

Case Study: A Half Century of Land Reform: Nepal's Experience

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Introduction

Nepal still has a primarily subsistence-based agrarian economy. Agriculture contributes to 40 percent of gross domestic product (GDP). In the 1960s, with the vast majority (over 90 percent) of Nepal's population dependent on agriculture for their livelihood, land reforms were heralded for being a top priority under the system of planned development borrowed largely from then-socialist India. It was natural for Nepal to replicate policies after its century of isolation from the external world under a family rule.

Nepal pursued one of the largest programs of land reforms on record since the 1960s. The reforms were planned with an objective of redistributing land to rural peasants. The strategy behind this plan was to slowly acquire land through strict enforcement of a 'land ceiling' over so-called aristocratic families that possessed larger estates. The evidence on these reforms' outcomes on poverty is mixed. In contrast to its stated goals, land reforms led to a significant rise in poverty and food insecurity because of fragmentation. However, one achievement was its ability to properly title the available land to almost 99 percent of households.

History of Land Reforms

Ownership of land in Nepal is traditionally vested in the state. The most prominent forms of tenure were state-owned land rented to tenant (*raikar*), state-offered lands to private individuals (*birta*), current government employees (*jagir*), royal vassals and former rulers (*rajya*), religious and charitable institutions (*guthi*), and communal land ownership (*kipat*). A series of Land Acts were subsequently enacted in the 1950s retaining only the *raikar* and *birta* as the main forms of tenure. Table 1 demonstrates that the majority of the pre-1950s land in Nepal was possessed by the state.

Table 1: Land Tenure Before 1950

Form of Tenure	Area (hectares)	Percentage of Total Area
Raikar	963,500	50
Birta	700,080	36.3
Guthi	40,000	2
Kipat	77,090	4
Rajya, Jagir, Rakam, etc.	146,330	7.7
Total	1,927,000	100

Note: Because a part of land under *birta* was used by individuals as *guthi*, the total area under *guthi* tenure may have been much more.

Source: HLRC, 1995

Features and Outcomes of Land Reform in Nepal

The Land Reform Act of 1964 (LRA) fixes ceilings on the land an individual can own, protects the right of tenants by registering his or her name in the owner's deed itself, fixes rent on agricultural land, and does away with the traditionally very high interest rates for rural loans.

Population: Total and Farm Size

Nepal's population in the past half-century has increased by 2.5 times, while the farm population grew by 2.3 times from its 1961/62 level (Table 2). The proportion of people engaged in agriculture has declined by seven percentage points between 1961/62 and 2001/02. This does not indicate that the population involved in agriculture has declined significantly, which was a major aim of the LRA.

Table 2: Characteristics of Population in Nepal (1961/62-2001/02)

Classification	1961/62	1971/72	1981/82	1991/92	2001/02
Total Population (thousands)	9,413	11,556	15,022	18,491	3,151
Farm Population (thousands)	8,410	NA	12,877	16,258	19,032
Proportion of Farm Population	89.34	NA	85.72	87.92	82.21

Source: CBS (2001)

Redistribution of Land

Another primary objective of the LRA was to redistribute land to the landless and small holders to create an agrarian egalitarian society. The government, however, distributed only 1.5 percent of the total agriculture land among the landless. This raises a question: was the land reform truly necessary? The size of land holdings had already been small. The imposition of land ceilings has been one of the primary features of the reform for the government since 1964 and, in turn, has directly affected productivity on the land.

Land Holdings

There are two types of holdings: agricultural holdings that use land in farming operations and agricultural holdings that do not require land. Most holdings that do not require land are used for raising livestock and poultry. The number of agricultural holdings that use land has been proportionally increasing since 1961/62 but decreased slightly in 1981/82 and 1991/92. However, there was a slight increase in the proportion of holdings using land in 2001/02. The slight increase in the proportion of holdings using land resulted in a decrease in the actual number of holdings without land between 1991/92 and 2001/02 from 32,100 to 26,700. This drop indicates that fragmentation of land has significantly promulgated poverty.

Further Issues

Since the adoption of the Land Reform Act of 1964, the government has achieved land egalitarianism. On the other hand, a half-century with such reforms has led to land fragmentation and vulnerable property rights security, among other drawbacks highlighted below.

Disguised Unemployment

Land fragmentation has helped to keep people employed in the agrarian sector rather than seeking employment elsewhere.

Increased Land Fragmentation

At the national level, the average number of parcels per household has been steadily declining. Since 1961/62, the average number has decreased from 6.8 in 1961/62 to 4.4 in 1981/82, 4.0 in 1991/92, and 3.3 in 2001/02. The main reason for the decline is the decreasing size of an agricultural holding from 1.11 hectares in 1961/62 to 0.80 hectare in 2001/02.

Incomplete Registration

It is doubtful that government data over five decades old are accurate. The Badal High Commission for Land Reform stated in 1995 that even after four decades of promulgation of the LRA, more than 450,000 tenant households were not registered (HLRC, 1995). Even the registered households have not been able to avail themselves of their rights as tenants. It is estimated that around one million poor households have been deprived of their legitimate rights over land resources. Tenants have been cultivating land for generations but never had any evidence to support their claim. Hard-working tenants had no information about land registration and could not register within the stipulated time.

Conflict between Owners and Tillers

One of the main sources of conflict in the country is related to land with a great number of land cases flooding the Supreme Court. The majority of these cases involve proof of documents or tiller eviction. This gives an indication of the deep-sown seeds of strife between landowners and tillers.

Food Insecurity

By the end of the 1970s, Nepal's strong ability to export agricultural products was weakening as it turned itself into a net importer. As time passed after the land reforms, the food deficit became more prominent in some parts of the country. Officially, over 45 of 75 districts in Nepal today import food except for those in districts that share a border with India. The primary source of imported food is India.

Land Fragmentation and Productivity

According to the Central Bureau of Statistics, land productivity claims by reformers and subsequent implementers have been cast into serious doubt. Though measurable statistics are not yet available, there is widespread belief that the LRA has not brought the desired productivity goals.

Conclusion

A structured, secure, and properly defined private property rights system lubricates a modern economy. Tiny land-locked Nepal's political elites have succeeded in portraying land reforms with ultimately undesirable consequences as desirable. The presence of awkward limitations of property rights have regrettably insulated Nepal from the north-south economic warmth that we see in much of the rest of Asia. Even citizens whose livelihoods are thoroughly agrarian based are baffled by a situation marked by legal plunder. Mere access to land would not, of course, ensure that land productivity would increase and poverty would be reduced. Instead, a dynamic, commercially-oriented agriculture sector is the best hope to significantly increase farm incomes and reduce poverty.

References

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