour in its secondary sectors; followed by India and then by Nepal. The scenario is just reverse of table 3.1.1. There is a narrow gap between China and India and huge gap between Nepal on one hand, and India and China on the other. Between 2005 and 2010, the secondary sector employment rose by five percentage points in China and the lowest of 2.4 percentage points in Nepal. This is indicative of a very slow pace of industrial development taking place in Nepal.

Table 5.3.1.3 Employment in the tertiary sectors (in percent of total employed labour force)

	1995	2005	2010
China	24.8	31.4	34.6
India	22.3	24.9	26.4
Nepal		11.8	13.2

Tertiary sector encompasses all the service activities such as trade, hotels, and restaurant; transport, communication and storage; finance, education and health. This table mirrors the trend of table 5.3.1.2. Like in secondary sector, in tertiary sector too; of the three economies under review; China is the largest employer. This is followed by India and then by Nepal. In all the three countries, tertiary sectors is the second largest employer after the primary sectors. But, there is a clear difference; and that is China is narrowing the employment gap between primary and tertiary sectors at much faster pace. Such gap was 27.4 percentage points in 1995, came down to 13.4 percentage points in 2005 and 2.1 percentage points in 2010. Such gap is still larger for Nepal and India. In India, those employed in tertiary sector in 2005 comprised 44 percent of these employed in the primary sector. This number increased to 52 percent in 2010. Between 2005 and 2010, employment share of labour force in primary sector dropped by 8.1 percentage points in China, 4.9 percentage points in India and by only 3.8 percentage points in Nepal. Of the employed labour force released from the primary sectors, the secondary sector absorbed 60 percent in China, 67 percent in India and 63 percent in Nepal.

C2. Occupational structure of employment

In this section, the employed labour force is classified into salaried /wage employment, self employment, farm employment, and urban employment. All the numbers should be interpreted in percent of total number of employment.

Table 5.3.2.1 Percent of salaried /wage employment

	1995	2005	2010
India	43.3	45.1	50.5
Nepal	-	17.1	14.4

No statistics is available for China. There is an opposite trend in labour marker development in India and Nepal. In India, the share of wage employment is rising, whereas it is falling in Nepal. Furthermore, the share of salaried labour force is a small fraction in Nepal, compared to half of the total in India. This clearly suggests that the Nepali economy has poorly failed to generate decent employment opportunities to its labour force.

Table 5.3.2.2 Percent of self-employment (In percent of total employed)

	1995	2005	2010
India	17.1	21.0	20.3
Nepal	-	9.6	13.3

Nepal and India indicate different trend between wage employment and self-employment. While in India wage employment is expanding and self employment is shrinking; the situation is just reverse in Nepali labour market. Expansion of self employment is not good or bad in itself. The major concern is whether or not this contributed to increase labour productivity.

Table 5.3.2.3 Percent of labour force employed in farm activities

	1995	2005	2010
China	48.0	36.8	25.8
India	39.6	33.9	29.2
Nepal	-	73.3	72.6

This table is similar to table 5.3.1.1 with two exceptions. First, table 5.3.1.1 also includes forestry and mining, this table includes only farming. Second, table 5.3.1.1 takes all the components of the primary sectors as a source of employment, while this table 5.3.2.3 takes only farming as an occupation. Both tables result in similar conclusions. China is experiencing a declining dependence on farming whether as a source of employment or as a source of occupation. Such dependence is also falling in India, but at slower pace than in China. In case of Nepal, the alternatives to agriculture are developing at a very slow pace. Therefore, overwhelming

dependence on agriculture is a compulsion rather than a choice. Between 2005 and 2010, the share of labour force that undertook farming as an occupation contracted by 11 percentage points in China and 4.7 percentage points in India. In Nepal it dropped by a meager 0.7 percentage points.

Table 5.3.2.4 Percent of labour force employed in urban areas

	1995	2005	2010
China	28.0	38.0	45.6
India	22.0	23.4	25.8
Nepal	6.0	13.4	21.0

Labour forces in all the three countries are experiencing preference for urban employment. Between 1995 and 2010, the share of labour force employed in urban areas increased by 18 percentage points in China, 15 percentage points in Nepal and only by four percentage points in India. Between 2005 and 2010, it had increased by an equivalent rate of 7.6 percentage points both in China and in Nepal, compared to only 2.4 percentage points for India. Such a huge gap in the trend of urban employment between India and Nepal is mysterious. It could mean either rural India is generating much more employment opportunities than urban India; or urban employment for Indian rural labour force is not accessible as in China and Nepal.

In conclusion, primary sectors in general and agriculture in particular still remains as the main source of employment in all the three countries. The other sources are services and industries respectively. China is passing through a rapid pace of change in employment structure, followed by India. Nepal's pace in this regards is very slow. While looking at occupational structure of employment, India is heading towards more salary/ wage orientation; while Nepal is heading towards self-employment. Whether the self-employment of Nepali labour force is a choice or a compulsion, needs to be explored more deeply. In the case of expansion of urban employment, Nepal is way ahead of India; this development of Nepali labour market is similar to China's than to India's.

D. The Standards of Living

In this section, annual salary or wage in some occupation is taken as an indicator or a measure of differences in the standard of living across time in the three countries under comparison: namely China, India and Nepal. For the comparison to be meaningful and reliable, the salary and wages, across the period and in all the countries, have been converted into the 2005 US dollar equivalent. Unfortunately, no data is available for Nepal for any of the observations. Only 1995 statistics is available for India; and 1995 and 2005 for China.

Table 5.4.1 Annual salary at 2005 dollar

	<i>Accountants</i>		<i>Chemical engineers</i>		<i>Bus driver</i>		<i>Tailor</i>	
	1995	2005	1995	2005	1995	2005	1995	2005
China	1096	2913	874	2538	501	-	891	1327
India	3261	-	-	-	912	-	800	-

Comparing the annual earnings of accountants, bus driver, and tailor between China and India in 1995; only the tailors had higher earning in China than India, that too by a margin of 11.4 percent. The 1995 earnings of accountants and bus drivers in India was higher than their Chinese counterparts by a huge magnitude of three-folds and 82 percent respectively. Comparing the change of annual earnings of Chinese professionals between 1995 and 2005, chemical engineers reaped the highest gain of 2.9 folds followed by accountants at 2.7 folds, and tailors made the smallest gains of 48.9 percent.

The World Bank has taken (a) proportion of labour force earning less than 1.25 US dollar a day, (b) the proportion of employed labour force that is satisfied with his or her living conditions, and (c) the share of labor in total national income as a proxy for comparing the standard of living across countries. The following three tables (4.2- 4.4) highlights on each of these three measures.

Table 5.4.2 Percent of population earning less than \$ 1.25 a day

	2005	2010
Nepal	53.0	25.0

No comparable data is available for China and India. The table shows a marked improvement in the living conditions of Nepali workers between 2005 and 2010. In 2005, out of every 100 Nepali workers, 53 had an earning of less than \$1.25 a day. In other words, only 47 out of 100 workers had a daily earning in excess of \$1.25. In 2010, only 25 percent of Nepali workers were earning less than \$1.25 a day. This means that the workers earning in excess of \$1.25 a day increased substantially from 47 percent in 2005 to 75 percent in 2010; a gain of 28 percentage points in five years. Rapid expansion in remittances of workers, and a rise in the real wage within Nepal are plausible factors behind this progress.

Table 5.4.3 Percentage of population satisfied with living conditions

	<i>Among employed</i>	<i>Among unemployed</i>	<i>Population out of the labour force</i>
China	72.5	65.8	74.9
India	38.9	51.2	39.0

No statistics is available for Nepal. Comparing the level of satisfaction between Chinese and Indian people, Chinese people are much happier than Indian people; whether they be employed, unemployed or out of labour force. What is further surprising is the observation that, the extent of satisfaction is highest among the Chinese population that is out of labor force: nearly 75 out of 100. The second most satisfied section is the employed people: 72.5 out of 100. Even among the unemployed, nearly 66 out of every 100 is satisfied with life. Take the case of India. The most satisfied is the unemployed population, 51.2 percent. It is followed by the population that is out of labour force: 39 percent. The least satisfied is the employed population: 38.9 percent. In China the least satisfied segment of population is unemployed (65.8 percent). In the case of India the most satisfied segment is unemployed (51.2 percent). It is again surprising that 51.2 percent unemployed Indians are satisfied. This porportion is much higher than the level of satisfaction (38.9 percent) found among the employed Indian population. Probably, more access

to decent employment, education, health, social protection: and relatively stability and peaceful situation has contributed to a generally higher level of satisfaction in China than in India.

Table 5.4.4 Percent share of labour in the National Income

	<i>1995</i>	<i>2005</i>	<i>2010</i>
India	30.5	29.1	30.0

Data is not available for China and Nepal. In case of India, the labour shared between the lowest of 29.1 percent (2005), and the highest of 30.5 percent (1995) in the national income. The capital and entrepreneurship shared on the remaining 70 percent of national income.

E. Average Labour Productivity:

This section reflects on the cross section (China and India) and the time series (1995, 2005 and 2010) of average labour productivity measured in 2005 US dollars. Average labour productivity will be first shown sectorally for primary, secondary, and tertiary sectors. Finally, average labour productivity will also be shown for the entire national economy.

Table 5.5.1 Average labour productivity measured in 2005 USD for the primary sectors

	<i>1995</i>	<i>2005</i>	<i>2010</i>
China	576	912	1649
India	530	620	1154

Between 1995 and 2010, the average productivity of Chinese labour engaged in the primary sector increased by a multiple of 2.9, from \$576 to \$1649. Temporarily, such productivity had increased by 58.3 percent between 1995 and 2005, which further expanded by 81 percent between 2005 and 2010.

India's labour productivity in primary sectors increased by 2.2 folds between 1995 and 2010, from \$530 to \$1154. The

rate of growth increased from 17 percent between 1995-2005 to 86 percent between 2005 and 2010. In the second phase, India's productivity increased faster than China's: 81 percent vs 86 percent. Nevertheless, in 1995, China's average labour productivity was higher than India's by \$46. Such productivity difference increased by \$292 in 2005 and \$495 in 2010.

Table 5.5.2 Average labour productivity in the secondary sectors (2005 dollars)

	1995	2005	2010
China	3077	6683	10799
India	1919	2733	4089

Between 1995 and 2010, average industrial labour productivity of China increased by 3.5 folds, compared to 2.1 folds increase for India. During this period, China's productivity growth rate was higher than India's similar growth rate by 67 percent. Phase wise, between 1995 and 2005, Chinese productivity grew by 2.2 folds compared to 42 percent for India. In the second phase (2005-2010), average Chinese productivity growth rate decelerated to 61.6 percent, while India's increased to 49.6 percent (from 42 percent in the first phase).

In 1995, average productivity of China's industrial labour was higher than India's by \$1158 (60 percent). Such difference increased to \$3950 (2.4 folds) in 2005 and to \$ 6750 (2.6 folds) in 2010.

Thus, notwithstanding somewhat narrowing down of the productivity gap in the primary sector, such gap kept on widening in favour of China in the secondary sectors.

Table 5.5.3 Average labour productivity in service sectors (in the 2005 dollars)

	1995	2005	2010
China	1972	4425	7788
India	2395	3917	6775

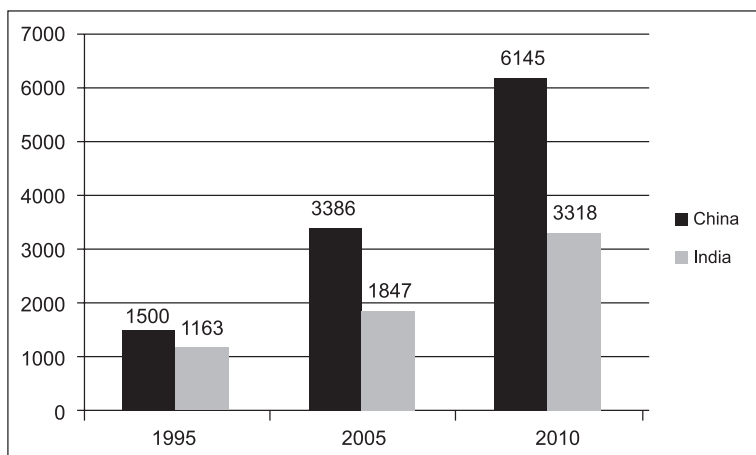
Unlike in the primary and secondary sectors in which China had productivity lead over India in 1995; in the case of tertiary sector, India initially had a clear lead over China. In 1995, average Indian labour productivity in the tertiary sector exceeded China's by \$ 423 (21.5 percent). The situation reversed later on. In 2005, China's tertiary sectors, average labour productivity exceeded India's by \$508 (13 percent) and in 2010 by \$ 1013 (15 percent).

While comparing the average labour productivity across all the economic sectors, primary sectors stands out as the least productive. In case of the other two sectors, secondary sector is the most productive in China; and tertiary sector in India.

Table 5.5.4 Average labour productivity in the overall economy (In 2005 dollars)

	1995	2005	2010
China	1500	3386	6145
India	1163	1847	3318

Figure 5.5.4 Average labour productivity in the overall economy (in 2005 dollars)



Source: table 5.5.4

Except for the 1995 tertiary sector, since Chinese productivity exceeds India's in all the other sectors, and across time, overall productivity of Chinese labour stands higher than India's. Not only this, Chinese productivity has been steadily exceeding India's by a successively widening magnitude: \$337 (29 percent) in 1995, \$1,531 (83 percent) in 2005, and \$ 2827 (85 percent) in 2010.

Economists also analyze productivity trends with respect to the size of enterprise, and the size of informal sectors in relation to the overall economy. They hold the view that, the larger the size of an enterprise, higher will be the productivity as compared to the smaller enterprises. Similarly, formal sector is supposed to be more productive than informal sectors. In 2010, of the total labour force engaged in the formal sectors, the share engaged in small and micro- enterprises was 93.0 percent in India and 77.8 percent in China.

Assuming larger enterprises as more productive than small and micro enterprises, there is enough prospects for further productivity gains in both China and India. In China in 2010, of the total labour force engaged in non-agriculture sectors, 83.5 percent was engaged in informal sectors. This again suggests to enormous potential for productivity growth.

F. Social Cohesion

In this paper indicators such as trust, civic participation, wage inequality (top 10 percent vs. bottom 90 percent), youth not in school or at work, are taken as indicators of social cohesion. There is a direct relationship between trust and civic participation on the one hand and social cohesion, on the other. Higher the trust and civic participation, higher is the degree of social cohesion. On the contrary, there is an inverse relationship between wage inequality and social cohesion. Larger the inequality, poorer and weaker the social cohesion and vice versa. Similar inverse relationship holds between the proportion of youth not in school or at work, and social cohesion.

Table 5.6.1 Level of trust among different segments of population (in percent)

	<i>Employed</i>	<i>Unemployed</i>	<i>Out of labour force</i>
China	52.7	43.1	53.0
India	23.4	19.1	27.1

The table shows that the level of trust is much higher in China than in India. Nevertheless, there are few striking similarities between the two countries. In both the countries, the level of trust is higher among the population that is out of labour force. Among the population that is out of labour force, 53.0 percent in China and 27.1 percent in India have a higher level of trust. Similarly, in the both countries, the lowest level of trust is found among unemployed work force: 43.1 percent in China and 19.1 percent in India. Employed work force share the trust at intermediate level: 52.7 percent in China and 23.4 percent in India. In both the countries, the level of trust among work force is closer to “out of labour force” than with the “employed”. However, there is a sharp distinction between the two countries in the level of trust. In each three segments of the population, the level of trust in China is more than twice higher than in India.

Table 5.6.2 Civic participation rate (in percent of the segment)

	<i>Employed</i>	<i>Unemployed</i>	<i>Out of labour force</i>
China	15.7	26.0	23.5
India	54.2	40.6	34.6

The scenario in civic participation is just the reverse of the level of trust: the rate of civic participation in India is much higher than in China across all the segment of population. The difference is much vivid among employed population: 15.7 percent in China and 54.2 percent in India. Among unemployed population, civic participation rate in India is 40.6 percent compared to 26 percent in China. A clear distinction is: in India the participation rate descends with employment condition. It is highest among the employed, followed by ‘unemployed’ and then by ‘out of labour force’. In case of China, the rate of participation is highest among

the unemployed (26 percent), which is followed by the 'out of the labour force' (23.5 percent), and then by 'employed' (15.7 percent).

The difference in civic participation could be a reflection of difference in their political systems and demographic composition of population. China as a socialist country offers easier and more expanded access than in India to education, health, social safety nets and employment. This could be the reason that the level of trust is higher than in India. India, on the other hand, follows Westminster type of parliamentary democracy. Similarly, Indian society is more diverse and heterogeneous in terms of language, ethnicity and religion. Hence, a higher rate of civic participation than in China. Similarly, since China as a socialist state performs many of the functions done by civil society in the non-socialist state, the rate of civic participation in China could have been much lower than in India.

Table 5.6.3 Wage inequality (90:10 percent ratio)

	1995	2005	2010
China	-	5.6	4.0
India	12.1	11.4	10.7

As per the table, both the countries are striving to lower the incidences of inequality. India lowered the gap between 10 percent highest earners and the remaining 90 percent lowest earners from 12.1 times in 1995 to 11.4 times in 2005, and further down to 10.7 times in 2010. There is no statistics for China for the year 1995. Between 2005 and 2010 China lowered the wage gap from 5.6 in 2005 to 4.0 in 2010. However, the inequality gap between India and China widened from nearly double in 2005 to 2.7 times in 2010. This means China was more egalitarian than India, and the move towards equity is getting faster in China than in India. This could be one of the reasons why, as in table 6.1, the level of trust is higher in China than in India.

Table 5.6.4 Percent of youth ‘neither at school nor at work’

	<i>Male</i>			<i>Female</i>		
	<i>1995</i>	<i>2005</i>	<i>2010</i>	<i>1995</i>	<i>2005</i>	<i>2010</i>
China	-	9.8	12.8	-	9.4	11.0
India	9.7	10.0	10.0	56.1	51.8	50.5
Nepal	33.5	8.4	8.3	36.2	19.6	15.4

Among all of these three countries, the percent of youth that is neither at school, nor at work is highest for India (except for male in 1995). Nepal follows India. And China has the lowest proportion of such youth. If one segregates such youth between male and female, in India and Nepal female outnumbers male; whereas in China fewer number of female than male is neither at school nor at work. The gender gap in such segment of youth is highest in India and lowest in China. Nepal lies in between these two countries. As late as 2010, more than half of Indian young women was ‘neither at school nor at work’, compared to only 10 percent of young men.

Of the three countries, Nepal has made spectacular progress in reducing the percent of youth of both sexes that is ‘neither at school nor at work’. The percent of male under this category dropped by more than three fourths between 1995 and 2010: from 33.5 percent to 8.3 percent. Among female youth such proportion dropped by little less than three-fifths: from 36.2 percent in 1995 to 15.4 percent in 2010. Such progress in Nepal is an outcome of efforts such as expansion in education, surge in foreign employment, and expanding urbanization as well as migration. No statistics was available for Nepal in trust, civic participation and wage inequality. However, when looked at the changing dynamics of youth that is ‘neither at school or at work’; Nepali society is getting more cohesive over time, than the Chinese and Indian societies.

G.Policies and Institutions

In this section, variables such as minimum wage measured in 2005 US dollar, separation costs of labour (in weeks of

salary), social security contribution (in percent of salary), and social security coverage (in percent of employment), are taken as proxies of policies and institutions. Yet another indicator representing policies and institutions is the ratification of the number of core ILO conventions. In this later category, Nepal stands out over China and India. Later two countries have ratified four conventions each, while Nepal has ratified seven.

Table 5.7.1 Minimum wage (in 2005 US Dollar)

	2007	2010
China	1,080	1,728
India	204	264
Nepal	360	660

Chinese labour enjoyed the highest minimum wage. It is followed by Nepal and then by India. Between 2007 and 2010, the minimum wage in Nepal rose by 83.3 percent. In China and India, it rose by 60 percent and 29.4 percent respectively. In 2007, Nepal's minimum wage was a third of China, and higher than India's by over three-fourths. By 2010, Nepal's minimum wage increased to 38.2 percent of China's and to two and half time more than that of India's. Nepal's minimum wage vis-a-vis China, and India in particular, is not consistent with the country stated policy of attracting private investment, both domestic and foreign. There is aparant need to review it in the context of India. As India is the nearest competitor for foreign investment, Nepal either needs to lower its minimum wage or increase labour productivity or accomplish a mix of both.

Table 5.7.2 Separation costs of labour in 2012 (in weeks of salary)

	<i>After one year of service</i>	<i>After 10 years of service</i>
China	8.6	47.6
India	6.5	25.8
Nepal	8.6	47.2

Nepal's cost of laying-off of worker is identical China's. Any worker who has worked for one year needs to be paid to equivalent to 8.6 weeks of salary in both Nepal and China. For workers who

have worked for over 10 years, separation cost in 2012 was 47.6 weeks of salary in China and 47.2 weeks in Nepal.

India's separation cost is 25 to 45 percent less than Nepal's. Compare this with table 5.7.1 which showed that in 2010, Nepal's minimum wage was higher than India's by a multiple of 2.5. Such discrepancy in Nepal's minimum wage and separation costs vis-à-vis India, seriously erodes its competitive strength. Nepal's surging trade deficits in general and with India in particular could be the reflection of such labour market misalignment. Nepal needs to address this issue as soon as possible.

Table 5.7.3 Social security contribution (in percent of salary)

	2005	2010
China	32.0	32.0
India	22.2	22.2
Nepal	20.0	20.0

This table shows that Chinese labour is the most secure as social security contribution amounts to nearly a third of the salary. Indian labour gets 22.2 percent and Nepali labour, a fifth. This table is in contrast to table 5.7.1 and 5.7.2, where Nepali labour was shown to enjoy much better conditions of employment. Nevertheless, a two percentage point shortfall in social security contribution vis-a-vis India cannot compensate for the huge advantage enjoyed by Nepali labour in terms of minimum wage and separation costs.

H. Connectedness

In this section, connectedness is measured by the number of immigrants as percent of total population, emigrants as percent of native population, and percentage share of remittances in the GDP. It means, the larger the share of international migration in relation to total population, and remittances in relation to GDP; the more connected will be the national labour market with the rest of the world.

Table 5.8.1 The Extent of connection with the international labour market

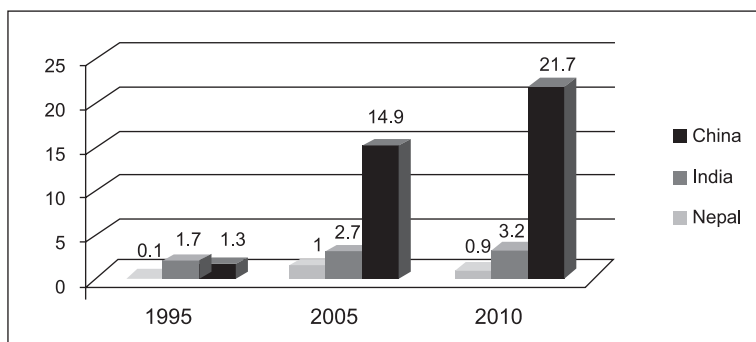
	<i>Immigrants (percent of opulation)</i>			<i>Emigrants (percent of native Ppopulation)</i>		
	1990	2000	2010	1990	2000	2010
China	0.0	0.0	0.1	0.4	0.5	0.6
India	0.9	0.6	0.4	0.9	0.9	0.9
Nepal	2.3	2.9	3.2	3.2	3.1	3.3

In both China and India, emigrants outnumber the immigrants. In 1990 and 2010, China had virtually zero immigrants. In case of Nepal, however, immigrants outnumbered emigrants by about 0.9 percent of the population in 1990. The scenario marginally reversed in 2000 and 2010, when emigrants outnumbered immigrants by 0.2 and 0.1 percent of the population respectively. The table clearly shows that looked from the viewpoint of international migration flows, of these three countries, Nepal is the most mobile and dynamic and highly connected.

Table 5.8.2 Remittances inflows (in percent of GDP)

	1995	2005	2010
China	0.1	1.0	0.9
India	1.7	2.7	3.2
Nepal	1.3	14.9	21.7

Table 5.8.2 Remittances inflows (in percent of GDP)



Source: Table 5.8.2

In China, the share of remittances in GDP increased 10 folds between 1995 and 2005 and fell slightly in 2010. It has been consistently increasing in India and Nepal both. Measured as percent of GDP, in India remittances increased by 1.6 times in 2005 and by 18.5 percent in 2010.

In Nepal, remittances as a percent of GDP increased 11.5 fold in 2005 compared to 1995, it increased by further 1.5 folds to 21.7 percent in 2010. Nepal's remittances reported in this table excludes India, as almost all of the remittances from India come through hand-carry and hundi, rather than through the formal banking channels. The author of this paper crudely presumes that remittances from India should be equal to those coming from the rest of the world.

Thus, whether looked from the perspective of the size of human migration or from the perspective of remittances inflows, of all the three countries, Nepal stand as the most connected.

More connected countries are more prone to external shocks, that are beyond the control of national economy. If countries like India, Qatar and Malaysia that are the major destinations of Nepali immigrants encounter the shocks, the Nepali economy will turn into shambles.

Less connected countries are less exposed to such shocks. Nevertheless, if the traits like skill, entrepreneurship and the capacity to bear risks that are learned and acquired in the process of working abroad finds productive avenues in the national economy; the economy can achieve miracle in a short span of time.

I. Conclusions

- One can deduce following major conclusions from this study, which are presented point-wise as following:
- The Nepali economy with a size of about US dollar 20 billion is situated between the giant economies constituting a size of

\$ 10, 052 billion: (China \$ 8, 227 billion and India \$ 1,825 billion). Thus, Nepali economy is less than 0.2 percent of these two economies.

- In terms of population, Nepal's 30 million compared to a combined population of 251.82 billion of China (134.09 billion) and India (117.09 billion), constitutes 1.19 percent. The population size of Nepal is thus nearly six times larger than the relative size of its economy. It shows the relative deprivation of Nepal.
- There exists a huge difference in the size of working age population among these three countries: China more than three in four, India more than three in five and Nepal less than three in five.
- Between 1995 and 2010, China's population increased by 10.7 percent, India's 25.6 percent, and Nepal's by 38.9 percent.
- Out of every 100 working age population, 71 in China and 57 in India is active in labour market. It is 76 in Nepal.
- Nepal has a paradoxical situation of high dependency ratio accompanied with high labour force participation rate. This means a larger proportion of school going age youth is in the labour market.
- In 2010, Nepali women of both age groups (15-24 and 25-64) had a higher labour force participations rate than in India. In the 15-24 age groups it was 52.7 percent for Nepali women vs 19 percent for India. Among 25-64 age group, Nepali women's labour force participation rate was 80.3 percent, compared to 74.1 percent for China and 34.4 percent for India. Comparatively, such a high participation rate of Nepali women vis-a-vis more developed and modern economies of China and India warrants a separate research.
- Taking average year of schooling as a measure of skill, Nepali labour force (both male and female) is least skilled of the three. Nonetheless, Nepali female labour is speedily narrowing the skill gap with its Indian counterpart.
- In all three countries (China, India and Nepal) primary sector

(principally agriculture) is the largest employer. It is followed by services and then by industries.

- In terms of changes occurring in the occupational structure of employment, Nepal seems to be heading towards self employment while India is advancing in the direction of paid employment. Share of labour force adopting farming as an occupation is declining steadily in China and very modestly in Nepal. But when viewed in terms of expansion in urban employment, Nepal is almost apace with China. India's progress in this regards is very slow.
- A higher percentage of China's population is satisfied or happy with life than in India.
- Among Chinese and Indian labour force, average productivity is higher in China than in India. The gap in average labour productivity is widening over time in favor of China. Sectorally, the least gap is in services sectors and a wide gap in the industries sector.
- The level of trust is much higher in China than in India. On the contrary, the level of civic participation is much higher in India than in China.
- Among China, India and Nepal, the minimum wage is highest in China and lowest in India. Between 2007 and 2010, minimum wages in Nepal increased by a highest magnitude of 1.8 folds. It had increased by 1.6 folds in China and 1.3 folds in India. Nepal's minimum wage was higher than India's by 1.8 times in 2007. Such gap widened to 2.5 times in 2010.
- Wage inequality is declining both in China and in India. But the extent of inequality between top 10 percent and bottom 90 percent of wage earners between China and India increased in favour of China from double in 2005 to 2.7 times in 2010.
- Viewed in terms of international migration flows as percent of total population, and size of the remittances as percent of GDP, Nepal is much more connected with the rest of the world than China and India both.

J. Lesson Learnt and Recommendations

- Nepal is not only geographically closed to but is also landlocked between India and China. Therefore, Nepal's international trade flow is faster and less expensive with India and China, than with the rest of the world.
- India and China are Nepal's largest partners in international trade, foreign investment, tourism and foreign aid.
- The Chinese and Indian economies which have had been growing steadily since the last three decades are now considered the engines of world economic growth. Except some foreign aid and trivial amount of foreign investment, Nepal has failed to benefit from the spectacular developments of these geographically adjacent economies.
- Nepal's trade deficit is widening unsustainably with both of these economies. What is worrisome is the fact that such escalating deficit is not on account of Nepal's increased imports of industrial machineries, chemicals, raw materials, technology and investment from these two neighboring economies. Growing imports of consumer goods has been fuelling such deficits.
- The sources of growing trade imbalances of Nepal are the imports of not only petroleum products and automobiles; but also of gold and silver, mustard oil and oilseeds, apple, garlic, sugar, vegetables, spices, goats, buffaloes, fish, clothing and other items of daily necessities. Imports of such items even though contribute revenue to government and profits to importers, their financiers, and traders; it does not add to the long run productive capacity of the economy.
- The current challenges facing the Nepali economy is how to harness the abundantly available human and natural resources in expanding the production base, not only for domestic but also for global market.
- The need therefore is to construct and expand infrastructure such as highways, railways, airports, hydro-electricity, irrigation, dry ports, export processing zones, planned

urbanization as well as social infrastructure such as quality health and education services; peace, security and justice. This calls for investment from the government and private sectors, both foreign and domestic.

- The availability of decent infrastructures will encourage domestic and foreign investments. A prosperous, peaceful and civilized Nepal is in the interest of both India and China. Hence, there is a need to motivate India and China to develop requisite infrastructure in Nepal.
- If Nepal can export at the rate of NPR 100 to each of the 2.51 billion of Indian and Chinese population, Nepal's export to these two countries would amount NPR 251 billion; this is over thrice the current annual exports of Nepal. If NPR one million worth of exports generate one additional employment in Nepal, this value of exports would annually generate additional employment to 251,000 Nepali labours. To begin with, if Nepal exports coarse agriculture and products processed from such coarse agriculture, half a million Nepali workers can get new employment opportunities.
- Combined GDP of India and China equals \$10,052 billion. A 30 percent rate of investment would amount to \$ 3,016 billion. If Nepal can attract a percent of it, it would amount to \$30.16 billion. Even half a percent would amount to \$15.08 billion; India and China are currently investing aggressively in Africa and Latin America. Neither the government nor the private sector in Nepal has made serious efforts to attract such investments.
- It is ultimately human resources that transform natural resources into goods and services for human consumption. Nepal needs to invest adequately to transform its working age population into human capital.
- The factor that transforms human population into physical and economic capital is the public provision of quality education. As seen in the text earlier, the difference in labour productivity across countries is essentially the difference in skills, which depends on quality of education.

- In all the years under observation (1995, 2005 and 2010) Indian labour was more educated than Nepali, and Chinese labour was more educated than Indian. Such difference in educational attainment was clearly reflected in differences in average labour productivity. Thus there is positive correlation between education and labour productivity. A higher labour productivity translates into higher production, hence in more employment, more revenue and more investment.
- Within the literacy, female literacy is more crucial. In China, female literacy gap was one year; compared to 2.3 years for India. India lowered such gap to two year in 2010.
- As economic growth accelerates, the role of agriculture as the source of largest employer gets substituted by industries and service sectors. Nepal has not yet harnessed the full production potential of agriculture sector. This sector needs more public investment as private investment is complementary to it.
- Urbanization is crucial for expanding productive employment. Therefore, urbanization should also constitute a part of overall development strategy.
- Likewise, population policy should also form a part of overall development policies. As, higher the ratio of 25-64 age group in the total population, it is more likely that economic growth will be much higher. Higher the working age population and its employment, higher will be the revenue mobilization. At the same time, lower dependency ratio of population means lower need for government expenditure on social security such as education, health and pension.
- A higher ratio of working age population, lower unemployment rate, low wage inequality and provision of social security contributes to enhanced social cohesion. This contributes to sustainable growth. Public policy needs to take these factors into account.
- Push towards increased domestic consumption away from past reliance on export and investment, appreciating Yuan, and increasing wage and interest rates may erode the competitive

strength of the Chinese economy. This is the most opportune time to attract Chinese investment in Nepal.

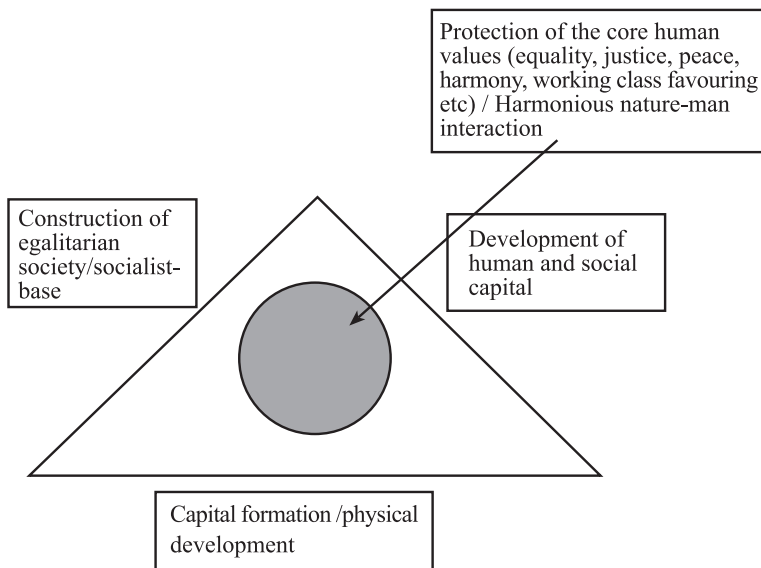
- In the context of overall economic scenario, Nepal's minimum wage is relatively high. In 2010, it was two and a half times higher than India's. Similarly, separation costs is also much higher in Nepal. Moreover, Nepal's labour market is not investment friendly. Nepal's trade unions, political parties and the government need to pay attention to it.

6

The Programmes of Economic Transformation in Nepal from the Left Perspective

Yogendra Shahi

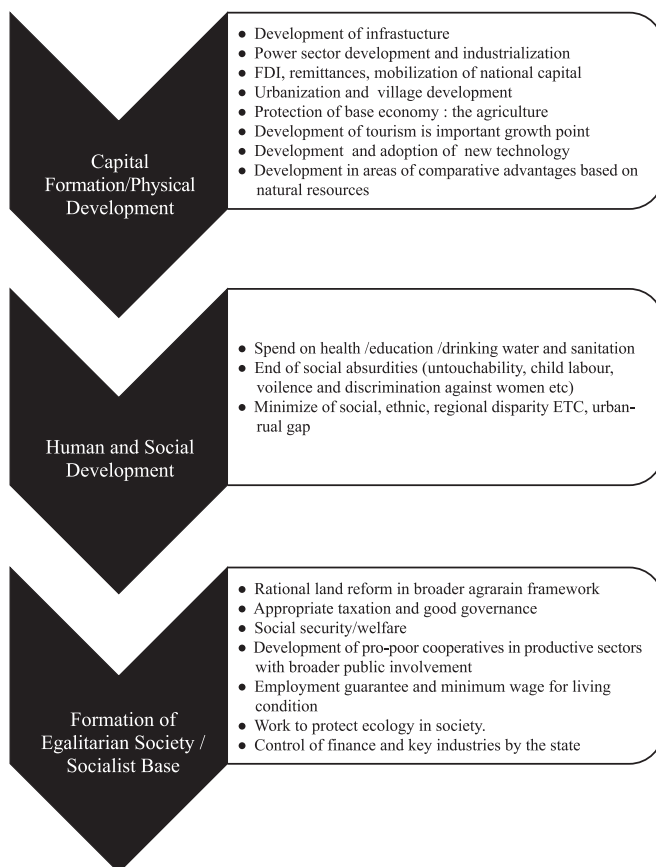
There are three dimensions of left programmes for economic transformation in Nepal; a) reproduction of capital /physical development the first dimension, b) development of human and social capital the second dimension, and c) create the condition for egalitarian society – the socialist base the third dimension. Of all the three dimensions, the protection of human values and maintaining nature-man harmonious interaction is the core of the program that needs to be designed for the socialism of the 21st century. The heart and blood circulation is the balanced and harmonious interaction and existence between ‘nature and man’ in which left ideology can guide towards socialism within the premises of national existence and global brotherhood. The left programmes cannot be guided in 21st century merely with a way of mechanical socialism. The best is to implement and design the programme in a way of bottom up and in the democratic process. It is not only the physical development and creation of wealth and its distribution rather the optimum goals are the human development of our society and to build the socialism with a human face.

Figure 6.1 Conceptual framework

The conceptual framework here is designed to understand the aspects and focal points of left programmes. Footing on the lessons from socialist models of the last century, the paper endeavours to focus on the human values based on man and nature's harmonious interaction in the cores of trilateral aspects of left programmes in the 21st century (for example, see figure 6.1 and 6.2). It has some kind of motivation to incorporate the positive aspects of eastern values – the peace and harmony – irrespective of idealistic or materialistic view – the Buddhism, Hinduism, Taoism, Confucianism, Jainism etc. with western values developed so far and particularly with the left ideas. Here the core human values means the human want for peace, equality, justice and rights to live in the society that is harmonious with man and nature. The three aspects of developments interrelated here are, namely, capital formation and physical development, human and social development, and the construction of egalitarian society and the socialism in the long run. Here the capital formation and physical development is taken as a basis for the better human and social development and so to create the egalitarian base. The wider the

base it produces the condition to enlarge the aspects of human and social development that is so essential for egalitarian base. It, finally, provides the larger space to the core values. They are interrelated and can have impacts to each other in which the optimum position is imagined in the equilateral position of the triangle. In this case, the egalitarian base also could have an impact in building physical, human and social development. There are many factors to contribute in each aspect (see figure 6.2). This paper has attempted to analysis the economic transformation in Nepal from the conceptual framework of figure 6.1 and factors underlined in figure 6.2.

Figure 6.2 Different factors of economic transformation



Basic Approach on the Nature of Left Programmes

Sometime the neoliberals used to claim that egalitarian societies hamper the growth. But the truth is that mechanical way of egalitarian society or forceful way of collectivization in many previous socialist countries had backlashes to achieve aspired growth. Nonetheless, there are plenty of examples that the egalitarian approach of land redistribution or reform, equitable wages and less inequality in wealth distribution – was conducive for the sound growth pattern even in capitalist countries such as in Japan during 1970s, the US prior to 1960 and along with land reforms in Taiwan, South Korea, Malaysia and Japan after the second world war.

The neo-liberal and free market economy has shown its failures in many countries as a part of the IMF and World Bank policy especially in Latin America and Sub-Saharan Africa. A famous World Bank economist, Joseph Stiglitz, had made comments about the Structural Adjustment Programme (SAP) as saying ‘curious blend of ideology and bad economics’. Similarly, Ha Joon Chang (2011:116-119), a Cambridge economist, has made a thoughtful analysis about the impact of the Structural Adjustment Programme (SAP) in Sub-Saharan region. He viewed the Poverty Reduction Strategy Papers (PRSP) are the new incarnation of SAP. Sub-Saharan Region, which had at least 1.6 percent per capita income growth rate from 1960 to 1970 plunged to 0.2 percent on an average between 1980 and 2009 after “30 years of better policies” based on neo-liberal free market. The region was driven for cocoa, coffee, cut-flowers, etc. as Latin America did for ‘banana’. Due to the competitive world market, low technological input and fluctuations of price; their new agriculture was collapsed even below than their previous level of industrialization that was based on indigenous products. In this regards, Nepal has also a bitter story of privatizing national industries – the mostly were built by the Soviet Union and People’s Republic of China to help the industrialization process of Nepal. In the hurry of selling out the public industries – there was FDI rather declined¹ with no significant private capital investment to boost the economic process in this framework of liberalization.

¹ The FDI in 1995/96 was 0.39 billion USD and reduced to 0.24 billion USD in 2004/2005.

On the left side too, there were also mistakes of radical jump through forceful collectivization by Stalin from 1929 onwards against Lenin's New Economic Policy (NEP) introduced in 1921 which was criticized for being a capitalist or a reformist programme even it was successful to increase productivity and get recovery from the shocks of war communism. The similar problem of the Great Leap Forward (1958-1959), the Continuous Revolution (1969), the Cultural Revolution (1966 to 1976), which was itself against a rational understanding of the Basic Contradiction Theory (1957) and Ten Major Relationship (1956) propounded by Mao Ze Dong himself. Mao criticized the policy mistakes of Stalin in 1957 referring that unless and until the contradiction between 'production and productive forces' and 'super structure and economic base' is not solved it will lead the economy into trouble is hesitantly accepted in the article "Economic Problems of Socialism in USSR"² written by Stalin just before his death (Qiyuan 2011:35). The misunderstanding on the part of the left was not to understand correctly the contradiction between 'production relations and productive forces'. The radical lefts had totally denied the positive role of capitalism, which has an inheriting function of reproduction and so to help creating the base of socialism and egalitarian society. Deng Xiao Ping wrote in 1979 indicating the mistakes of then economic programmes in China as saying (Quoted in Shengming 2011:55); "scientifically speaking we should act according to realistic principles and we want to do our work according to economic law." Nonetheless, we often found the mistakes such as forceful confiscation of land in the name of 'New Democratic Revolution' even in Nepal but did nothing on land reform to increase agricultural productivity when were in power rather buying land of their own. Sometime left dogma reminds a story of communist guerrillas in Manchuria³ practicing communism in rural village by starting a common mess; and all old men and women, children and ill

² See for details of text at <http://www.marxists.org/reference/archive/stalin/works/1951/economic-problems>

³ Reference is taken from *Reminiscence with this Century* by Kim Ill Sung as to how some revolutionaries wanted to practice communism in rural life.

people – had to come to work and food in the village centre in cold winter. People were really irritating with it and they were no more interested in such socialism for a piece of bread and a bowl of soup rather they wanted to stay in their home with their families. This is so simple, but important as to how the implementation of socialist programme has a real impact in the lives of people. Such left mistakes have contributed to prepare the ground for another ultra-right deviation which says no for public property and wealth, no for social security, no for common goods and services; and thinks that free and wild market will set everything including justice in the world. Here, ultra-right deviation is going to create a mechanism of exploitation which only sees a free market is all out solution.

No doubt collective lives and efforts are the core values of socialism and these will be set with the common perception of people and with their ownership where society will not be run by individualistic approach but socialism will respect an individual life. Taking the ownership of collective efforts only by the people they shall ready to face whatever chilled the winter for the common good. The humanistic concern is basics of Marxism as it has dealt with the issue of freedom of the workers' alienated condition of its labour, that he or she lives a life in precarious condition of capitalism. Whatsoever the lefts should do to address the problem of alienated labour condition as a programme, the modest at best, the humanistic approach that developed so far in our culture and society should be amalgamated in the process of constructing socialism. Hence, the basic approach of the left parties in Nepal is to make public domain stronger in the national economy, regulating market by the state, giving space to the private sector to develop the productive forces and so to generate better employment condition while applying needy redistribution model stepwise and prioritizing the marginalized at first. The basic approach adopted here is to solve the contradiction prevailing between production relations and productive forces in order to achieve growth and distribution hand in hand. This is the basic humanistic approach to guide the left economic programmes today.

A. Capital Formation and Physical Development: the First Dimension

Development of physical infrastructure is the key. Physical infrastructures that are essential, sustainable, and help enhancing growth and generate employment are prerequisite for capital reproduction. There is sometime a syndrome of ‘making big’ projects without proper calculation. Obviously, some big projects are necessary in this process; i.e. roads, airports, railways and hydro-projects etc. to enhance further growth. Unless and until such project could not meet the set targets it becomes sometime counterproductive to national growth. For instance, Nepal’s ‘national pride projects’ such as Melamchi Water Supply, Kathmandu-Nijgad Fast Track and Mid Hill Highway for targeted 2011-2012 was completed just 25 percent. Regarding the big projects carried out by the state, – there are many success examples under centralized plan – such as completion of infrastructure, space programme, heavy industry and hydropower of the Soviet Union, and similarly the China Railway and setting of key industries even before the expected time. Nonetheless, there are equally many cases that big, excessive and unsustainable infrastructures put the economy into misery rather than enhance growth in the same countries. The left programme in Nepal should take into account those entire factors while developing infrastructure to be sure about its sustainability and growth enhancement.

According to Department of Roads (2011), the overall weather accessibility of roads in Nepal is 80 percent and still 23 percent of hill population do not have access on the motor road within four hour walking distance. There is a huge possibility of ropeways given our geography and hydropower potentiality. However, the only ropeway established in 1964 was closed down in 2001 and now Nepal has the only Manakamana Keble Car constructed by the private sector for pilgrimage purpose and very recently Kushma Balewa cable car is also used as a mean of river crossing. The 51 km narrow gauge railway in Nepal with 35 km in operation from Janakpur-Jayanagar has less significance for economic activities.

Very recently, Bardibas-Simara 5 km track bed has contracted for the construction of very ambitious east-west electric railway will have obvious great economic significance. The Simara-Bardibas link with Birgunj will need NRs 100 billion of money (Kathmandu post, December 5, 2103). Much echoed alternative international airports – such as in Bhirahawa, Simara and Pokhara – could have great importance for the development of tourism but never materialized due to different obstacles. According to WEF Report 2011, Nepal is in the lowest ranking of 135th out of 139 countries in terms of ground transport infrastructure. Similarly, it is ranked 116th in terms of air infrastructure. There is a huge resource gap in Nepal in infrastructure development in recent years as compared with developing countries. Nepal's expenditure in road sector is around 1 percent against average allocation of 2 percent of total GDP in this sector in developing countries. It is regarded that 2.5 percent of GDP expenditure (145 million USD in a year) in building road network and maintenance is necessary to achieve a level of 6.3 percent of GDP growth according to the estimation and business plan of the Department of Roads (DoR). Another estimation made by ADB, DFID and ILO for the year 2006/7 shows that Nepal's expenditure in this sector, including non-development is just 40 percent of total need (for example, see Pandey and Sapkota 2012). It might be difficult to arrange such resources alone for the government – the modality of joint public-private investment could fulfil such resource gap.

There does seem 36 to 41 percent budget allocation in infrastructure development from the 1st to 4th five-year plan. The Fourth Plan had designed the regional development strategy in 'growth poles' concept with north-south roads aiming to increase economic activities in the hinterlands – reduce regional disparity and end the vicious cycle of poverty. But such plans were not materialized in one hand and whatever the roads were constructed was much dominated for supply side on the other. The 'dependencia' perspective viewed regional development as double dependency and emphasized on the need for the development from below (Blaikie et.al. 2001). Both approaches were relatively true given the context, but it became the hot

debate on development discourse to impact negatively at policy level. In fact, it was needed the accessibility in remote areas such as in Karnali and at the same time the planning of growth model from below.

The more closure of public services and physical facilities will have less poverty. NLSS II (2010) data shows that people living closure to hospitals, banks, cooperative schools, roads, etc. within half an hour distance – have a lower poverty rate than the people living far at a distance. Sharma and Tej Pratap (1994:61) have analyzed the positive linkages of road in reference to tea state in Darjeeling and horticulture in Himanchal, and such linkages are equally true in the case of Nepal. Hence, the road development programme and designation of the productive forces of hinterland and poverty reduction can go hand in hand and they can marry the goal here.

As so far the local roads are concerned in the villages, the fivefold increase of earthen roads from 2004 to 2007 does seem like a road revolution mostly due to the local initiatives; however these are more prone to ecology and not conducive for local employment generation. The local development priority is becoming all about roads despite environmental hazards. The studies show (MoLD, LGCDP, UNDP, UNEP 2011) that manual constructed local roads are environment friendly and can help reduce poverty as these tend to return the cost of more than 30 percent than the roads cut by machine just before the monsoon. The later process is likely to dismantle all the structures with heavy landslides. So, the policy reform is also needed for local roads in order to make local development pro-poor and environment friendly.

Industrialization and economic growth is impossible without power generation

The power generation has the key aspect to achieve economic growth; the cheaper and regular supply of power is vital for industrial development and capital investment. Moreover, the

better power supply provides better working and living condition through shifting of manual work to mechanization with the advancement of economy. Nepal has the potentiality to harness 42,000 MW hydropower that is economically viable out of total 83,000 MW. Nonetheless, the country generates mere 645 MW in which 478 MW is produced by the government, whereas 167 MW is from the private sector. The NEA data shows that the demand for power is increased by 10 percent annually in Nepal and the people linked with central grid have faced up to 16 hours load shedding in dry season. The majority 58 percent population in Nepal is not linked by central lines. Hence, there is no country in the world to be ranked below than Nepal (144th out of 144) in terms of power supply.

The causes of aggravating power crisis in Nepal needed to be pinpointed and be taken as urgency to find the way out. The government declaration of 'energy crisis' in 2010 was the right step to take issue as an emergency, but ended without implementation due to political instability. The left parties have never tried to understand this problem in relation with political economic consequences. The condition in any country for the socialism cannot be out of the blue; it is through the capital formation and development of all the infrastructures. Just after the foundation of the Soviet Union, Lenin had emphasized that the 'Electrification + American skill + Bolshevik courage is the transforming formula for the Soviet economy. No doubt what the Soviet Union achieved the magic and extensive growth for some years was due to the immense power supply and energy fields along with gifted vast natural resources and mobilizing human resources. The economic crisis that the Soviet Union had faced was another story as it could not intensify the economy in later period, and it neglected the natural law of values, incentives and consumer behaviour properly.

There is always debate as if it is better to initiate small or big projects⁴ and private or public in hydro power development.

4 For example Deepak Gyawali and Ajaya Dikshit have also discussed on small and big projects in reference with Russia and the US in 'Water in Nepal'

In Nepal, private investment is more inclined towards small hydropower; however, most of the big hydropower projects are built by the government or NEA involvement. The NEA data shows that 478MW electricity is so far generated under the government mechanism, whereas 167 MW is from the private sector. The policies taken to invite private sector from 2002 to 2012, all the private companies so far ended occupying licenses while very limited companies entered into PPA and construction phase. During this period, the total electricity so far generated by private companies was just minimal. But Private Public Partnership (PPP) under NEA has shown some level of progress in achieving power generation. Almost South Asian projects are built by the government utilities. The South Asian experience shows that private investments are more inclined towards thermal plants due to low risk, short gestation period and immediate profit. In Nepal too, the dependence on fossil fuel and sometime advocacy of thermal plant to free the country from load shedding shows the influence of bureaucratic and comprador nature of capitalism. But there are arguments (for example, Lohani, Kantipur 2013) that coal and solar plants could be the better alternatives to address the power shortage in winter. The irony of the power sector economy is that Nepal imports electricity at Rs. 10.72 from India and sell to people at the rate of Rs. 6.57. This is an imperative that the government should take all the risks to implement key and necessary attractive projects of its own. The good things of the private sector of Nepal in hydropower is that the cost of production is low – that is USD 1,000 per Kilowatt – whereas the cost of projects by the government is too high – USD 2800 per Kilowatt⁵ due to different factors – that is needed to be taken as institutional reform, policy reform and changes in local public conscience. Nonetheless, NEA with PPP model has succeeded to build hydropower even at lesser cost than the private sector that is imperative for our power generation programme in

5 Data and facts cited in Hydropower Development in Nepal by Dipak Adhikari, Economic Review, NRB

Nepal. As so far foreign investment in hydropower is concerned, it is not so encouraging as these are brought under debate; while it is an urgency to be completed – but delinked somewhere to address local development priorities and missed to design the utilization of power first within the country. Review of policies, proper consensus based on the win-win approach and responsible behaviour is a must in this regard.

The other problems in hydropower generation are political instability and corruption, insufficient power grid connectivity, unnecessary local demands, differentiation due to exchange rates, bureaucratic hurdles and corruption etc. The license holding in the name of private companies without capital generation capacity was one of the major backlashes that is now corrected at some degree due to the policy change. All those factors demand institutional and policy reform in power sectors – and moreover a tough action and commitment from the political level to address power crisis in Nepal sooner rather than later.

Urbanization and rural development are the cradles for growth. Urban centres are often regarded as a growth engine of the economy and urbanization process – provide a better condition for health, education, water and sanitation, market and other facilities. The urban growth in Nepal is highest in South Asia with 7 percent per year and its contribution to GDP is 66 percent. The capital city alone has 20 percent contribution to GDP, while all urban centres having 17 percent of the population contribute two-third in GDP. This trend reflects the nature of urbanization is concentrated in some particular areas. Kathmandu the core, and besides, few cities like Pokhara, Biratnagar, Birgunj, etc. have concentrated production and trades leaving whole deprived areas as ‘vassal states’.⁶ These crowded particular areas have accumulated all the capitals, trades and services against sub-urban centres and remote hinterlands.

⁶ David Seddon has used this term to name peripheral region such as Karnali as a vassal state.

Focused much on administering towns rather than economic centres Nepal has limited ability to allocate resources in the development budget. According to the analysis of Harka Gurung (2006:187), reducing the number of districts from 75 to 25 it will provide a room to allocate Rs 23 billion in the development sector, which comprises two-third of the total administrative budget of Rs 34.42 billion for the year 1999/2000. Doing so, many works can be handled by VDCs according to his logic. This situation needs to be reconsidered while administering Nepal from Kathmandu that ends up decentralization up to the district HQ and the idea is under discussion, even now to concentrate the power up to the state HQ.

Given Nepal's rural domination and settlement patterns, the development of small town centres is more appropriate with some exceptional big urban centres. The 'sanctuary theory' which argues for the planned settlement of population from scanty and remote areas to the plains has less possibility given the unavailability of land in Terai. Only the voluntary shift of the population is viable if heavy industrialization took place in special zones or the natural shift will continue for the people having capacity to buy land in plain areas. The better option is to design the economic development programme which modernizes agriculture given the comparative advantage of special regions with market proximity for animal husbandry, hurbi-culture, horticulture, flowery-culture, sericulture etc. The programmes of off-farm employment in small town centres by establishing the process units, tourism bases and service centres is complementary to rural growth and employment generation.

The base of development from village can be constructed learning lessons from small projects and from the bottom up approach and by involving people for their needy development projects. For instance, the positive impact of *afno gaun afai banau*⁷

7 It has a meaning "let us construct our villages ourselves"

programme initiated by CPN-UML during 9 month government is noteworthy. Such approach of development has a good scope in Nepal to minimize the gap between rural and urban areas and create the optimum condition for socialism tomorrow. Besides, the local development programmes should be environment friendly and local ecological conscience be promoted.

Agricultural development is the base of our economy

The agricultural sector is not a major engine that it makes an economy advance; rather its transformation is the key to the advancement of economy. But it is the base of the economy as it is linked with people's livelihood and is a major source of raw materials for industrial production. Its contribution to GDP in advanced economies is mere around 5 percent, whereas in least developed economies it is much higher; and accordingly the same for involvement of the work force. The major shift of work force from the agricultural sector to service and industry is a major sign of an advanced economy. Over the past 30 years, the contribution of agriculture in GDP in Nepal is reduced by 40 percent to stand currently at 35 percent. Still the two third livelihoods of people depended on agriculture directly or indirectly while the rest are depended on industries and services. Nonetheless, the direct involvement of the work force in agriculture sector is in the reducing trend. Nepal has a low level of development in industrial and service sector in one hand and on the other our agricultural development is still dominated by subsistence agriculture. So, Nepalese economy is already entered into capitalist economy though with the backwardness of the primitive nature of agriculture. The feudal mode of production in agrarian labour relation is minimal while subsistence agriculture is trapped amid unproductive capital and it has subordinated whole productive forces of Nepalese economy. In this regards, Mishra (1987), Bhusal (2002), Shrestha (1998) and others⁸ has done extensive

⁸ Very recently Bam Dev Gautam (2013) contributed his paper for internal discussion in party committee and Surendra Pandey (2013) has contributed the article in 'NabaYug' on nature of Nepalese society. CPN-UML Youth leaders Ghanshyam Bhusal, Prakash Jwala, Arun Nepal, Yogesh Bhattra, Bijaya Paudel had also recently contributed in 'Kantipur' on this regard.

analysis as to how Nepal is no more in dominant feudal relations and is already dominated by comprador type of capitalism.

There are many problems of agrarian development in Nepal needs to be clearly addressed. Of all, Nepal could not find a rational policy of land reform that could enhance agricultural growth and create the base for an egalitarian society. This issue is dealt later with a few more explanations.

The government of Nepal every time has made the agricultural and periodic plans aiming for commercialization of agriculture. Moreover, the 20 year of APP (Agriculture Perspective Plan) from 1995 to 2005 had explicitly came out with the ambitious plan to achieve annual agricultural growth of 3 to 5 percent and aiming to reduce poverty to 14 percent from 46 percent of starting periods. Major weaknesses of this plan were that it had tried to pick up the winner for commercialization which did not happen as expected; and it did not make the programme to bring on board the marginal and small farmers to achieve aspired agricultural growth by reducing poverty. The strength of cooperatives in agriculture is less realized to increase production and to facilitate market and technological supports. The advocating of high value crops and pocket area development had always lacked resources, trapped into political instability, conflict situation, and the deficit infrastructure and market. So, Nepal severely lacked to explore its comparative advantages in agriculture that might be in off-season farming, herb-culture, horti-culture, floriculture and organic farming by enhancing trade and market.

Agricultural sector faced other problems such as reduction of subsidy on fertilizer & seeds; and its high demand so the higher price but the low quality of private products became flagrant. There was no single effort to establish national fertilizer industry; or any policy to promote organic fertilizer industries at local level. But the policy review and data suggest (Oxfam, 2013)⁹

⁹ A research carried out by Sarbaraj Khadka and Yogendra Shahi in 2012 for OXFAM shows very less budget allocation between 2 to 3 percent in recent years and the study recommended to allocate at least 5 percent of total budget

that agricultural programmes in Nepal were always lagged behind to achieve real agrarian growth. The budget allocated in agricultural development is not sufficient and even at local level there has been no plan at all to allocate 15 percent budget for agricultural development despite there is dilly dally circulation from the government. No provision of compensation against 'crop and market failures' (as we have seen very recently the maize failure in eastern Terai, recently affected poultry farms due to bird flu and many other markets collapse) due to extreme weather conditions, lack of cold stores and processing units for agro-products. Another factor is very uncompetitive Nepali agro-products with unrestricted Indian agro-products which are already highly subsidized and with higher technological inputs; at a time this agriculture is in desperate need of the state protection in Nepal.

Available agriculture data suggest that our agriculture growth pattern in Nepal is weather driven¹⁰ and during some time period due to extensive expansion of land. Perhaps the introduction of new seeds and fertilizer had some impact on growth for some periods and in some regions.

In this very connection, the irrigation sector is one of the most corrupted sectors in Nepal. Nepal has only 27 percent all year irrigation facility till 2008 according to World Bank data. The Water Strategy 2002 has declared to provide all around irrigation facilities in two third of irrigable lands till 2017; however the situation is very far from the goal. The mountains and hilly areas are dominated by rain fed agriculture. The irrigation projects driven by people collectively from hundreds of years are still in manageable situation where as many irrigation projects are in dismal failure due to the irresponsibility of government and local bodies. Our traditional knowledge of water management shows our ancestor harnessed the water in hill traces to produce

10 For example the weather drive agricultural growth in 2006/07 is 1 percent while for 2007/08 it was 5.8 percent. In 2011/12 the growth rate is 4.9 percent while the estimation for 2012/13 was 1.3 percent.

rice even with the land scarcity. They harvested rainfall water in the village centre to provide water for animals and irrigation purpose; and nonetheless to absorb flood water during rainy seasons. They have built the system of spouts by channelling underground water from a long way and the system to maintain the greenery around water sources with village participation are evidences of big social capital which are neglected so far. These need to be aroused again.

The Babai Project is one that has shown the positive sign for the need of other big irrigation projects as also seen from long halted Sikta Irrigation Project is now under construction. The urgency taken to build 'Babai Irrigation Project' with CPN-UML party involvement and people's participation from below during 9 month government can be the model to adopt the other irrigation project in Nepal. Similarly, initiation of Rani Jamara Kulo of Kailali and the long stagnated Sikta project of Rapti will have an obvious positive impact on agrarian growth in West Terai of Nepal. The gap of irrigation facilities so far Nepal has faced in Far-western Terai and Central Terai despite having us multipurpose water projects such as Mahakali, Koshi and Gandaki. At this juncture, Nepal may need to revisit the plan demanding water facilities in our favour in one hand and initiate immediately the water diversion projects such as Koshi-Kamala diversion, Bheri-Babai diversion etc. on the other. These big projects on demand side should be taken as urgency by the state as these could be the engines of our agrarian growth and to fulfil the power supply for industrialization process in Nepal Terai.

FDI/ Remittances could be the major sources of capital generation

Foreign Direct Investment (FDI) when aimed at cost of selling out national industries and at time of political stability (1995/96) had shown 0.39 billion US dollar foreign investments in the country; this FDI further tends to decline 0.24 billion in 2004/2005. Nonetheless, this narrowing space of FDI is taken by remittances; Nepal received Rs 4.8 billion for 1995/1996 which reached to

Rs. 62 billion in 2004/2005 showing a fivefold increase over the last decade. In today's globalized world no one can deny the role of remittances in the economy as the fast developing economies such as India (66 billion USD), China (48 billion USD), Mexico (26 billion USD) are the largest remittance receivers in the world. However, the percentage of remittances to GDP in Nepal is exceptionally higher – i.e. 25.3 percent – than those countries. The contribution of industry and manufacturing to GDP is mere 15 percent in this highly dependent country of remittances.

It is one of the major challenges for any poor country as to how the nation invites foreign capital and assistance in productive sectors and for national interest. There are researches on foreign assistance which returns back to the donor country through hiring expensive consultants, buying equipments from the same country, and the rest of money for creamy layer of society and goes trickling down just around 15 percent at the grass roots. Besides, there is vast duplication of works and many of these works are not delegated according to national priorities.

Different studies on remittances (see, for example, World Bank 2011, NRB 2010, Shisido 2011 etc.) show that the growth of remittances and migrated workers was respectively 4.86 and 5.34 times over the last decade. There is more than 20 million work force of Nepal abroad constituting 25 percent of GDP. It becomes almost 40 percent of total labour force in Nepal. The remittance to GDP in 1995 was just 1.3 percent. According to different rough estimations¹¹ (for example, Acharya 2013), the remittance including non-recorded coming from India could constitute almost double remittance to our GDP – making it around 40 percent. In this regards, the percentage of remittance in total GDP in India is 3.7 percent, China 0.5 percent, Pakistan 6.3 percent, Sri Lanka 10.1 percent and Bangladesh 12.1 percent for 2012 (WB 2012).

¹¹ David Seddon has also claimed the total remittance is higher than official but yet double

This situation signals that Nepal's economy is highly dependent on foreign employment and hence vulnerable once the countries of destination faced any kind of crisis. Another dynamics of our foreign employment is dominated by unskilled labours, and sending skilled labours in place of unskilled – the level of salary reaches almost double. Hence, Nepal strictly needs to review the policy to send unskilled labours as soon possible, whereas in the long run the country cannot push for the policies that always supply labours in abroad.

There are positive as well as negative aspects of remittances in the local and national economy. Going to work overseas needs credit for poor people. However, the credit is available only for the workers who have some kind of access to village lenders and banks or has his own property. In this regard, there is not 'one working class per say' as the migrant workers destined to the different hierarchies of global economic centres, where credit and investment for labour condition indicates different social and economic status. Empirical evidences and studies (for example, Adhikari et al 2011) show that such remittance has eventually changed the pattern of rural and urban land ownership in favour of migrant workers. At the lowest level, there are seasonal migrants in precarious condition, with the borrowing of money at 5 percent interest rate per month from village lenders in order to go to work in India; return home with earnings hardly sufficient to pay his debt besides buying clothes, utensils and food enough for a whole year in order to start another cycle of labour migration for the next year. This migrant worker is the most marginalized of all the migrant workers destined to leave the country.

The most important factor as to how the remittance is used in the production sector. The data show that remittances are very less used in productive sector; i.e. in agriculture, small entrepreneurship, hydropower and manufacturing, etc. A huge amount of remittances is going for real estate, schooling of children, luxuries and extra expenses (NLSS 2010/11). Schooling of children is no less unproductive. Nonetheless, this has made

the rural remittances to shift in urban areas for the education of their kids given our deteriorated public education. This process has further pushed our agricultural activities under the gross negligence.

There is another aspect of migrant workers or entrepreneurs – namely Non Residence Nepalese (NRN) – have been temporarily and permanently residing there in abroad. NRN community is also developing entrepreneurship in developed countries and they want to invest back to their home country. NRN has claimed that about Rs 300 million is already invested by the NRN community in Nepal. Growing entrepreneurship of NRN communities in abroad is good for Nepal and this has created the room to invite FDI from Nepalese, their entrepreneurship, skill and technology in near future. It is roughly estimated that Nepalese people's earning living in the US alone is about equal to the GDP of Nepal; and similar earning in Europe and Asia could exceed far more than our total GDP. It has given the prospectus to invite capital from Nepali people who have one way or another some kind of attachment with the motherland. As so far China is concerned, it had generated FDI basically from the links of Chinese abroad and modernized some sectors with new technologies and investments from their supports. The case is also acute in India as the Indian Government has taken a very affirmative policy from 2006 to attract the capital of NRIs.

There is also different aspect that we saw out-migration of British Gorkha and so the economic setback in our towns such as Pokhara and Dharan – as British Government provided them the right to settle in the UK and decided to increase their pensions. The remittances of British Gorkha Army have always been major part to contribute in these town economies. Moreover, such capital flight can also happen to other developed countries such as in the USA, Europe, Japan, Hong Kong (China) etc given the political instability in Nepal and proper government policy to hold such capital and human resources for the country.

So, Nepal needs to make very serious policies and programmes in regards to NRN community, foreign employment and for the use of remittances for national capital formation. There are issues to be addressed how to give them a feeling of ownership in the country as the demand of dual citizenship is already there among NRNs – and some international significances need to be further studied on this regard;¹² create the conducive environment for their property rights and so to encourage investment at home and to stop capital flights; design the programmes of social and cultural bound for the new generation of NRN grown abroad; inspire their entrepreneurship also in abroad expecting to get return the investment, skills and technologies at home. WEF report 2012/2013 shows that Nepal's current ranking is lowest with 126th out of 144 (3.8 scores) on FDI and technology transfer. In this situation, NRN communities may act to help fulfilling such gap. The productive sectors are needed to be designed for the use of remittances with government security. The foremost areas could be obviously agriculture, power sector, IT industries and other specific services.

Tourism is an important growth point for Nepalese economy. Tourism is often regarded as a major point to ignite the engine of economic transformation and growth in Nepal due to its natural and cultural heritages. Given the growing two economies of the world side by side, China and India, Nepal could have an immense prospectus on this regards. According to World Economic Forum (WEF Report 2011) Nepal comes in 37th ranking out of 139 countries in terms of natural heritages as there are already 24 world heritage natural sites. Some indicators are impressive such as T & T government expenditure (36th ranking), affinity for travel and tours (48th ranking) and government priority (49th ranking); however, there is a severe lack of overall infrastructure (128th ranking) and human resource development sector (129th). It is indicative that Nepal has severe infrastructure problems such as sub-standard Tribhuvan International Airport (TIA) in terms of

12 According to Prof. Subedi (2011) the provision of dual citizenship will help to strengthen Nepali economy as many countries in later period adopted such policies and got huge benefits. (see Europe Abaj 2011)

all the facilities needed, but charging excessive landing and take-off duty, power crisis, air and water pollution, dilapidated roads and bad traffic, poor domestic-air connectivity but with double air fares, low food quality and hotel services etc.

It is important to know the dynamics of GDP growth due to the contribution of the tourism industry. According to WTTC Travel & Tourism Economic Impact 2013, the direct contribution to GDP is 9 percent in the world economy while 1 in 11 jobs is created by this sector and 5 percent of total investment. According to the statistics of 2011 its contribution to GDP is around 4 percent in Nepal which is bigger than the South Asian countries such as Sri Lanka (3.4 percent), India (1.9 percent), Bangladesh (2.2 percent) but lesser than Thailand (7.1 percent), Laos (5.8 percent) and Cambodia (9.5 percent). The East Asian dynamics of tourism indicates that Nepal could have room to extend further the contribution of tourism to our economy. Paudel and Giri (2012) have made a regression analysis to know the actual impact of this sector to the growth pattern in Nepal is not positive. It has been suggested enlarging the domestic consumption components and widening of the recreational activities. The factors behind lesser pro-growth tourism industry in Nepal are due to the conflict situation – and next the huge share of receipt goes multinational travel agencies and T&T producers. According to Hagen estimate, only 36 percent of tourist spending retains in domestic market. In this very connection, FDI policy is limited up to hotel sectors in Nepal. But Nepalese truth is that the hotel sector is the one where the small Nepali investments are getting success. The dilemma is that Nepal has only opened this sector for FDI while closing the other sectors of tourism. A realistic analysis is needed on impact of economic growth as if FDI supposedly invested in Travel and Tours agencies. Similarly, there are arguments to be seriously taken – for example, Harka Gurung (2001:50-51) was in favour to open up Mt. Machhapuchhre – that the unconquered peaks in Himalayas be opened up for the development of tourism and royalty be shared also for the local economies.

The basic trend of tourists in Nepal is for the purpose of leisure and recreational activities. So, the facilities such as trekking,

rafting, para-gliding, roaming around cities, villages, and natural places etc. need to be further expanded. According to Tony Hagon's view (2012:143-144) the development of trekking is most helpful for poor, and most importantly the trekking and agricultural season coincides differently so to make the jobs for rural farmers in lean season. He estimated 40,000 employment generations only in Kathmandu valley given the condition of 300,000 tourists arrived in the year of estimation. In fact, such situation of employment generation is dominated by guides and assistances for trekkers and city tours; and it is more distributive in an economic sense as porters, small hotels, local producers will get more benefit.

The flow of tourism is concentrated only around Kathmandu and Pokhara peripheries. The Mid-west and Far-west region just gets two percent of tourists despite these have also unique and unexplored and natural tourist destinations such as Rara, Foksundo, Bardia, Sukla Phanta, Khaptad etc. It shows the receipt what is already insignificant for economic growth for the region is reflected into regional disparity. The prospect of cultural and religious tourism in Nepal is higher given the holy places of Buddhists and Hindus such as Lumbini, Pashupatinath, Muktinath, Namoboudha, Swoyambhu, Manakamana, Sworgadwari etc. Those pilgrimages can be linked with natural heritages making quadrangle of Lumbini, Kathmandu, Chitwan and Pokhara for a short duration. Nonetheless, the coordination, mutual investment between travel and tourism agencies of Tibet-China, Nepal and India will have a significant role to promote cultural tourism—linking Manosarowar, Lasa, Kathmandu, Lumbini, and Buddhist and Hindu Dhams in India in order to make Nepal the tourism hub between two giant world economies.

Develop and adopt the new technologies

The World Competitive Index shows (WEF 2013) that Nepal is in poor ranking in terms of adoption and development of new technologies. The 21st century is already the century of knowledge capital; that is due to information and new technologies. Nepal's investment in science and technology is very low; and the

situation in the private sector is not also encouraging. Nepal's R & D expenditures is mere 0.35 percent of total GNP and 0.7 percent per capita income. Nepal's R&D status in global ranking shows that the availability of latest technology is in 112th, firm level of technology absorption is in 120th and FDI and technology transfer is in 126th. Such backwardness in technology has obvious impact on economy and growth pattern. Further, given the Nepal's huge indigenous plant resources and the gap in development and adoption of new technology; the genetic pools will be no more in the hands of Nepal.

There are developed countries spending above 3 percent of GDP on R&D such as Finland, Denmark, South Korea, Israel, Sweden, etc. and many more countries spending more than 2 percent of GDP (World Bank 2013). The ranking indicators show that the firm level technology absorption is not necessarily the job of powerful countries. The top 10 economies having capacities to adopt the technology in the world are respectively Sweden, Iceland, Switzerland, Japan, Israel, Finland, Hong Kong, Singapore, Qatar and Norway. In relation with FDI and technological transfer the top 10 economies listed are: Ireland, Qatar, Panama, Singapore, Costa Rica, United Arab Emirates, Luxemburg, Saudi Arabia, Slovak Republic and Hong Kong. Given the policy, Nepal can have also space in this area as there is famous technological development of lowest intraocular lenses developed by Dr. Ruit of cost 35 USD against 100 USD of foreign lenses. However, Nepal's R&D induced products' export is reduced to almost zero percent of GDP till to this date.

Not only the technological innovations give competitive edge to their marketable goods, but technology itself has become a marketable service in today's world. Technological development and its inducement for their products and services is one of the major factors behind the success story of the above countries. It is expected that transfer of technology will come with foreign investment as the companies will establish the industries based on their new technologies. But it depends as to how the government will make the policy to adopt it. Technologies are the subject of patent of companies in the developed world, however the

developing countries have always concerned about its transfer without restriction. Nonetheless, the developing countries are adopting the technologies in new ways given their better economic situation and to achieve further the better economic condition. There is one interesting research results (Najda Wirz: 2008) in regards to China's economic growth during post reform (1978-2005). The simulation model has shown that 80 percent economic achievements were due to the technological adoption theory, however China is still behind in global index of technological development. It is interesting that Chinese miracle growth during this time is quite different than East Asian as the later growth was due to huge accumulated capital explained by economists such as Paul Krugman, Young etc. The nature of Chinese capital investment and output is constant over the period and what made China to outperform the growth record consistently for a long period is due to the adoption of technology. China never saw such growth during the period of forceful collectivization; rather found it stagnated.

There are theories which advocate on 'diffusion of technologies' in favour of developing countries as they are not easily transferable. The adoption means – the copying of technology, or buying or transfer it in agreeing terms of benefit; and many technologies are transferred in such a way. The very recent I-phone and Samsung galaxy's technological claim over trademark, and the case in federal court with penalty and restrictions is a glaring example how technologies are so crucial in conquering global markets. Now agreed with China Mobile iPhone wants an increased share of market in China while China Mobile may be willing to adopt the I-phone's technological support. In this regard, Nepal lacks a clear strategy as we could see the scant budget of science ministry and its priority order in the government.

Explore the comparative advantage in an economy based on natural resources

Given Nepal's unique climatic and geographic diversity within short longitudinal distance poses unique comparative advantages despite the constraining factors such as harsh climatic

condition, steep slope, fragile and scanty land, remoteness, poor connectivity, resource gap etc. The comparative advantages that Nepal mountains have the unique availability of Non Timber Forest Products (NTFP) as economic resources, possibility of off-season farming, horticulture, animal husbandry, hydropower generation and tourism; and more over the hard working people, pleasant climate during summer season, aesthetic values of Himalayas, rivers and lakes can be turned into gifted economic resources. Linked with the vast fertile land of Terai Nepal's economy will get perfection to cater to the needs of different regions based on comparative advantages. Besides the huge market, especially of Bihar and UP of India and Tibet of China, where off-season natural resource base products could find its real scope. Many scholars have indicated on the factors of comparative advantages and the constraint factors of mountains (Jodha 1994; Stocking 2005; Sharma and Tejpratap 1994 etc.) and the crucial point here to discuss the way to find out sustainable development model converting these possibilities for economic growth. It is a development against constraint factors building the entire infrastructure and providing resources in one hand and developing the sector of comparative advantages on the other in the modality of square balance (Shahi 2006).

The underdevelopment of remote Nepal is often tried to understand from 'downward spiral' modality that is due to the increase of population, depletion of natural resources and the end of other economic viability existed before. Acute to be with the reference of Karnali, the traditional husbandry based on trade and access to grassland of Tibet was abrupt alongside the restriction of grazing land in lower hills for winter season due to the increased community forestry practices. Hence, the traditional livelihood pattern and economic system was collapsed, and so poverty and hunger became rampant. The government could not replace the new model that is still viable and so the region can be one of the richest parts of Nepal.

In fact, we became more fatalists to understand our development process, like a musk-deer searching musk somewhere in other places, and being unknown that the musk is existed in our stomach.

Let us substantiate the possibilities with concrete examples to enhance the rural growth. Due to horticulture, off-season farming and tourism Himanchal is one of the best state in terms of overall development indicators in India. Many plain states of India are still behind and Himachal is providing jobs to the people of other states and even to Nepal. The case is similar also with Darjeeling and now for Sikkim. Even within Nepal, Mustang has the far better development indicators than many advance districts of Nepal. But the problem of economic development in Nepal was an up-rooted initiation. The government took the policies of animal husbandry or horticulture in the mountain; but it was not viable without connectivity. Tony Hagan had criticized the policy claiming that unless and until the fodder supply in the Himalayas is assured; it is impossible to make animal husbandry at commercial level. Traditional animal husbandry was flourishing on different ground in the past time. Regarding horticulture, now given the temporary roads, the Marpha apples or Jumla apples have thriven the market and there is a deficit supply on demand and apples on the tree are already bought by the traders. It is just an example as to how the remote areas can be growth driven.

The poverty driven areas of Karnali have already changed their economic status as shown by poverty mapping of the government of Nepal. In this situation the poverty has been shifted in many districts of mid-hills. This imperative is to know the factors of economic changes. The micro-level field survey evidences (for example, Baskota and Pradhan field survey 2006) show that *yarcha gumba*, *guchi chyau* and other key herbs is the major source of household economy in rural villages of Karnali. Now the traditional shifting of seasonal migrants in the region is used to run over the rangeland of Mountains in thousands of numbers even from the districts of mid-hills. There are estimations that once those areas could establish the processing plants with herb resources (except *yarcha gumba* and *guchi chyau*) the value added will be at least four times more and it will generate more employment and help to achieve rural growth. At present, the collectors of herbs get very less trickled down money while middle man and traders are most profitable.

There are plenty of other exploring issues as to how the country could generate resources other than subsistence agriculture. How are the wet slopes of western face in different part of Nepal for cardamom becoming more valuable than even the land of Terai? Coffee of Gulmi, tea of Ilam, apples of Mustang and Jumla, orange of Gorkha and Syanja, zinger of Salyan and off-season vegetable success of Hile and Ranimatta are the positive signs that mountains of Nepal could have prospectus given their comparative advantages. Off-season vegetable of Hile and Ranimatta has taken market in India and Nepal Terai; there is a big possibility of extension for off-season farming in other regions too. Nepal's off-season farming has the prospectus as the agro-production of basins is needed for the Tibetan market in winter; while in summer and rainy season our production gets a high value in Indian market. In later period, Nepal's diary and meat production, fulfilling the part of demand of domestic market further indicates on our possibilities designed in the government programmes.

Hence, not only Nepal can seek prospectus in agriculture, but equally have immense potential in tourism, hydropower generation and on establishing of education, health and other service centres such as the centres of international conferences and dialogues due to the comparative advantages of our geography.

B. Development of Human and Social Capital: the Second Dimension

Human and social development is a crucial part of capital formation; and consequently the creation of wealth helps to further contribute to the human and social development of any country. Human and social development is the ultimate goal of building an egalitarian society.

It is very crucial to observe Nepal's progress to uplift the living standard of people as a part of the left programmes. The prime task of left programme is not the distribution but uplifting the living standard of people; as in many places, just a distribution

modality has often trapped into poverty. The official data of Nepal shows that (NLSS II 2010) the living standard of the Nepali people is getting better as shown by the results from 1995/96 to 2010/11. It shows that the percent of the population having less than adequate food was 50.9 percent in 1995/96 and it reduced to 15.7 percent in 2010/11; similarly during the same time, 61.1 percent population of less than adequate housing was reduced to 22 percent and similar significant reduction of the population has occurred in the category of 'less than adequate' in the case of schooling, health care and clothing. Overall, the percentage of population 'less than adequate income' in 1995/1996 was 72.6 percent and it reduced to 48.6 percent in 2010/11. In all the indicators, the rural areas of the Mid-west and Far-west have much worst condition as compared to the national average. There could be question on data due to the sample taken and the methodology adopted, but the trend will be more or less similar. Nepal is still in positive side and not a failed state despite all these conflicts, political instability, power shortage and slow growth. It is encouraging factor that Nepal has immense possibility given the real programme of the people. The total 16 percent households who still cannot afford adequate food for their families and most of them should depend on borrowing and credit; the total 22 percent households who do not have adequate housing; the total 16 percent of children whose families feel that they are unable to send their children to school; the total 49 percent households who feel that they do not have adequate income to survive – are the people for whom the left parties should design the programme first and foremost.

The following points are emphasized for social and human development.

Spend on education and health

Health and education are regarded as equal weight as an income to measure the level of human development. It is much appreciated that the human development achievements made by then socialist countries – such as former Soviet Union and Eastern European

Countries – were very fast. Many human development indicators fast achieved by them was even declined after dissolution of the system and not achieved even after decades. The level of Human Development Index (HDI) is also regarded in better condition in China, Vietnam, Cuba, etc. Cuba's health indicators are among the best in the world. In Kerala and West Bengal, what achieved by the left government was appreciated many times by Nobel Laureate Amartya Sen – one of the profounder of Human Development Indicator. The point here is to reflect how the lefts can achieve better human development through progressive programmes in Nepal? Is it possible and pragmatic that the lefts can do all out nationalization of education and health? Will the given budget can achieve the quality education and health? Will it be happen any negative consequences in capital generation as the private sector will be in hue and cry? If free education and health is also the matter of quality; then what our children and people are receiving in the public schools and health posts? And, will such quality help for better human development? How can we achieve better health structures and provide people drinking water, sanitation and good environment? These are crucial issues needed to have better analysis to find appropriate programme.

Over the last two decades, Nepal has somehow expanded its education as the data shows that child enrolment¹³, and especially girls enrolment in school; the new schools in every villages has been significantly increased. Comparing the increase in literacy from the experience of other country, it is not that remarkable. There are still 18 percent children who have to dropout before reaching high school. Literary among female and Dalits is still miserable. The quality of public education is so pity. It is ironic that is transferring management at local level, the public education has become the worst place of political wrestling.¹⁴ Our

13 There were only 33 percent of child enrolment at schools two decade back while it reached 96 percent today.

14 According to the report of Alert Centre people spend Rs. 5 to 6 lakhs for the post of president of management committee; 50 thousand to Rs. 2 lakhs for PCF teacher quota (Nepal 29 Magh 2068 vs)

universities are too weak that produce 70 percent failed students in result. There is a quadrangle of irresponsibility on the part of parents, teachers, students and administration to trap public education into worst situation. In the later period whatever the private education has tried to provide a quality, at least in current understanding, is better in result and it has stopped the kids of elites going in India and abroad for education, and created the jobs at some level. And, hence the sector is the best business in Nepal that needs to take neither social responsibility nor paying the sufficient taxes for public purposes.

The end of private education is not a viable option for now and it is not also good to hand over the thing to the public which is already worst in situation at a time when there is a debate that public education should be handed over to private management or bring to voucher model such as in Chile, Columbia, the US etc.

The best approach here is to allow private education and even invite international institutions; but to run by business rules or as knowledge industries and encourage paying reasonable tax that may be kept in “public education basket”. For those who want to run education as a non-profit; there could be different regulation and the institution should take especial public responsibility. International educational tax regime shows that China levies 5.5 percent, Nigeria levies 2 percent and the new labour of England had put forward the demand to tax up to 20 percent for private schools (Shahi 2012:24). But here in Nepal is a big hue and cry over our 1 percent education tax that institution should not pay for this, rather by the parents.

Singapore policy is noteworthy here in reference to private and public education dichotomy. Singapore has best quality public universities, though they invited the private Pennsylvania, University of the US to run Singapur Management University (SMU), and later what they actually did to make all the efforts to make their public and national universities the world competitive.

Here in Nepal too, a big reform in public education is urgency rather than put the blame on private ones. That is, through reward and punishment for the institution, ending politicization, making parents and teacher more responsible. The reform can be achieved adopting a fair appointment process in order to select talent teachers and establishing model university and public schools – and maintaining the quality by ratifying the different act.

The left parties, youth and student organisations can be mobilized to end illiteracy in five year time. The government can take a policy to regard the youth and student – as their merit to get a government job and promotion – on how much they contributed to reduce the illiteracy in the countryside. Such literacy campaign can be linked-up to end social absurdities such as untouchability, violence against women, child labour, to end *chhaupadi* and *boksi* i.e., the discrimination during menstruation and next is blaming witchcraft against women, etc. The role of mother groups can be crucial for such social movements.

Nepal has achieved the Millennium Development Goals (MDGs) especially to reduce infant and child mortality rate in 2010 before the target of 2015. In regard to health, Nepal is still behind in many health indicators. The indicators are regional and ethnically biased; the worst health situation is in Mid-western and Far-western rural hills and mountains – and the poor health condition is among Dalits and some ethnic communities.

There is deeper interest of corporates in the health sector as Paul Krungman argues that it was corporate lobby that aborted the public health care plan in the US. The health sector and medicine products are regarded more profitable and there is monopoly in key medicines. Now the ‘Obamacare’ with high sounded declaration during an election is reduced as a patch up programme with corporate. In Nepal there is some public responsibility and some achievements given the foreign assistance, especially in TB, which is regarded as a disease of poor people; and others are

leprosy, eye surgery, polio, etc. Some sort of token support is given to major surgery such as heart though only for limited people and for the people in access to power. The private hospitals in Nepal are booming due to the overcrowded public hospitals and lack of services. There is a huge resource gap in public hospitals. The modality of Teaching Hospital and Gangalal Heart Care hospitals were though good initiation – have got less encouragement and support from the government side.

In this situation, the up-liftment of public hospital is necessary and budget should be increased from the current level. According to WHO 2008 statistics, Nepal's per capita public health expenditure is 20 US dollars and Nepal is ahead of Bangladesh (per capita 17 US dollars). In this respect, Pakistan has 24 US dollars, India 43 US dollars and Sri Lanka 81 US dollars per capita health expenditures. Such level of resource gap is also shown by the National Planning Commission (NPC) to mitigate the target of MDGs (no. 1, 2 and 3) in 2015, the country needs Rs 106 billion in total with Rs 85 billion of resource is deficient. But there is a need to build appropriate modality before increase the resources by assuring that the budget reaches the most targeted and needy groups and prove to be more fruitful.

The NLSS data (2010/11) show that total 17 percent people responded that there is inadequate health services for their family. At present, the focus should be to provide health care for most marginalized and rural poor. According to the category of illness and recommendation from below; he or she should get health scheme support in public hospitals. This will be appropriate policy given our resources and to support people in urgent need. In regards to government employees, the health insurance policy is appropriate, assuming that the resource will be self-generated and it can be used to establish needy public hospitals. The promotion of natural therapy and our traditional health knowledge is pro-poor health programme as a preventive measure as well as treatment. Providing drinking water and sanitation cannot be only

a part of local development, but more as a health programme.

Minimize the social, ethnic, gender, regional disparity and urban-rural Gap

In the study carried out by DFID and World Bank Hill Dalits, Muslims, Terai Middle caste and Terai Janajati are respectively under poverty situation. Nepal Living Standard Survey Report II (2010/11) has also revealed the poverty situation across caste and ethnicity. Dalits are the poorest as 42 percent of Dalits are below the poverty line. The poverty situation is higher among Janajatis as compared to other castes and ethnicities. It shows 28.25 percent of Pahadi Janajatis, 28.69 percent of Tara Madhyam Jati, 25.95 percent of Terai Janajati and 23.40 percent of Chhetris and 20.18 percent of Muslims are under the poverty line.

There are also recent data which reveal gendered poverty which is inversely related to the empowerment of women. It means that the higher the level of women empowerment will imply lesser the poverty. The Women Empowerment Index (WEI) from western and eastern hill shows that human poverty is being reduced given the higher level of WEI. Moreover, the higher level of WEI among Janajati women is noteworthy social capital and a harnessing of such capital could have a pivotal role in transforming the economy and building a new society. There are other factors (NLSS III 2011) that the household headed by female have lower rates of poverty than male headed household. Moreover, female heads with primary education are pro-growth and less prone to poverty.

The above situation indicates that Nepal needs to address the issue of poverty and economic development both across caste and class. The more equal status of human development and economic status among castes will have greater social harmony and conducive environment to build egalitarian society. The role of women is already obvious as a social capital to fight against poverty. The programs and policy is not only to end discrimination against women, but needed to give higher and equitable social status that is vital for socialism.

The regional disparity in Nepal has long been debated issue and many scholars have coined the word to reflect the situation as periphery or vassal state (Seddon et.al. 2005) or moribund hinterland (Bhattraï 2003) or ‘the more concentration of economic and social services – the more creation of deprived and backward regions’ (Gurung 1970). Bishop C. Berry (1990:364) had written a line reflecting on remoteness and the livelihood of Karnali: “There is no place in the modern world for journeys whose length is measured in pipeful of tobacco. Time does become money and, unfortunately, lack of money can cause a lack of time.” Hence, the end of regional disparity has long been demanded issue in development discourse in Nepal. The ICIMOD ranking (2004) shows that out of least developed 25 districts in overall development, 20 districts were from Mid-west and Far-west hills and mountains. The UNDP Human Development Indicator and NLSS III report shows that the key living standard indicators are low in the hills and mountains of Far-west and Mid-west Development Region. Despite this situation, there is biasness in budget allocation as seen from the budget analysis of 2001 (Shahi 2006). The budget of Kathmandu was 41 times more than the budget of whole Karnali and similarly the budget of Morang was 4 times more in the same respect. However, the government has realized this situation and increased budget at some level in 2012 (March 20, 2012 Kathmandu post). The way out to solve the problem of regional disparity is to increase resources for infrastructures and roads in order to establish accessibility with nearest economic centres, take an inclusion policy of the people in state services and facilities, and initiate economic programmes to enhance growth in the regions based on comparative advantages of natural resources. Hence, ending all kind of disparities is not only the task that fulfils the left objective for egalitarian society, but more is the daunting task to keep Nepali people united and give them a sense of ownership towards Nepali state and to save the nation that is historically in crisis for its existence.

C. Creating the Base for Egalitarian Society/ Base for Socialism

Developed from the above contingencies the following major

points are discussed here in order to establish the egalitarian society, i.e. the base for socialism.

Implement the pragmatic agrarian reform and land distribution
 The question of land ownership is vital for the agrarian reform. The data of National Living Standard Survey I, II, and III from 1995/1996 to 2010/11 suggest that the average size of land ownership is reduced. The average size of land in 1995/96 was 1.1 hectares has been reduced to 0.7 hectares in 2010/11. Similarly, the number of households operating less than 0.5 hectare farms has increased 13 percent points (52.7 percent in 2010/11) from 40.1 percent in 1995/96. The agricultural households with land were 83.1 percent in 1995/96 while it reduced to 73.9 percent in 2010/11 – indicates the possible landlessness or shift of agricultural households towards non-agricultural sectors. The wage earners in the agricultural sector have been reduced from 53 to 35 percent, while in non-agricultural sectors it has increased from 47 to 65 percent. There is another type of labour force in agriculture tends to be seasonal migrants in lean agricultural season. The increase of percentage of small and marginal farm size signals in general that there is no significant shift of such population in off-farm employment. The increase of land owners less than 0.5 hectares by 11 points between 1995/96 to 2010/11 is due to the fragmentation of land among families to be the marginal land holdings. But it could not be the whole truth. The other imminent factor is increasing trend of buying *gharghaderi* or a piece of land for housing . In the study of CSRC, of the total 18.7 percent of land bought, 8.6 percent was *gharghaderi* and 90 percent of land sold for *gharghaderi* was less than 0.5 hectares. So, the later fact shows that the increased percentage of land holding less than 0.5 hectares may not necessarily the fragmented agricultural land of marginal farmers as stipulated. Besides, the shift of agricultural labour in foreign employment and the agricultural land left unattended has provided quite new dynamics in agrarian reform. Hence, the shift of labour force towards non-agriculture sectors is important feature in our economic development as both our GDP and labour force is no more dominated by agrarian economy.

According to CSRC survey report, the landless families in Nepal reach 22.7 percent, corresponding to 22.5 percent of NLSS 2004 data. The landlessness among caste-ethnicity does seem highest among Terai Dalits with 50 percent following by Hill Dalits 40 percent. The landlessness among Terai ethnic communities is 22.5 percent and Hill ethnic communities 20.9 percent. This situation indicates the necessity of policy to provide access to land and natural resources for poor, marginal, Dalits, ethnic community and women. This aggravating situation demands either for redistribution of land, or some ways to find their fair access to land – especially for the real tillers – or an alternative mechanism to shift such deprived population in off-farm employment.

There are claims that given the inequality of land distribution and stagnated agrarian growth has still provided the scope for the redistribution of land against the next argument that there is no more land remaining to distribute above ceiling. The favouring argument is (for example, CSRC: 39) that this can be done as much land is occupied by different individuals in the name of companies and besides there is also public land left fallow – can be given to small and poor farmers. The stated list of CSRC shows that the companies have used the land at some level – may not be optimum for distribution. Rather than the confiscation of land, the better option is to take the policy to oblige them for commercialization and industrialization purpose in order to make a condition for the shift of labour force in commercial farming and industry. Probably, an appropriate taxation policy is the safest way for industrial occupancy of land not to create a havoc in industrial sector in the name of land reform, because the cost of return from this confiscation process could be higher if there is really no sufficient extra land to redistribute.

The slogan ‘land to tiller’ is the most radical slogan. The confiscation of land over the ceiling without compensation is the most radical left step. By legislation, there are already assured tenure rights of tenants in many cases and it needed to be implemented as left out cases with institutional support. The

land reform policy should be viewed through the lenses, whether our land ownership and labor relation is feudal or not. The total 1.5 percent families in 1991 having 13.9 percent land is not the characteristic of feudal ownership; and, the increasing trend of GDP in off-farm sectors (62 percent) against agricultural sector (38 percent) in 2058/59 vs is the sign of transition towards capitalism. The 4.77 percent tillers without land working for others; however, still not confirmed, as if they are fully bonded labour are the source of feudal remnants (Bhusal 2059:148-150).¹⁵ This trend further extends over the last one decade due to further changes in the political landscape, investment trends, ownership patterns, labour relations, demography, etc. Further micro level data on land ownership and production relations will help to figure out the real picture on this regards. Without properly finding the justifiable way of redistribution, it might be counterproductive to enhance agricultural growth. Land reforms are not always oriented for agrarian growth as shown by the example of Zimbabwe. It is regarded that (Adhikari 2008:8; Koholi 2007) land reform in Kerala and West Bengal had the important role to reduce poverty faster. Sometime land distribution issue is no more determining just by the area of occupancy – but also by the family size, family's remittance and other income source and its differentiated values according to land use. Hiding of lands in different ways and names can be subject of confiscation; but if the landowner wishes to shed his or her land voluntarily, the government can give him options to go for commercialization, industrial establishment with a short time frame, or providing appropriate compensation by the government. In this case, the government can motivate such land owner to shift in the industrial sector along with the compensation and the government facilities on taxation, tariff reduction of machinery, etc. Rather than flat and forceful confiscation of land in the name of revolution, the left parties can track and lead capitalist development to end the

15 The writer has taken data of publication time. Now the contribution of agriculture to GDP is further reduced and the poor farmers who work renting on other's farm are 5 percent.

remaining feudal traces through the safest process of land reform in order to build the base for an egalitarian society.

Another way to seek redistribution of land as a wealth is to implement some kind taxation policy and inheritance tax, which helps to shift the wealth in favour of the state. If the core of redistribution of land is related to increase productive forces, it is not only related with distribution of land, but equally with other agrarian reforms such as providing irrigation facilities, credit, seeds and fertilizers, better land tenure conditions, minimum wage in agriculture, mechanization, commercialization etc. The excessive land at disposal from land owners and state is needed to be calculated in order to distribute it for needy small and poor farmers. The data estimated on extra land possibility are retrieved twenty years back and now has obvious differences. In 1995/1996, the number of rich farmers having more than 2 hectare land was 12 percent while it is reduced to 4 percent in 2010/11. Moreover, the larger percentage of such farm in eastern Terai indicates that much of the land is possibly due to tea estates and the huge size of land in the mountains – not necessarily the good agricultural land – is not retrievable for distribution purpose. In this situation the government can imply the low ceiling though it is not an easy task to implement. In this case the land distribution through the credit of 'Land Bank' is a safer policy as it can help to generate the fund for compensation for the land above ceiling.

There is confusion on the left part that forceful collectivization in agriculture will enhance growth. The empirical evidences from socialist practice shows it is no more conducive for agricultural development. The state should give the farmers the land to produce whatever the ownership pattern, the support of technology, fertilizer, credit and market. This is acute due to the contradiction between productive relations and productive forces. The collectivization in agriculture in then socialist countries, i.e. in the Soviet model faced shortages, many times in Agra-productivity. Prior to Doi Moi Policy (1986) in Vietnam, the country had faced famines and severe food crisis many times. The policy reform to allocate land to farmers – and the government support from back had increased impressive agro-productivity –

and the country turned to the agricultural hub of rice export and other spices. China also has the similar kind of experiences in agricultural development. There is one story of remote villagers during the Cultural Revolution. The villagers had adopted their own policy of independent farming in the village in guise of central policy implementation despite the severe punishment risk. Later, the policy of the villagers became the Chinese national policy against failure collectivization. Learning lessons from Cuban agriculture; current president Rahul Castro once said ‘no more for the collective agriculture’ as no labour force was intended to remain in agriculture sector even after the government had taken an incentive policy for agricultural workers. So, the Cuban Communist Party has changed the economic policy more suited to resolve this contradiction from the last congress. Similar kind of examples exercised by the Maoist party during the insurgency and the aftermath – has even fewer prospectuses in the situation of Nepal.

Then, could there be the state agricultural farms? The state can set few good examples, by establishing some needy and successful farms as experimental. The state can go ahead by the merit of successes; not by forceful appliance to create failure examples. More importantly, perhaps the state should focus to investing more in agricultural infrastructures such as irrigation, fertilizer industry, seed production, farm insurances and R&D in agricultural sectors.

Good governance and appropriate taxation are vital

Nepal is regarded as highly moderate taxed country as WEF has ranked Nepal in 53rd out of 144 economies. Even in terms of total tax rate of profits it is ranked in 41st number. The facts show that rather than the taxation policy; the point of our economic problem is political instability and the corruption. WEF report 2012/2013 has indicated five major points of our economic problems as; government instability and coup, corruption, inefficient government bureaucracy, policy instability, restrictive labour regulation out of total 16 factors. It has kept the problem

of tax regulation and tax rate in 12th and 14th number.

The indicators show that the public trust on the politician in Nepal has just 1.9 points ranking 125th out of 144 economies. Nepal has the lowest ranking that diverts public funds for personal gains. Even the indicators fall down as irregular payment and bribes come with 129th ranking. The transparency of government policy making and government service and improved business performance is also the lowest – 116th and 115th ranking respectively. The reliable police service is in deteriorated condition, whereas organised crime is at the height. In this situation, political stability, nation's dedication towards good governance and security, and the establishing of taxpaying regime is the jumping board for our economic development.

Provide social security and welfare

The interim constitution of Nepal has stipulated that the country will run by the socialist nature of programmes. But Nepal still has a low level of social expenditures though available data are from 2004/05. According to Kabeer (2009), Nepal has only 2.3 percent of expenditure in social security leaving Pakistan behind with 1.6 percent. In this regards, Sri Lanka spends 5.7 percent, Bangladesh 5.3 percent and India 4 percent. In comparison with Japan, even calling it pure capitalist economy, spends 16 percent of GDP on social security. CPN-UML was criticized from the side of the neo-liberals when it allocated a small resource for old age and for village development. Nonetheless, the above data shows that Nepal has to do more to allocate resources in the sector of social security. In the study made by Das and Leino (2011) shows that about 26 percent of households in Nepal have some kind of safety nets such as older age and single women's allowances having overall impacts with a pro-poor and progressive reputation. There are other three studies (for example, Palacios or Rajan 2004; Help-age International 2009; Samson 2012) regarding the senior citizen allowance. Their evaluation says – it is 'modest at best' – as it is a commitment of the government to provide social security for the most vulnerable people in society. Hence, the expansion of social security should be the core part of programme of left parties

by allocating needed resources in a balanced way.

Develop the pro-poor cooperatives

There is a question about the cooperatives whether people can initiate such things from the bottom? Obviously, the answer is, the role of farm cooperatives and rural cooperatives will have a great significance to uplift poor farmers and enhance growth. Moreover, the good and healthy cooperatives are essential to create equitable bases in our society regulating the corrupt and chronic ones.

Observing the trend of cooperative development in Nepal from 2063/64 to 2068/69, it is rapidly increasing and achieved a fast growth in a short period with a total capital share of NRs 21,167,000 and NRs 132,202,301 investments. It has generated 75 thousand direct employments and providing half a million of indirect employments (Cooperative Department 2069). But the cooperatives in productive sector, such as in agriculture, are mere 3.2 percent of the total. The share of saving and credit is 75.42 percent and for multipurpose 21.38 percent share of total cooperatives. The investment is further less in all agricultural sectors comprising just 2.40 percent of the total. Here are no data for analysis if the saving and credit have also indirectly contributed to some extent in the agricultural and productive sector. Further, the distribution of cooperatives in village areas is sparse by 75 minutes far on an average.

Another problem on the part of cooperatives in Nepal is about the credit facilities and interest rate. Cooperatives take the bulk of amount from the bank at the rate of around 13 to 15 percent, while channelizing above the rate of 23 percent for its members. The recent instruction of NRB (Nepal Rastra Bank) has taken the policy to decrease the interest rate in credit mobilization. The big houses and companies can borrow credit at reasonable rates while small farmers and entrepreneurs do not have the access to credit in one hand and on the other they are compelled

to borrow the needed amount in extra-arbitrary interest rate. A strong and pro-poor credit policy is needed with a discounted interest rate, while the lefts designing the programme, to uplift the people's cooperative movement for the bottom up growth. Against international credit practices in the developed world, the youth and small entrepreneurs in Nepal have no chance to get loans for business without showing the assets. Such policy is not conducive for pro-poor economic growth and not helpful to create an egalitarian society. At policy level, the left parties in Nepal have already taken development of cooperatives as a priority; such as UML has taken it as a third pillar of the economy along with the private and public sectors. The point here is to orient cooperatives towards more public in nature and to encourage bottom up economic growth.

Guarantee the employment and minimum wage

Socialist economy is regarded as a full employment generation model though having typical distributive backlashes. However, the socialist programmes in a capitalist framework demands appropriate policies of employment generation. The left parties in Nepal are in the phase to build the latter one for our economic development.

The labor market situation is less competitive in Nepal. There are weak points in our labour market in terms of hiring and firing policy, cooperation between labours and an employer, pay and labour productivity. Nonetheless, women ratio to men in the labour force is in a better situation in Nepal with 13th ranking out of 144 countries. This is a relative strength that Nepal has in terms of overall labour participation for economic growth.

There is changing pattern in employment dynamics in Nepal as shown by NLSS report 2011/12. The wage earner in the agricultural sector has decreased significantly from 53 percent in 1995/1996 to 35 percent in 2011/12. In the same respect, the share of the labour force in non-agricultural sectors has increased from 47 to 65 percent during the same period. This is

the sign that our labour force is shifting from agriculture to non-agricultural sectors as a transitional capitalist arrangement. As so far the wage level concerned, there is four fold wage increase in the agricultural sector. Whereas in non-agricultural sector, it is three and half time, increase over the last 15 years. The related factors could be due to the huge shift of labour forces in foreign employment and consequently the higher the labour demand helped to increase wage rates in agricultural sector. It is regarded one of the causes behind Nepal's success in poverty reduction to some extent. Economists (for example, Acharya 2013) have made analysis of data that Nepal's minimum wage rate is higher than India but with low labour productivity. In this situation, Nepal should either increase the labour productivity or reduce the minimum wage. Many industrialists claim that minimum wage level demanded by the trade unions is not a problem for them; the problem is non-regulated and disturbed industrial activities and the donation terror. In such a case, it is also appropriate to take measures to increase the productivity of the labour force.

Nepal has the possibility to take the policy of 'employment guarantee' and fix reasonable minimum wage not hampering the investment and growth pattern. The 'Karnali Employment Program' is one example – declared by the government in FY 2006/07 under the theme of 'one family, one job' – for 100 days paid employment in government infrastructure at the rate of 180-350 NRs daily wage. But, who joined this programme had worked just for 30 days that may probably due to the differentiation of labour market. More thoughts should be given for the alternative model of employment generation in compliance with the labour market.

The percentage of employed population has increased from 67 percent in 1995/96 to 78 percent in 2011/12 and the unemployment category is reduced from 3 percent to 2 percent during the same period. Unemployment rate among 14 to 24 years old is slightly 3.8 percent and the percentage of employed in the category of 1 to 9 hours in a week is increasing. It shows that unemployment among youth is higher, and among partial employees it is on an increasing trend by 8 percent. As seen youth in most precarious

working condition, the employment programme should focus this group first and foremost. The use of remittances and cooperatives for local productive sectors, commercialization of agriculture through youth involvement, hydro-power generation, tourism and infrastructure development could absorb a higher number of labour force.

Work for eco-friendly society

The conscience of 'small is beautiful' and green project is no more just the view of ecologists, but be included as a part of left programme. Environmental issues have become more than a concern today for the existence of human life and nature due to the rapacious exploitation of nature in the capitalist system. There are serious environmental concerns from the left perspectives, as if the taken measures are pro-poor or not. The ratification of the Kyoto Protocol is left unattended; and developing countries are also escaping as they claim it will hamper the growth and are raising the demand to transfer technology to the global south. Due to the Global Climate Change, the sea level will rise 2.5 meters given the 3.5°C rise in temperature according to the IPCC report and the most vulnerable will be the countries of Sub-Saharan Africa and South Asia. It will increase desertification in Sub-Saharan Africa while on the other part there will be excessive floods and melting of the Himalayas. According to the Gandhi Research Institute of Development there will 40 percent crop fall and GDP will reduce by 9 percent due to the consequence of global warming. In this respect, Nepal is one of the most vulnerable countries due to the Global Climate Change.

The state and left parties in Nepal should carry on this issue to serve the national interest of this most vulnerable country. China and India have the capacity to fight on this issue for their interest, but Nepal has the low voice to raise its major concerns. Regarding the Clean Development Mechanism (CDM) built to combat the impact of climate change, Nepal has a low level of capacity to host the project and there are also problems on the part of lobbying capacity. The people of Nepal have commendable

works on community forestry to reduce global carbon emission. India and China are the first and second country to receive such funds as the Haryana Community Forestry Project and Guangxi Watershed Management Project are the mammoth project they have hosted so far.

The climate change and environmental problems are integral with the from capitalist way of production that emphasizes to 'produce more, sell more and consume more'. Despite the huge contribution of carbon emission in the history, the developed countries are still at the top on per capita waste generation almost reaching 500 kg per year. As Kelvin Carson (2010) estimates: "three quarter of labour goes either to generate waste or to tribute" – has shown the nature of capitalist growth in the world.

Karl Marx (1974:820) had already indicated the way of harnessing the nature in the common interest of people as saying: "freedom in this field can only consist in socialized man, the associated producers, rationally regulating their interchange with nature, bringing it under their common control." In this very light, Nepal's ecological problems can be dealt in order to protect poor people based on natural resources assuring their access for their livelihood. The conservationist view which says poor people as the envy of environment is empirically wrong, and the people who are poor and most vulnerable do care more to protect the environment. The experience of community forestry, peoples' regeneration of the surrounding environment in many places aftershocks, the role played by women and ethnic communities to preserve nature, and the role played by the local people to conserve national parks as a partner against then hostile policies are the evidences that, only by the people and for the people, the nature can be preserved better.

Make control the key finance sector and initiate the industrialization process by the state

The understanding that the private sector and market is all out solution for national development is the other extreme similar

to the understanding that the state should distribute a bowl of soup and a loaf of bread like a barrack socialism. The key to the socialism is as to how the state can create the condition to make a prosperous society and so to create the egalitarian base. If needed, the state can take the policy of redistribution of wealth & facilities, in an artistic way, given the materialistic condition of society existed therein. In this regard, rather than go for a forceful way of redistribution as a prime task of revolution; it is necessary that the state controls key financial sectors and take initiation to establish key industries as public property. This does not mean that it discourages private sectors; but the state also encourages private sectors as a state alone cannot involve in all those economic activities given its resource limit. The successful sector of state enterprises should be encouraged while the state cannot take the burden of failed enterprises, to collapse its national economy, except the sectors of larger public concerns. The state can be deeply involved in the sectors such as railways, air aviation, big infrastructures, power sector, water supply etc.

As so far from Chinese example, China dismantled all the inefficient government enterprises, but at the same time has put all the efforts for successful government enterprises. Now these state enterprises are going abroad as 'go global strategy' and are the most successful ones. Even the Indian experience is also very important for those who advocate that state cannot have enterprises; there are dozens of successful public enterprises in India. But in regards to Nepalese experience, the government of Nepal never tried to bring institutional and managerial reform, but rather did all to sell out where there could be perspective to be successful. These were taken by the private sector as they saw obvious profit there. There is a fine example how Hari Siddhi Brick and Tile Company was sold out in the queues of 16 state enterprises and manufacturing industries. The industry having 522 ropani lands was sold out in Rs. 226.9 million, but reduced to Rs 186.5 million showing the reason of having smaller land than stated. In fact, later the company made the evaluation of property Rs 660 million and the company released Rs. 329.9 million bank loan (For example, Dulal and Dahal cited in Bhusal:156).

This is a story of privatization in one hand; but on the other, the government poured money, time and again into the state industries which were not viable and, however, just influenced by political nexus and jobholders in the factory. In fact, the private sector was not interested to take such industries any more. The policies adopted by the government regarding the national industries were guided by ‘wrong motives for wrong doing’.

The finance sector is like a blood circulation of economy – so the state controlling and regulation is a must against financial frauds, creation of the bubble economy and monopolies in some hands. Without real economy, it can create wealth on ‘so called financial market’ as the world faced the latest global economic crisis of 2008. Nepalese economy can be volatile at any time amid influences of two global economies without proper state regulation because Nepal’s financial market is still weak and under developing phase.

Conclusions and Recommendations

Deng Xiaoping, the economic reformist in the socialist system in China once said: “The socialist system is one thing, and specific way of building socialism is another.” Designing the left programmes in any country for socialist base – we cannot copy the modality – but just the lessons can be learnt to build our own modality of economic transformation. The drawing on lessons from then socialist experiences, as pros and cons, economic growth can be achieved with less friction and left parties can build the base for socialism footing on capitalist development. Nepal has already entered into the capitalist phase and feudalism is no more significant in production and labour relations. What are left the traces of feudalism; the left programmes oriented to capitalist growth will eliminate such traces. The left parties need to ignite those growth points to achieve capitalist mode of economic growth tracking by the left programmes. There is wider existence of multiple growth points in Nepal; which can accelerate the economic growth of Nepal unprecedentedly given its unique comparative advantages despite few constraining factors. Nepal

cannot remain aloof from the global development process and no such national economy is viable in a close system. There can be interlinked economy of the nations and of national interest amid the process of globalization. The left and democratic parties should take all the challenges that might constrain our smooth economic transition. Along with this achievement, the left parties in Nepal should have parallel programmes, side by side, to achieve human and social development through implementation of egalitarian programmes, not hampering the growth. Increasing the investment on social security, applying appropriate taxation policy, protecting the marginalized, poor, women, Dalits and ethnic communities; reducing regional disparity; and taking measures to redistribute wealth and land in social acceptance modality with the assumption of no human cost and friction. The agendas of ecological concerns from pro-poor perspective should be brought on the board of left programmes. Any haphazard step in the name of redistribution of wealth through a forceful mean could be counterproductive for economic growth. But there can be zero tolerance against corrupt nature of bureaucratic and comprador capitalism if they just want to cheat people and nation. And, those who pay taxes and enlarge the productive forces will be respected in the country. Nonetheless, the state should be strict to control over finance mechanism in favour of the working class and be proactive to build a sphere of public wealth for common benefits by building viable state enterprises. The process of human and social development is bottom up and through the democratic process. Social harmony, equality, peace, justice, prosperity, and harmonious interaction between man and nature are always the core values of socialism in the 21st century.

Along with this conclusion, the following left programmes and orientations are concluded here for the transformation of our economy:

Capital formation/physical development

The state needs to increase budget allocation to complete key infrastructures for national development such as the Mid-

hill Highway, Melamchi Drinking Water Project, upgrade of the International Airport, key roads, ports, etc. by declaring emergency. The state cannot allocate all the resources for the big projects that may not be important from demand side; it should have taken care of balance resource allocation to other sectors. The policy to invite private sector in alternative infrastructures needed for the country.

Power generation is crucial for national economic growth and employment generation. The government and parties should adopt most attractive projects as soon as possible; and speed up the project under construction to complete them declaring emergency. Besides, it is necessary to encourage private investments to mitigate the same goal. The government should keep in priority the domestic consumption of power while doing power purchasing agreement.

The 'Special Economic Zone' close to the hydro-power generation along with the plan of power consumption industries such as cement, fertilizer, stone cutting etc. are needed to be designed. There is further need to plan electric power induced transport system such as ropeway, electric train, cable car, metro for internal power consumption. The mobilization of the private sector is pivotal to fulfil such task. Such modality will consume power from 'go ready mega projects' as much as possible within the country, help enhance growth and create the environment for foreign and domestic investment. Besides, it will replace fossil fuel, promoting green energy to some extent and so the trade deficit will be reduced.

Urban centres are the cradles for economic growth. The government declaration of mega cities should be translated into economic centres and production units rather than traditional administrative service centres. The policy could be an urgent linkage of highways, power supply, and the creation of special economic zones and the establishment of processing units of herbs, fruits and agro products. The policy should be further integrated to develop the small town as sub-hierarchical

countries, the hinterland development with commercial farming, micro-enterprises and tourist destinations along with this plan. The administrative cost of our district service should be reduced and transferred to village town centres.

Agricultural budget should be increased to 5 percent from the current level of 2 to 3 percent and the credit in low interest rate should be channelized for agri-insurance, develop agricultural infrastructure and agricultural R&D. The state should initiate to build a national industry of fertilizer and at local level the organic fertilizer plants. The 15 percent VDC level budget should be strictly allocated for agriculture development – especially to bring seeds, plants, tractors, constructing cold stores and market facilities etc.

Small and marginal farmers should be assured the credit, the seeds and fertilizer in subsidized rate. Agricultural insurance should be provided in crop failures and farm incidences.

Big irrigation such as Bheri Babai diversion, Koshi-Kamala diversion should be urgently initiated to achieve agrarian growth and power generation; the local water management practices should be induced for small irrigation in the hills.

The government should adopt the program to be self sufficient in some products such as food grains, meat, fruits, etc. The government should give the protection to Nepalese farmers for their agricultural production.

There is needed a programme to open up new avenues of tourism (such as Rara, Foksundo, Khaptad etc.) to decentralize the heavily concentrated tourism activities in the periphery of Kathmandu and Pokhara. The programme of home stay tourism and trekking can help to achieve pro-poor growth in our economy.

The policy of internal tourism should be adopted officially; the policies of certain days leave and facilities should be given to government workers /officials for the vacation adjusted with too many holidays in government offices. This process will help redistribute the wealth in different regions and generate

employment and induce pro-poor growth in the economy. The recreational facilities and specific types of tourism such as rafting, bungee jumping, para gliding, etc. should be extended to acquire more receipt in our GDP. Tourism infrastructures should be strengthened along with the programmes of especial trainings for human resources development in tourism.

Foreign investment in tourism sector needs to be reviewed to be assured about our policy based on international experiences and our own existing database and experiences. The program of cooperation in cultural tourism between India, Nepal and Tibet-China need to be designed in 'package pilgrimage connectivity' incorporating the natural heritages of Nepal. Cooperation and joint investment may be necessary to fulfil this task and for the shared benefit of tourism in all the three countries.

The state should immediately adopt the policy to supply skilled manpower for foreign employment with all guarantee of security. But in the long run, the programme should be to use resources, skills and experiences of foreign employees to promote local economy and small entrepreneurship. The government should design the investment fund of remittances by assuring government security in order to invest in power generation, commercial agriculture, processing units etc. Their expenses in luxury and *ghar ghaderi* should be transferred as the investment in productive sectors.

As so far regards NRNs staying in abroad, all programmes and policies should be naturalised to invite their earning as the investment. NRN has claimed that it has already invested Rs 300 million in the country. The successful entrepreneurs abroad doing good business should be respected in the country in order to inspire their investments, skills and entrepreneurship in infrastructure and power generation and other productive sectors.

Regarding the FDI, Nepal should make all efforts to invite Indian and Chinese capital as this capital is growing and reversing in the US and Europe, and even searching space in Africa and Latin America. Given the political stability and assurance of peace

there is a huge prospectus of it and such FDI is top urgency and beneficial to develop infrastructures, power generation and key industries.

New mega urban centers, declared by the government should be developed as economic centres along with mid-hill highway. The urbanization process already designed in Terai and Hill should be accompanied with 'special economic zone', development of hinterland and power consumption strategy for tomorrow. The administrative costs need to be reduced in district HQs and transferred to local towns – built on a strategy of urbanization of rural areas with the tiny town concept.

The rural development needs to be designed from the bottom up with people's participation, taking care of rural infrastructures (e.g., water supply, sanitation, small irrigation, schools, agricultural roads, etc.), ecology, small entrepreneurship and agro-development.

Each region should focus on their own specific products of comparative advantage for their economic development based on natural resources. The off-season farming, horticulture, herb-culture, flowery-culture, sericulture, animal husbandry, etc. can chance the rural economy and cater to the need of raw materials for the industrial process.

The government should adopt the policy not to export raw herbs and immediately act to establish the process units.

The state should adopt the policy for new technological adoption for economic growth and development. The role of NRN could be imperative to transfer the technologies for national benefit.

Development of human and social capital

The cultural mosaic and social harmony of Nepali society should be strengthened and preserved. It is one of the biggest strengths for overall national development. Ending all the inequalities,

injustices and giving them equal footing for nation building strengthens our social capital.

Nepal's relatively better position in terms of human and social indicator, such as women empowerment index, gender equality among ethnic communities of hills and mountains, female labour participation rate, etc. in South Asia are the social capitals that are very crucial for economic development and creating the base for a socialist society. These need to be promoted.

Nepalis are hard working people and they are sensitive to their national existence. Given the opportunity they have also done better in education, entrepreneurship, games, international responsibility, humanitarian action, etc. Trying to stand on those positive merits, the formation of socialist base and economic development will go better.

The government should pay all the efforts to provide trainings, skills, technological efficiency, entrepreneurship, good education and better health condition for human development. Trained, healthy, technologically efficient manpower is great human capital that has a pivotal role in building better economy and social system.

Construction of egalitarian / socialist base

Land reform should be adopted not in a forceful way of collectivization and be done in the framework of agrarian reform in order to increase agricultural growth. The production system should be in the hands of families and the government should do all the supports to farmers to increase agriculture production, e.g. fertilizer, seeds, technology, market, etc.

The landless, poor and marginal farmer should be given ownership to land finding the mechanism to distribute excessive land above ceiling. The hiding land can be confiscated without compensation. The landowners willing to shed excessive lands should be provided compensation through 'land bank'. Willing the land owner to shift as industrialists voluntarily – the government

should give facilities of taxation in initial years, tariff reduction in machines import and also the credit facilities.

The real land ownership picture needed to be figured out at the present point of time as the fragmentation, and selling out of the land might have left very little land available above ceiling. The calculations regarding excessive land are from almost two decades ago. In this situation, land distribution may not be fruitful as expected. In such a case, inheritance tax and progressive tax on land is much better and less strenuous, yet fruitful.

As so far the land within the ceiling, the policy of renting out of land, etc. can be an alternative way to find poor farmers access to land and increase productivity. Through the establishment of 'land bank' the government can support to rent out land for poor farmers. Another way is to provide the 'government land' in low rent for the farmers in the cities while near to the forest, the poor farmers of the areas can be provided the land to plant herbs and other plants free of charge for their livelihood. Above all, not to be dependent the majority of population on land given its scarcity; the policy of off-farm employment generation is necessary alongside the agrarian reform.

Development of cooperative should be focused on agriculture and productive sector given Nepal's unsatisfactory situation despite the mushrooming of cooperatives just in saving and credit. The credit to small farmers and entrepreneurs should be accessible and with low interest rate. The cooperatives should be promoted to develop the agrarian economy in rural areas.

The programmes of 'employment guarantee' should be designed phase-wise. Minimum wage should be fixed to maintain the normal livelihood of his/her family and children covering education and health. Minimum wage is already higher in Nepal than India; however the policy should be taken to increase overall productivity and commitment of non-hampering from workers in industrial production. Nepal's bad record of industrial disturbance must be tracked in the right orientation.

The government should control the key financial sectors in the interest of the working class and should initiate to establish the key national industries hand in hand with private sectors. The government should only promote the viable industries to be successful, and enterprises of strategic importance for national development such as power generation and infrastructures.

The tax policy should not discourage investors in the apparent productive sectors. There should not be any room to exempt tax in an illegal way for those who are earning. Progressive income tax should be applied in order to maintain social justice and equality.

Nepal will be one of the most affected countries due to the global environmental crisis, and it will have more negative impacts on the livelihood of the poorest strata of society. The left programme is not limited up to harmonious interaction between man and environment and so to design environment friendly development programmes; but more programmes are needed to protect the poor from the deteriorated environment due to the capitalist mode of production – that says ‘produce more, sell more and consume more’.

The disparities and deprivation either, be it ethnic, caste or class; either, be it regional or gender; all will be put an end based on values of egalitarian society – through positive discrimination. The lefts should unite people and create an equal base and opportunities for all rather than a divided mean.

Social security and welfare should be the crux of building socialism. The programme such as an old age allowance, single women allowance, maternity allowance and leave, disablement allowance etc. are to be expanded. There will be the policies and programmes for the right to education, employment and health care for all. The modality will be more on a part of state responsibility to make such arrangement. The most deprived and marginal section of society – e.g., Kamaiya, Halia, child labours, single women workers, disables, old man and women, etc. – will

be given the first priority in terms of the welfare scheme and social security.

The state responsibility in education and health care policy is crucial for the development of the new society. Rather than stopping the private sector in education and health, the state should increase the budget and make all efforts to increase quality of public education and health. It is much worse to be sloganist of public education in internal nexus with the private sector. The best approach, at this juncture of public resource scarcity and need of private capital for economic growth, the state can allow private investment in education while state taking its responsibility to make public institutions more competitive. Such private institutions should pay 'education tax' reasonably as seen in international practices. And the such amount should be spent for the uplift of public education and to support the quality education for poor children. No doubt there is need of surgical reform in order to increase quality of public education – that is reform in curriculum, reform in management and reform in the role of teachers and society. After all, the programme of establishing a model public university at regional level and model public schools in each district should be implemented.

In order to reform health system in Nepal, the left parties should come first for the 'rural and poor people health scheme'. The quality 'health care for all' is not possible as the state will not have such resources to meet the target and it will misbalance the budget in other productive sectors. As there will be scope of earning in the society, the option can be open for the people having resources to spend for the health treatment also in the private sector along with their tax contribution. For the marginal, poor and rural people the special health scheme is necessary, taking the prime responsibility by the state as a viable left programme at the first stage.

To conclude the whole, Nepalese lefts should understand the saying of comrade Madan Bhandari; 'rather than lives for ideologies the ideologies are to change the lives'. The ideologies

and policies are to bring positive changes in the lives of people. The policies and programmes should aim to make people more humane, social and achieve economic prosperity and equality. The revolution and class struggles are not the willful subjects; but these are only time demanded. Revolutions with unnecessary willing have often disposed in dumping site in the history. The revolution of creation and construction is more complex than any willful revolution. In regards to Nepalese economy, as Dr. Harka Gurung used to say that Nepal is a lame duck economy, if made taken off, could fly from very high. We have existence of multiple economic growth points and we need to achieve them in a right way. People can be prosperous only and if we could achieve the sound economic growth. Only the assured prosperity provides right ground for the more justifiable and egalitarian society.

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