As an agrarian nation, agriculture policies of Nepal have been prioritized subsidies to increase production, improve food security, and reduce poverty. Nepal government has been allocating a huge amount each year for agricultural subsidies. This paper focuses on identifying the critical issues of the effective implementation of agricultural policies and programs in Nepal.

The paper is based on primary and secondary sources of information. The primary data were collected on the field visit and in-depth interview has been taken with key stakeholders of the agriculture field. The secondary sources of information are based on government and academics’ publications and their study reports. Qualitative research method has been adopted for this study, and the collected data are being analyzed based on the narrative analysis method.

This study found that the utilization of agricultural subsidies has not been utilized properly in practice, and small and needy farmers are not being benefitted from the agriculture support policies and programs. It is found that government subsidies are heavily influenced by political power and politically influential persons. The bureaucratic complicated system, lack of transparency and good governance, lack of proper information about the subsidy are found the key constraints to easy access of subsidy to the small and needy farmers. In addition, failure of anti-corruptions mechanism and degradation of the values, ethics and morality are also significant issues of Nepal.

Introduction

Current Status of Agriculture of Nepal

Agriculture is the major sector of the Nepalese economy. The economic growth of Nepal is determined largely by the growth of its agriculture sector. The large population involved in are subsistence type agriculture in Nepal (75.9%). Agricultural Contributes over 27.6% of the National GDP (MoF, 2018) and generates about 60% of Nepal's rural income (IFPRI, 2019). Approximately 60% of the population engaged in this sector (Agriculture generates 20% of formal employment and around 40% informal and undocumented employment). The farming system is predominantly mixed farming, led by subsistence and small farm holders. The average size of the agricultural land of Nepal is 0.7 ha (CBS, 2014). 21% of agriculture land is Cultivated, 7% under uncultivated and 28% land is under forest (CBS, 2014). Nepal has imported farm products of the amount of Rs. 220 billion (20million USD) in the last fiscal year (Prasain, 2020), (around 17% of total import). Paddy contributes 7% of GDP and accounts for approximately 20% of AGDP. Cereal crops contribute 75% of its total cultivated land and among them, principal crops of Nepal are Paddy
(43.0%), Maize (27.7%), Wheat (20.4%) Millet (7.6%) and (MoALD 2020)

There has been an increasing demand for food, both due to population growth and consumption pattern. Nepal is importing agriculture goods, with the food imports increasing four-fold from 2011 to 2018 (NPC, 2019). Severely food insecure households in the mountain region are about 13.8%, while 9.2% of the Terai region (NDHS, 2016). 16% of Nepal’s population is still undernourished or unable to meet their minimum dietary requirements, the lowest among all South Asian countries. Despite the rich bio-diversity and production potential, the agricultural trade deficit is growing every year (almost 17% of the total import). Nepal imported rice, paddy, maize, and wheat worth NRs 40.21 billion in the first nine months of 2018-19 (Department of Customs, 2019). Lack of subsidies, increase in farm labor wage rates (due to youth migration), increase in prices of material inputs, lack of adequate irrigation facilities, and the collapse of farm-gate prices in Nepal following a bumper harvest in border areas of India has lowered farmer incomes and reduced incentives to adopt yield-increasing technologies. 75 % of farmers still report that they cannot purchase enough fertilizer to meet their needs (Kyle et. al, 2017). Increasing population, decreasing productivity, changing food behavior, remittance flow to the rural areas, land fragmentation, high cost of production, and lack of storage and processing are major factors that have jacked up Nepal’s agricultural import.

Rice Production in Nepal

Rice is the principal food grain crop in Nepal, followed by maize and wheat. In the early 1960s, the rice yield in Nepal was highest in South Asia. But now the rice yield in Nepal is the lowest in South Asia. The country which used to export rice in the past now imports about one million tons of milled rice every year. In addition to the population growth, income growth, infrastructure development also creates additional demand for rice. The paddy rice demand for 2035 is estimated at 7.97 million tons. The average productivity (rice yield) of Nepal agriculture is 3.2 t/ha, which is 1.4 ton lower than Bangladesh, the per hectare rice yield. The yield of rice needs to be raised from the current 3.0 t/ha to 6.0-7.0 t/ha by 2035. Rice yields must be increased by 3% annually for the next two and a half decades if the country aims to meet the domestic rice demand from its own production. Rice yield growth has been negligible in the past two decades. During 2010-15, rice production grew at a rate of 1.8% per annum, which was below the population growth rate of 2.3% per annum. Domestic rice production is not sufficient to meet domestic consumption. This poses a serious challenge to rural poverty reduction as well as to food and nutrition security in the country. Domestic rice production is not sufficient to meet domestic consumption. Higher import than export, despite high export potentiality of niche Agricultural products. There is a large scope to increase rice productivity and production in Nepal. (Tripathi, 2018)

Literature Review:

The article by Jayash Paudel and Christine L. Crago, “Subsidy and Agricultural Productivity in Nepal,” indicates the decline in productivity with the decrease in annual yield after introducing subsidized fertilizer. Not only that, but also the research notices that the farmers residing within one km from the market benefit from subsidy and experience an increase in annual agricultural yield of 6 % points; the subsidy program declines with an increase in distance to the nearest market, and the effect of the subsidy is negative for farmers living more than 5 km away from the nearest market.

In the article, Kiran Timilsina, “Agricultural Subsidies: Are they effective?” claims that farm “subsidies and trade protections in China and India harm Nepal and undermine our efforts at economic reform. Indian subsidies make their products cheaper, causing them to flood the Nepali market. This has led to increased imports of agricultural products in the total commodity trade ...” (Timilsina, 2019).

The study conducted by Bhaba P Tripathi, International Rice Research Institute (IRRI), Nepal (2019) concluded that despite the significant role of rice farming in poverty reduction and food security, the investment in rice research is very low. Hence development and
dissemination of improved rice technologies are very poor. As a result, rice yield growth has been negligible in the past two decades.

The author has recommended that the government needs to take this seriously and should make an adequate investment in rice research and development to ensure future food security is ensured.

A study conducted by Harshal Anil Salunkhe (2016) concluded that due to a lack of proper implementation of subsidies in the distribution program, they are not reached to farmers in India. Bureaucratic Process is a major hurdle in the distribution of Government Subsidies to Farmers, and corruption, documentation, lack of awareness, complicated rules, and regulation are major types of hurdles. The study conducted by Chaudhary, Deepak concluded that the agriculture friendly economic policy and effective implementation are required for agriculture development. According to the World Bank reports (2014), major impediments in increasing agricultural productivity in Nepal are i) The lack of irrigation (only 28% of the total agricultural land is irrigated), ii) unavailability of inputs such as quality seeds and fertilizers, iii) Lack of access to advisory services and marketing.

Problem of Study:

There are different perspectives on agricultural subsidies, particularly fertilizer subsidy, and its effectiveness has been assessed. However, the political dimension is lacking. The studies did not analyze and examined the prominent factors of the effective implementation of agricultural support policies. However, some studies indicate that bureaucratic hurdles, procurement processes, and different layers of distribution channels. Some studies have also identified that subsidies and grants have not been properly utilized, and needy farmers are not benefitted from those programs. In Nepal's context, the political factor is crucial for the effective implementation of agricultural subsidies and grants programs. It is because most of the agriculture subsidies programs are heavily influenced by political power. Therefore, there is a lack of political dimension on the utilization and effective implementation of agricultural subsidies and grants.

Policy Review

The Government of Nepal (GoN) has prioritized nutritious and sufficient food throughout the year as one of its citizens’ essential rights in the constitution. It has also ensured it through the Right to Food and Food Sovereignty Act (NPC, 2019). National Agricultural Policy (NAP, 2004), Agricultural Development Strategy (ADS, 2015-2035), “The Prime Minister Agriculture Modernization Project. MoA LD formulated a new seed subsidy guideline named "Guideline to provide price subsidy to seed, 2017. The priority of agricultural development is found in government policies, strategies, and programs to improve food security and reduce poverty. However, effective implementation is still debatable.

Table 1: Area, Production and Productivity of Major Crops.

<table>
<thead>
<tr>
<th>Crops</th>
<th>Area (ha)</th>
<th>Production (Metric ton)</th>
<th>Yield (kg/ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paddy</td>
<td>1,272,409</td>
<td>1,491,545</td>
<td>2,292,327</td>
</tr>
<tr>
<td>Maize</td>
<td>902,280</td>
<td>951,378</td>
<td>2,006,311</td>
</tr>
<tr>
<td>Wheat</td>
<td>715,730</td>
<td>704,633</td>
<td>2,078,011</td>
</tr>
<tr>
<td>Millet</td>
<td>263,496</td>
<td>261,807</td>
<td>196,766</td>
</tr>
<tr>
<td>Barley</td>
<td>27,530</td>
<td>26,468</td>
<td>98,358</td>
</tr>
<tr>
<td>Buckwheat</td>
<td>11,390</td>
<td>10,294</td>
<td>95,150</td>
</tr>
<tr>
<td>Oats</td>
<td>287,878</td>
<td>285,807</td>
<td>184,877</td>
</tr>
<tr>
<td>Upland Rice</td>
<td>138,001</td>
<td>131,794</td>
<td>97,250</td>
</tr>
<tr>
<td>Vegetables</td>
<td>277,303</td>
<td>286,864</td>
<td>2,748,802</td>
</tr>
</tbody>
</table>

Source: MOA LD, 2020

Nepal's big challenge is to increase production, meet food self-sufficiency, and decrease import substitution. Nepal has imported farm products of the amount of Rs. 220 billion (20 million USD) in the last fiscal year (Prasain, 2020), (around 17% of total import). 16% of Nepal's population is still undernourished or unable to meet their minimum dietary requirements, the lowest among all South Asian countries. Rice yields must be increased by 3% annually for the next two and a half decades if the country aims to meet the domestic rice demand from its own production.

Objective of the Study:

Nepal's agriculture policies prioritize subsidies to increase production, improve food security, and reduce poverty. Currently, the Nepal government has been allocating a huge amount of subsidies each year. However, there is
considerable debate regarding the effectiveness and efficiency of their uses.

The following are the specific objectives of the study:

- To analyze the factors that hinder the utilization of government agricultural subsidies among small and needy farmers, and
- To identify the key issues of the hurdles of effective implementation of agricultural support grants and Nepal's subsidy policies.

Prepositions of the Study:

The past studies indicate that agricultural subsidies are not useful for small and needy farmers in Nepal. Political factors are the main cause for the effective utilization of input subsidies to benefit the needy farmers.

Method of Study

The review study is based on primary and secondary sources of information. The primary data were collected on field sites to answer the research questions. The in-depth interview with key stakeholders (Focused Groups) such as farmers, corporate farmers, individual experts, and government officials of the agriculture field has been taken to answer the research questions. The secondary sources of information are based on government and academic publications, media and study reports, and their findings. Qualitative research method has been adopted for this study, and the collected data are being analyzed based on the narrative analysis method.

Cases of Field Study: Primary Source

Case 1: A former agricultural officer, (Agricultural expert) Basu Dev Subedi from Kathmandu, states that the fake farmers have taken most of the agricultural grants with the support of politically influential brokers and political leadership. Also, he said that the government procurement policy, documentation procedures, and its channel to the services delivery are complicated; that is why the real and needy farmers are deprived of the agricultural grants. Case 2: The small farmer from the Bardiya district of Nepal, Suresh Tharu viewed that he could not get subsidized seeds and bought seeds at regular market prices. Case 3: Mukti Nath Poudel from Bardiya district of Western Nepal had received a subsidy to develop a 'Banana' farm instead of paddy and wheat production in 3 hectares of land for commercial farming. He has returned back to paddy farming because his favored political party was out of power and could not receive any subsidy. Case 4: There are also critical views provided by the working government officer in the MoALD. According to the officer, political leaders who are in power are major drivers of misuse of government subsidies and grants. Most of the policy decisions are made by political leaders assisted by the bureaucracy. For the past few years, the power of bureaucracy is controlled by political leadership. The role of bureaucracy in Nepal's context is to implement the decisions made by political leadership, whether decisions right or wrong, without question. If anyone bureaucrat raises the question, he/she will be transferred to the remote areas or work without a role.

Media and Study Report: Secondary Sources

Case 1: Nava Pragital Krishi Samuha, received Rs. 576,000 (5008 USD) for the 'Cow Farm' at the end of the fiscal year 2018/19, without any cow farm. (Bhattarai and Gautam, 2019) Case 2: Similarly, Adhikari Vegetable Farm of Rupendehi district of state#5 also received Rs. 4,000,000 (34,782 USD) for the vegetable production without any vegetable farm (Bhattarai and Gautam, 2019). Case 3: government of state#5 distributed Rs. 1,850,000,000 (16 million USD) among 1200 farmers in the 12 districts. Most of the farmers who could exercise power or had ties with political leaders and bureaucrats were mostly benefitted from doing as per the requirements. Case 4: Two businessmen (Bijaya Prasad Kahar and Javed Aalam Khan) has receive Rs. 600,000(5,217 USD) for vegetable and goat farming without any farm Case 5: A project named ‘Project for Agricultural commercialization and Trade (Pact)’ of amount Rs. World Bank-funded 78 million USD were found serious corruption cases in the project. Case 6: In the Rolpa Municipality of Rolpa district of Nepal,12 pick-up vans distributed to carry milk and milk products in Province 5 are
being used for personal purposes by local cooperatives' officials. **Case 7**: MoALD grants of amount Rs. Political party workers misused 870 thousand USD for technological innovation and commercial framing to 184 farmers rather than needy farmers. (Bhattarai and Gautam, 2019)

**Case 8**: In Pyuthan, Bikram Bista, operator of Hariyali Pashupanchhi Tatha Krishi Farm in Pyuthan Municipality Ward 2, got a 3478 USD grant for a pig farm without any pig farm due to the influence of the senior leader of the ruling party. Source: https://tkpo.st/3bOsUxc

**Summary of Field Study (Primary Source) and Media and Study Report (Secondary Sources)**

All the participants involved in the in-depth interviews have common perceptions and beliefs that the ongoing subsidy and grants programs on agriculture development do not address the real issues of needy farmers. Fake farmers supported by political leaders and politically influential brokers have benefited from agricultural subsidies. Political leaders who are in power are major drivers of misuse of government subsidies and grants.

Political power and politically influential persons have protected those fake farmers, brokers and corrupted government officials who are benefitted from the subsidies. The facts indicate that policy, strategy, institutional set, and supply chain cannot be applied during the implementation due to political pressure. According to the media and World Bank investigation report, 70% of the donor agencies' agricultural support on Nepal's agricultural development is misused. Most of the beneficiaries are those who could exercise political power or have connections with political leaders and bureaucrats (The Kathmandu Post, 2020). Most of the beneficiaries are those who could exercise power or have connections with political leaders and bureaucrats (Tej Bahadur Subedi, 2020). Political leaders have been protecting those illegal and forge brokers and farmers, who are mostly received grants for their own vested interest. As it is found that most of the beneficiaries are those who could exercise power or have connections with political leaders and bureaucrats (The Kathmandu Post, 2020).

**Result**

The priority of agricultural development is found in government policies, strategies, and programs. Currently, the Nepal government has been allocating a huge amount (around USD 180 million) each year for agricultural subsidies. There are many kinds of subsidies programs in fertilizers, seeds, agricultural equipment, irrigation, etc.

However, most of the beneficiaries are those fake farmers who could exercise political power or have connections with political leaders and bureaucrats, and they have taken most of the benefits of agricultural subsidies. Due to these reasons, agricultural production and productivity have not been increased in Nepal. Nepal's agricultural production has not been sufficient for domestic consumptions, and agricultural products have been heavily imported.

**Conclusion**

This study is concluded that the utilization of agricultural subsidies has not been utilized properly in the field level, and small, marginal,
and needy farmers are not properly benefitted from the agriculture support policies and programs in Nepal. The ongoing subsidy and grants programs on agriculture development do not address the real issues of needy farmers. Agricultural subsidies and grants are being misused by some political leaders, political power access broker, and politically influential persons.

The priority of agricultural development is found in government policies, strategies, and programs to increase agricultural production, improve food security, and reduce poverty; however, it is found the implementation of subsidies policies and programs effectively in favor of needy farmers is the main problem. The dominant role and unethical influence of political leaders on bureaucrats are the main cause of misusing subsidies in Nepal. Bureaucratic corruption can be reduced if political leaders are honest, ethical, and responsible.

There are various reasons behind the ineffectiveness of agricultural support programs in Nepal.

Among them, fake farmers supported by political leaders and commission to government officials (corruption) are major issues. The bureaucratic hurdles, corruption, lack of transparency, good governance, and institutional failures against anti-corruptions and degradation of the values and ethics, including financial morality, are the major issues for the effective implementation of exiting agricultural support policy and programs, and these issues have become more favorable conditions for fake farmers and illegal brokers to misuse the subsidies.

It is challenging issues to increase agricultural production, improve food security, reduce import, and reduce poverty for Nepal. The industrialization of Agriculture must be prioritized to increase agricultural production and productivity. Political power influence should be discouraged in Nepal for effective implementation of subsidy. The current policies and programs on agriculture subsidies must be aligned with the overall support framework, including better infrastructure, research and development (R & D), capacity building, agricultural insurance, and market support provision to promote industrialization and commercialization of agriculture in Nepal. In addition, due to the huge migration of Nepalese youth from the rural area, there is a big opportunity for industrialization and commercialization of agriculture in Nepal. Further separate study is needed regarding the possibility and opportunity of agricultural industrialization in Nepal.

References


How to cite this article: