Dispatches from The Hall of Ideas!

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RESEARCH TO REALITY: DEVELOPMENT IN PRACTICE*

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In the realm of academia, there is often a vast gap between the theories taught in universities and the reality of life on the ground. Reflecting on a career that spans over two decades, I find that my understanding of economics was truly strengthened through exposure to global methodologies that challenged my foundational assumptions. Two decades ago, the pedagogy of economics in Nepal was rooted in a different era; we learned to run simple regressions and called it "impact". It was only after engaging with leading global institutions like ETH Zurich, Cornell, and the University of Tokyo that the true complexity of causal impact and the necessity of rigorous experimental and quasi-experimental methods became clear. This journey from a student in Nepal to a researcher published in journals like World Development has taught me that as an academic, the ultimate goal is not just the publication of a paper, but understanding how research can contribute to policy.

My work on Nepal's earthquake response reinforces this. Nepal and Japan share a tragic similarity: they are both frequently tested by the fury of nature—be it earthquakes, tsunamis, or the silent creep of climate-related shocks. In Nepal, the statistics are sobering. Data from the Ministry of Home Affairs indicates that between 2018 and 2024 alone, Nepal experienced approximately 35,000 climatic and non-climatic disaster events. While the 2015 earthquake served as a massive wake-up call, the lessons we learned, and the ones we failed to learn, reveal a significant gap in our national resilience strategy.

Following the 2015 quake, the National Reconstruction Authority (NRA) was established, providing a significant institutional foundation for rebuilding. In terms of physical infrastructure recovery, the NRA was successful; they oversaw the reconstruction of six to seven hundred thousand damaged private homes and various public infrastructures like temples and bridges. However, where we stumbled was in the realm of economic recovery and livelihood restoration.

Contrast this with Japan's response to the 2011 Tohoku earthquake and tsunami. The Japanese strategy did not just focus on bricks and mortar; it gave equal weight to livelihood and economic recovery. In the affected coastlines, such as Sendai, the government didn't just offer subsidies

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or credit; they addressed the entire value chain. They recognised that for a fisherman to return to work, it wasn't enough to rebuild his house; the government had to help recover lost capital and repair disrupted value chains as a "whole package".

In Nepal, we missed this holistic approach. We succeeded in "infrastructure recovery" but failed the "livelihood recovery" test. Furthermore, Japan's recovery was bolstered by formal social capital and psychological support. Their local governments are remarkably resourceful and empowered; they do not need to wait for orders from a federal center during a crisis. In Nepal, our local governments often lack the resources to handle major disasters independently, forcing them to look toward the center for rescue and relief.

In the absence of robust public support for economic recovery, a private mechanism has stepped in to fill the void: remittances. My research suggests that while various coping strategies exist, such as selling assets or borrowing, remittance has proven to be the most effective "social insurance" for Nepali households after a disaster. In the wake of the 2015 earthquake, it was private transfers, rather than government-led economic programs, that rescued household livelihoods.

However, this reliance on migration is a double-edged sword. While the positive income effect of remittance is undeniable—improving consumption, health, and poverty levels—we often ignore the social costs. My studies on parental absence show a clear negative effect on children's educational attainment, particularly when the father (who is traditionally the primary male migrant in Nepal) is absent. This effect is distinct; when a "non-parental" figure like an uncle or an older brother migrates, the negative impact on the child's education is not as pronounced. We cannot afford to be complacent just because money is flowing in; the social cost of a fatherless home is a reality that policy must eventually address.

For decades, Nepal's economic policy followed the "Thinking Big" philosophy. From the 1990s onward, the focus was on macroeconomic stability, reducing budget deficits, and hoping that economic growth would "trickle down" to the household level. These were often programs imposed by donors, such as the World Bank's structural adjustment practices. The reality, however, was that no significant change was visible at the household level.

The contemporary shift in development economics, which we see across Africa and parts of South Asia, is toward micro-level evidence. We must understand the specific problems of a micro-enterprise or a household to design interventions that actually work. In India and Bangladesh, governments are increasingly incorporating experimental designs (RCTs) into their programs to test if a policy is scalable before implementing it nationally. In Nepal, we are still lagging in this regard. If we want to move from "Research to Reality," we need to generate micro-evidence that the government

is willing to "take up" rather than letting it gather dust in a library or a bin.

One of the most exciting frontiers in my recent work involves behavioral economics, particularly regarding the adoption of clean energy like Electric Vehicles (EVs). When we began this work around 2012, EV adoption was low. The primary barrier is often bias, the human tendency to prioritize immediate costs over long-term benefits. An EV might have a higher "upfront cost" compared to a petrol bike, but its "operating cost" over ten years is significantly lower.

We found that information framing is crucial. Simply telling someone they will save money isn't enough; you must frame it relative to their monthly household expenditure. Interestingly, we also used "nudges" in our experiments. Using a "smiley face" to represent environment-friendly choices and "sad faces" for petrol alternatives elicited a different response than mere text. Today, while the government's decision to reduce custom duties has been the "magic" driver for EV adoption, factors like herd behavior—where people buy EVs because their friends and neighbors are doing so—also play a significant role.

None of these policy shifts can happen without a robust data ecosystem. Currently, Nepal's data landscape is a mixed bag. The Nepal Living Standards Survey (NLSS), which is essential for poverty estimation, has suffered from long gaps; we waited eleven years between the third and fourth rounds. This makes it difficult for researchers to provide timely policy recommendations.

Moreover, there is a certain irony in our data usage. While the government through the National Statistics Office (NSO) collects the data, it is often foreign professors and universities who use this data to publish high-level research. We, as Nepali researchers, often fail to utilize our own data to its full potential. Data must be regular, reliable, and accessible.

Research often brings us face-to-face with truths that challenge our common sense. During my PhD, I studied the impact of Nepal's ten-year conflict on health services. Surprisingly, my data showed that in areas with higher conflict intensity, health

facility utilization and health status were actually better. This seemed impossible until I looked at community-level data and anecdotal evidence. It turned out that in some areas, the Maoist rebels were monitoring health posts, ensuring that staff were present and that domestic violence and gambling were curtailed. This realization underscored the importance of qualitative evidence; numbers tell one story, but human sentiments and "policing" behaviors tell another.

As we move forward, the "disconnect" between researchers and the government must be bridged through continuous dialogue. We provide the "hard evidence," but it is up to the political leadership to decide whether to take it up. From the reconstruction of houses to the adoption of EVs, the path from research to reality is long and winding, but it is the only path toward a resilient and prosperous Nepal.

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