Conducting an Institutional Assessment and Providing Capacity Development and Training on Social Protection in Nepal

NATIONAL SOCIAL PROTECTION FRAMEWORK

AN INSTITUTIONAL ASSESSMENT REPORT

December 2014

Deepta Chopra
Neha Wadhawan
(with inputs from Keetie Roelen and Stephen Devereux)
# Table of Contents

Acronyms .................................................................................................................. 4

List of Figures ............................................................................................................. 7

Acknowledgements ..................................................................................................... 8

1. Introduction and Scope of Document ..................................................................... 9

   1.1 Defining Social Protection .................................................................................. 10

   1.2 Organization of the Report .............................................................................. 10

2. Nepal Context ......................................................................................................... 12

   2.1 Poverty ............................................................................................................. 12

   2.2 Political Economy .......................................................................................... 14

   2.3 Social Policy in Nepal and the South Asia Context ......................................... 15

3. Policy Context ....................................................................................................... 19

   3.1 National Social Protection Framework .......................................................... 19

   3.2 Social Security Fund and Social Insurance ..................................................... 22

   3.3 Recommendations for policy ......................................................................... 24

      3.3.1 NSPF (Streamlining) ................................................................................ 24

      3.3.2 Recommendations for the Social Security Fund ..................................... 26

      3.3.3 Coordination with SSF ........................................................................... 26

4. Cash Transfer Mechanisms ................................................................................... 28

   4.1 Social Assistance ............................................................................................. 28

      4.1.1 Child Grant .............................................................................................. 28

      4.1.2 Old Age Allowance ................................................................................ 31

      4.1.3 Women and Single Women Allowance (SWA) ...................................... 32

      4.1.4 Allowance for People with Disabilities .................................................. 32

      4.1.4 Ethnic Allowance .................................................................................... 33

   4.2 Sectoral Social Transfer Schemes .................................................................... 33

      4.2.1 Scholarships ............................................................................................. 33

      4.2.2 Maternity Cost Reimbursement Scheme .............................................. 34

      4.2.3 Midday Meal and Girls Incentive Programme ......................................... 35

      4.2.4 Allowance to Disaster Affected People .................................................. 36

      4.2.5 Allowance for Conflict Affected People ................................................ 36
4.3 Recommendations ........................................................................................................ 37
5. Public Works Programmes and assessment ................................................................. 39
   5.1 Karnali Employment Programme ........................................................................... 40
   5.2 Rural Community Infrastructure Works ............................................................... 41
   5.3 Decentralized Rural Infrastructure and Livelihood Project (DRILP) ..................... 41
   5.4 Youth Self-Employment Scheme ......................................................................... 42
6. Cash Transfer Programmes – Institutional Assessment .............................................. 43
   6.1 Assessment of overall institutional mechanisms ...................................................... 43
       6.1.1 Nepal’s current scenario .............................................................................. 43
       6.1.2 International experiences on institutional mechanisms for SP programmes .... 44
   6.2 Budgeting and Financial Structures ...................................................................... 48
       6.2.1 Nepal’s current budgeting and financial structures ........................................... 48
       6.2.2 Lessons from International Experiences ......................................................... 49
   6.3 Conditionalities ....................................................................................................... 50
   6.4 Planning and Identification of beneficiaries ............................................................. 53
       6.4.1 Nepal’s current scenario .............................................................................. 53
       6.4.2 International Experience ............................................................................... 54
   6.5 Targeting: Options for Nepal .................................................................................. 57
   6.6 Delivery and Disbursal ............................................................................................. 59
       6.6.1 Nepal’s existing systems of delivery and disbursal .......................................... 59
       6.6.2 International Experiences relating to delivery and disbursements ................... 61
   6.7 Monitoring ............................................................................................................... 62
       6.7.1 Nepal’s current monitoring practices ............................................................... 62
       6.7.2 International Experiences in monitoring ......................................................... 66
   6.8 Recommendations pertaining to cash transfers ...................................................... 69
7. PWPs – Institutional Assessment ................................................................................. 77
   7.1 Review of PWPs from International experiences .................................................... 77
   7.2. Budgeting and Planning for PWPs ....................................................................... 80
       7.2.1 Nepal’s current practices .............................................................................. 80
       7.2.2. Budgeting and planning process in international experiences of PWPs ........ 81
   7.3 Process of Identification and Targeting/Universal .................................................. 83
7.3.1 Nepal’s current practices ................................................................. 83
7.3.2 Identification and targeting/universal international experiences and lessons.... 84
7.4. Implementation and Distribution of Wages ............................................... 85
  7.4.1 Nepal’s current practices .................................................................... 85
  7.4.2. International experiences and lessons on distribution and disbursal of wages... 86
7.5. Monitoring ............................................................................................... 88
  7.5.1. Nepal’s current practices .................................................................... 88
  7.5.2. International Experiences and Lessons.................................................... 89
7.6 Recommendations pertaining to PWPs....................................................... 90
8. Designing and Adopting Policy Instruments.................................................. 95
9. Institutional Structures to Support NSPF ..................................................... 98
  9.1 For Central Level....................................................................................... 98
  9.2 For District and Local Levels..................................................................... 101
10. Further Research Required ....................................................................... 102
  10.1 Social protection policies and institutional mechanisms in the context of federalism and decentralization................................................................. 102
  10.2. Financing and expenditure .................................................................... 102
11. In conclusion ............................................................................................. 106
Bibliography .................................................................................................... 107
**Acronyms**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>BPL</td>
<td>Below Poverty Line</td>
</tr>
<tr>
<td>CBO</td>
<td>Community Based Organisation</td>
</tr>
<tr>
<td>CBS</td>
<td>Community Based Services</td>
</tr>
<tr>
<td>CCCSP</td>
<td>Central Coordination Committee for Social Protection</td>
</tr>
<tr>
<td>CCT</td>
<td>Conditional Cash Transfer</td>
</tr>
<tr>
<td>CDO</td>
<td>Community Development Officer</td>
</tr>
<tr>
<td>CFW</td>
<td>Cash for Work</td>
</tr>
<tr>
<td>CHIAK</td>
<td>Comprehensive Health Insurance Agency of Kerala</td>
</tr>
<tr>
<td>CPA</td>
<td>Comprehensive Peace Agreement</td>
</tr>
<tr>
<td>CPSU</td>
<td>Central Project Support Unit</td>
</tr>
<tr>
<td>DDC</td>
<td>District Development Council</td>
</tr>
<tr>
<td>DPSU</td>
<td>Defence Public Sector Undertaking</td>
</tr>
<tr>
<td>DRC</td>
<td>Dispute Resolution Committees</td>
</tr>
<tr>
<td>DRILP</td>
<td>Decentralized Rural Infrastructure and Livelihood Project</td>
</tr>
<tr>
<td>EDP</td>
<td>Central Project Support Unit</td>
</tr>
<tr>
<td>FFW</td>
<td>Food for Work</td>
</tr>
<tr>
<td>FNCCI</td>
<td>Federation of Nepalese Chambers of Commerce and Industry</td>
</tr>
<tr>
<td>FNJ</td>
<td>Federation of Nepali Journalists</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GON</td>
<td>Government of Nepal</td>
</tr>
<tr>
<td>IDS</td>
<td>Institute of Development Studies</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>INGO</td>
<td>International Non-Governmental Organization</td>
</tr>
</tbody>
</table>
KEP   Karnali Development Programme
LDO   Local Development Officer
LSA   Local Self-Governance Act
LSGD  Local Self Government Department
MDG   Millennium Development Goals
MOF   Ministry of Finance
MOFALD Ministry of Federal Affairs and Local Development
MOHP  Ministry of Health and Population
MOLD  Ministry of Local Development
MOLTM Ministry of Labour and Transport Management
MOWCSW Ministry of Women Children and Social Welfare
NCCR  Nepal Centre for Contemporary Research
NFSA  National Food Security Act
NGO   Non-Government Organisation
NHIA  National Health Insurance Act
NIMS  National Information Management System
NPC   National Planning Commission
NSC   National Steering Committee
NSCSP National Steering Committee on Social Protection
NSPA  National Social Protection Act
NSPF  National Social Protection Framework
NSSO  National Sample Survey Organization
ODI   Overseas Development Institute
OPHI  Oxford Poverty and Human Development Initiative
PAF   Poverty Alleviation Fund
PETS  Public Expenditure Tracking Study

Centre for Social Protection at the Institute of Development
PWP     Public Works Programmes
RCIW    Rural Community Infrastructure Works
RDD     Rural Development Department
RSBY    Rashtriya Swasthya Bima Yojana
Rural   Community Infrastructure Works Programme
SPF     Social Protection Floor
SPIP    Social Protection Implementation Procedure
SPTG    Social Protection Technical Group
SPTT    Social Protection Task Team
SSF     Social Security Fund
SSF     Social Security Fund
SSFB    Social Security Fund Board
SWOT    Strength, Weaknesses, Opportunities and Threats
UCT     Unconditional Cash Transfer
UNDP    United Nations Development Programme
UNICEF  United Nations Children's Fund
VDC     Village Development Committees
WDD     Women Development Division
YSE     Youth Self-Employment Scheme
List of Figures

Figure 1: Data Pictogram based on the findings of NLSS III
Figure 2: Social Sector Expenditures in South Asia
Figure 3: Social Protection Floor in Draft NSPF
Figure 4: Classification of Ongoing SP Schemes corresponding with the SP aims
Figure 5: Social Insurance in Nepal
Figure 6: Organisation Chart of Existing Structure of MOFALD
Figure 7. Organisational Structure of NREGA
Figure 8: Flowchart of the Proposed Structure for NSPA
Figure 9: Remittance inflows as % of GDP in South Asia
Acknowledgements

This report was carried out by a team of expert researchers from the Centre for Social Protection (CSP) at the Institute of Development Studies (IDS), UK. The researchers gratefully acknowledge the funding received from UNICEF Nepal,¹ and the close collaboration with the National Planning Commission (NPC) during the writing of this report. The researchers would also like to thank the various ministries, including the MOFALD, Ministry of Health, Ministry of Education, Ministry of Finance, Ministry of Poverty Alleviation and Cooperatives of the Nepal Government for taking the time to participate in interviews. Finally, researchers would like to express gratitude towards international donors including DFID, UNICEF ROSA and UNICEF Nepal, WFP, and the World Bank as well as the trade unions and civil society representatives for partaking in interviews.

¹ UNICEF Nepal is implementing the grant project to the Government of Nepal entitled Reducing Child Malnutrition through Social Protection, which is funded by the Japan Fund for Poverty Reduction grant administered by the Asian Development Bank
1. Introduction and Scope of Document

This report presents the findings of the Institutional Assessment study for the implementation of the Draft National Social Protection Framework (NSPF). The objectives of this report are threefold: 1) to assess current organisational structures, systems and processes for planning, implementing, and the monitoring of Social Protection; 2) to tailor examples of good practice from across the globe in order to address the specificities of the Nepali context in implementing effective Social Protection; and 3) to propose future directions of Social Protection in Nepal. The report seeks to identify gaps and propose institutional arrangements to ensure the effective implementation of Nepal’s draft National Social Protection Framework (NSPF), prepared in May 2012.

The possibility of enshrining values of equality and livelihood protection in the Constitution is a unique opportunity that presents itself at the current political juncture. In keeping with the spirit of the values of equality and social justice enshrined in the Interim Constitution, the draft NSPF represents a useful recognition of the ways in which the needs of Nepal’s citizens can be catered for, leading to an inclusive developmental agenda that is sensitive to its most vulnerable populations – especially children and women.

This report will focus primarily on the institutional mechanisms required for cash transfers and public works programmes. Both these instruments have played an important role in Nepal. In fact, evidence shows that cash transfers were made to rural areas despite the decade-long violent political conflict that had ensued (Reference NCCR report). These mechanisms also feature most prominently in Nepal’s NSPF. Additionally, as the sections below on international experiences show, these two types of measures are also the most common across the world.

There has been a significant shift in the discourse of Social Protection since 2008 in Nepal which has included the concept of the Social Protection Floor. This concept was initiated internationally by ILO, and was seen as an especially good fit within Nepal’s post-conflict environment with high poverty and under development rates. The child benefit grant was seen as a major building block of the Social Protection Floor in Nepal (Gabriele Koehler, pers. comm.). While recognising the importance of the Social Protection Floor, this report takes cognisance of a phased approach towards achieving it in Nepal, given the country’s financial constraints and high donor dependency. Therefore, it is imperative to focus on measures that can reach the poorest and most marginalised first e.g. cash transfers and
public works programmes.

1.1 Defining Social Protection

There is no universally agreed definition of Social Protection; there are even a variety of opinions on the range of approaches and instruments that can count as Social Protection. This report, however, uses the Devereux and Sabates-Wheeler’s (2004) conceptualisation of Social Protection. This conceptualization comprises of

‘all public and private initiatives that provide income or consumption transfers to the poor, protect the vulnerable against livelihood risks, and enhance the social status and rights of the marginalised; with the overall objective of reducing the economic and social vulnerability of poor, vulnerable and marginalised groups’.

1.2 Organization of the Report

Section 2: In order to examine and analyse the current structures and make appropriate recommendations, the report begins by outlining the current situation in Nepal with regards to development and poverty, which points to the necessity of Social Protection in the country. Following this, the report looks briefly at the political economy context, helping to foreground a critical analysis of the draft NSPF. The section concludes with examining the social sector spending in Nepal within the context of Social Protection and social sector spending in all of South Asia.

Section 3: Introduces Social Protection Policies in Nepal, namely the NSPF and the Social Security Fund (SSF). Both are critically analysed within this section and recommendations are given regarding both. The section concludes by describing how they can be linked and strengthened.

Sections 4 and 5: Section 4 provides a brief outline of many of the non-contributory cash transfer schemes in Nepal. The section first looks at social assistance schemes, such as the Child Grant and the Old Age Allowance, and is followed by a description of sectoral social transfer schemes such as scholarships and maternity reimbursement. In section 5 provides a brief description of public works programmes such as the Karnali Employment Programme and the Rural Community Infrastructure Works Programme. These sections conclude with a list of recommendations as identified by the research.
Sections 6 and 7: Look at the institutional mechanisms behind non-contributory cash transfer and public works programmes respectively. Each of these sections analyses the current institutional mechanisms and the strengths and challenges in these mechanisms, including budgeting and finance, conditionalities, planning, identification, targeting and monitoring. After an in-depth look into the mechanisms, this report provides relevant examples from other countries in Africa, Asia, and North and South America. From the analysis and review of international examples, this report provides thorough recommendations that would lead to the improvement of service delivery and would allow an improvement in overall impact.

Sections 8 and 9: These sections draw out implications of the report’s findings and analysis for policy; design issues of two specific types of programmes provide concrete evidence and recommendations for designing and adopting the policy instruments. The report ends by mapping out, based on international experience, some options for institutional structures for delivering the NSPF.
2. Nepal Context

Before moving to the institutional assessment, it is important to outline the poverty situation and the political economy context of Nepal, which indicate the necessity of Social Protection in Nepal.

2.1 Poverty

Nepal is a landlocked country situated in South Asia, which is extremely diverse, both topographically and demographically. The landscape comprises of three main regions: the mountainous Himalayan region, the middle hills, and the Terai, an area of grass lands, savannahs and forest in the southern region. Nepal shares three borders with Indian and to the north with the People's Republic of China. Nepal is one of the poorest countries in the world, with a Human Development Index of 0.463, placing it 157th out of 187 countries listed in the United Nations Development Programme's Human Development Report 2013. The National Living Standards Survey III reveals that one-fourth of the population lives below the national poverty line (CBS, 2011). According to the Multidimensional Poverty Index, which takes nutrition, health and education into account, 44.2% of the population lives in poverty (OPHI, 2013).

An Asian Development Bank (ADB) study (2010) indicates that specific factors, which include gender, geography, ethnicity, and caste membership, will determine the likelihood of being poor. Poverty is worst among those who belong to more than one excluded group (Langford and Bhattarai, 2011). For example, poverty is higher for women, particularly so for those from specific ethnic groups and those living in remote areas or the Mid-Western region. Data shows that poverty incidence in rural areas (28.5%) is four times higher than that in urban areas (7.6%). Moreover, in 2009, 95.5% of the poor lived in rural areas (NPC, 2010). The high mountains as well as the mid and far western hills have a higher incidence of poverty than Terai and eastern parts.

During the conflict period, real GDP per capita2 grew from 177 USD in 1990 to 275 USD in 2011 (World Bank 2013). This slow grow reflects the economic disruptions accompanying political instability and conflict. However, during this same period, the Human Development

\[2 \text{ In constant 2000 USD}\]
Index (HDI) for Nepal had increased from 0.341 in 1990 to 0.463 in 2012 (UNDP 2013). Although, the national poverty rate registered a decline of 17 %age points between 1996 and 2010.

Remarkably, Nepal’s poverty rate actually declined during the 10-year civil conflict, largely due to a substantial increase in remittances which were able to reach some of the poorest and most remote sections of society (Holmes, R. and S. Upadhyay, 2009). The figure for Nepal’s remittances in 2008/09 was NRs 209.7 billion, accounting for about 18% of national income. The growth trend is steady, although it slowed in 2008/09 compared to the previous year. However, in the same period, inequality increased (the Gini coefficient for Nepal increased from 34.2% to 41.4%).

With a population of over 26 million, Nepal has nearly 2 million absentee workers living abroad and sending remittances. The hills and mountainous zones of Nepal, in particular, have witnessed large scale out-migration due to extreme poverty. The dependence on subsistence agriculture, coupled with very small landholdings that are unable to provide food security, are common in the region (Wadhawan, forthcoming). In 2008, 30% of households received remittances, the majority being located in rural areas (NPC and UNDP, 2010). Today, about 29% of all households in Nepal have at least one member living abroad (CBS, 2011).

Figure 1: Data Pictogram based on the findings of NLSS III
2.2 Political Economy

Nepal has experienced periods of conflict and political instability, including the transition from authoritarianism to democracy, from monarchy to a republic, and has undergone a process of decentralization. As such, ongoing policy development in the area of Social Protection is taking place at a time where larger constitutional and democratic debates are happening (ODI 2013).

The Comprehensive Peace Agreement (CPA) was signed in November 2006 between the Government of Nepal and the Unified Communist Party of Nepal (Maoists), which brought an end to the period of armed civil conflict in Nepal and mandated the Interim Constitution. The Interim Constitution was drafted to facilitate and manage the Nepali constitutional transformation process, and came into effect in January 2007. Elections for the Constituent Assembly were held in April 2007 although progress was slow and not much could be achieved. The Constituent Assembly failed to meet the deadline for writing a new constitution and the period since then has been marked by political instability – including five different Governments in six years (Thapa 2011). This has had an adverse impact on policy development and programme implementation. The Constitution writing process stalled after 2012, and following the dissolution of the Constituent Assembly in May 2012, fresh national elections were held in November 2013. This resulted in a mandate to elected
leaders to continue the process to deliver the Constitution of a secular, federal and democratic republic, although this has yet to come to fruition.

The Interim Constitution of Nepal 2063 (2007) views employment and social security as fundamental rights of every citizen. More specifically, Section 18, Part 3 of the Constitution, under the heading 'Rights regarding employment and social security', states that:

- every citizen shall have the right to employment as provided for in the law
- women, labourers, the aged, disabled as well as incapacitated and helpless citizens shall have the right to social security as provided for in the law
- every citizen has the right to food security as provided for in the law.

With support from international development agencies and bilateral donors, the Government has implemented a range of Social Protection policies and programmes designed to tackle poverty, promote livelihoods and economic opportunities, and enhance people’s access to health care, education and other important basic services. There are several schemes in place, ranging from allowances for single women, the elderly, widows, the disabled and indigenous groups; child grants; scholarships for disadvantaged groups; and various employment programmes. While these schemes are much needed and utilized, there is a lack of a holistic and coherent strategy. At the same time, a newly elected Constituent Assembly, coupled with weak institutional capacity at the central and local levels as presented in the report below, adds to the urgency for interventions.

**2.3 Social Policy in Nepal and the South Asia Context**

Social Protection is a growing area in South Asia. As Koehler and Chopra (2014) document, many social policy innovations have occurred in the new millennium, and Social Protection programmes feature prominently in all South Asian countries.

Bonnorjee (2014) documents good expenditure levels on the social sectors across the region – with an average of about 39% across South Asia. Of these, an average of 38% of their social budget is spent on education, and 15-16% on health. Also, about 6.4% of the social sector budget is spent on housing and shelter across the region. Interestingly, Nepal devotes the highest share of its social budget to housing and community affairs (28%), suggesting
that geographical challenges and spatial factors are critical in the country.

Between 2000 and 2010, Nepal’s spending on the social sector has been approximately 35% or more (ibid). While education and health have been a significant part of social sector spending for a long time in the region, as stated above, there have been many innovations in the area of Social Protection programmes. However, interestingly, the share of social security and welfare in the total social sector budget has remained constant, averaging about 40% for all South Asian countries between 2000-2010. This is the case for Nepal as well, as figure 2 below demonstrates (ibid). Expenditure on social security and welfare were about 3% of GDP across the South Asian countries – higher than the expenditure for health and education.

In Nepal, spending on Social Protection specifically has seen a noticeable increase over the last few years. In 2004/05, Nepal spent an estimated 0.5% of its GDP on Social Protection programmes (including civil service pensions which is the major component) while the average for other South Asian countries was 2.3%. This proportion had increased four-fold by 2009/10 with Social Protection spending accounting for 2.04% (World Bank 2011). Yet, in the post-conflict scenario and ensuing political instability, continued focus on Social Protection continues to be important.

Figure 2: Social Sector Expenditures in South Asia
The Human Development Note 2013 provides an analysis of Nepal Living Standards Survey (NLSS) III data on Social Protection. NPR 42 billion was spent on Social Protection in 2011-12, of which approximately 15 billion was spent on cash transfers. Of the total expenditure, social insurance programmes (Employees Provident Fund and pensions) received 57% of total Governmental spending on Social Protection, and 41% was spent on social assistance, i.e. cash transfers and scholarships while a mere 2% was spent on Public Works Programmes.

The increase in Social Protection spending in Nepal is sought to be explained by new programmes like the Karnali Employment Programme, expansion of education scholarships, programmes for endangered ethnicities, and relaxation of eligibility criteria for large cash transfer programmes like old age allowance, single woman allowance, and disability allowance. The spending increase can also be attributed to the increase in benefit levels of existing programmes and programmes targeted towards ex-combatants and the conflict-affected to aid the post-conflict peace process. Yet some estimates claim that Rural Community Infrastructure Works and the Karnali Employment Programme together comprise just 2% of the Government’s Social Protection expenditure in 2009-10.

It is interesting to understand what comprises the major expenditure sectors in Nepal. Looking at the analysis that Bonnorjee (2014) has done, we can conclude that Nepal spends about 15% of total expenditure on public services, including safety, law and order, and public administration (Bonnorjee 2014). In general, there is a declining or flat share of public services in Nepal, which assumes significance in delineating the institutional options that might be required to implement the NSPF. Further, expenditures on economic services in Nepal are one of the highest in the region – 25% on average between 2000 and 2010 (ibid). Also, in Nepal as in other South Asian countries, while expenditure as a share of fiscal budget is significant in most countries, the actual expenditure as a share of GDP remains quite low.

It is a challenge to disaggregate these composite figures, to show what the spending is for children, women, marginalised communities etc. Additionally, as in all other South Asian

---

3 Banerjee has used ADB country specific data files from 2000-2001 to 2010/2011 (ADB 2012) and the World Bank’s World Development Indicators (World Bank 2012).
countries, in Nepal it is critical to disaggregate the social security spending between that being received by the formal sector, and that for the informal sector, which is where large parts of Nepal’s population works.
3. Policy Context

3.1 National Social Protection Framework

Koehler submits that in Nepal: ‘Social Protection has...been framed...by the state, as an instrumental tool with multiple applications and objectives, from increasing income and food security, to overcoming social exclusion, to assisting with the process of political healing’ (Koehler 2011: 17). The building of the National Social Protection Framework (NSPF) is set within efforts to integrate Social Protection into a ‘tumultuous and uncertain transition period’ of the post-conflict and reconstruction agenda (Upreti et al 2012: 38).

In 2009, the National Steering Committee on Social Protection (NSCSP) was formed to bring together representatives from the Government sector involved in different aspects of Social Protection programming, including the Ministries of Finance, Agriculture, Education, Labour and Transport Management, Health, and Local Development (Upreti et al., 2012). The NSCSP was set up to draft an interim Social Protection framework for Nepal by end of January 2010, and the full-fledged Social Protection framework by April 2010. The NSCSP reviewed existing Social Protection programmes in order to inform the development of a NSPF, which was designed with support from the Social Protection Task Team (SPTT), a group of development partners committed to coordinating and cooperating to improving Social Protection in Nepal. The current version of the NSPF is currently in draft form, awaiting finalization.

Social Protection in the NSPF is defined as:

‘a set of benefits available to individuals, households and communities from the state, market, civil society or households, or through the combination of them all, aiming at reducing multi-dimensional deprivations and providing people with a basic minimum livelihood’ (p.4).

According to the NSPF the definition of social protection Social Protection encompasses a range of notions and concepts, indicating that Social Protection is broader and more inclusive than either social safety nets or social security. For example, Social Protection’s role is considered by the NSPF as important for shocks and risk management: “Social
Protection interventions are intended to reduce poverty, to provide critical inputs in times of shocks so as to create opportunities for recovery and development”. It is also seen as a tool for promoting social justice: “Social Protection is considered as a crucial policy tool to for supporting equity, social justice.” Reference is also made to the human security approach and Social Protection’s objectives of reducing chronic vulnerability, poverty and inequality. It is suggested that notions of poverty should move beyond money-metric measures and focus on vulnerabilities across the life course. Finally, there is also an explicit recognition of the right to Social Protection: “As Social Protection are rights enshrined in international human rights instruments and the constitution of Nepal, it is the obligation of state to provide all the people with appropriate and effective Social Protection mechanisms” (p. 5).

Social Protection in the NSPF, includes all non-contributory and contributory measures that:

- provide cash or in kind transfers to the poor and vulnerable, to protect them against livelihood risks;
- improve access of deprived people to basic social and economic services;
- promote social insurance in formal and informal sectors for income maintenance and secure livelihood;
- enhance the social dignity, equity and rights of people who are marginalized and socially excluded. (emphasis in original, Draft NSPF pg. 19-20)

Figure 3: Social Protection Floor in Draft NSPF

Source: Draft National Social Protection Framework

The Social Protection Floor as discussed in the Draft NSPF (pg. 21-22) comprises of 6 major programmes which will be the areas of focus for the Government of Nepal. They are:

Essential Social Transfers: These include the six ongoing cash transfers of the Government of Nepal (a) Child Protection Grant, (b) Senior Citizens Allowance, (c) Single Women (widow) Allowance, (d) Disability Allowance, (e) Allowance for
Endangered Indigenous Peoples; (f) Scholarship Programme; and (g) the Ama Programme (maternity incentive scheme). These cash transfers aim to cushion the poor and vulnerable against life cycle risks. Rather than initiating new schemes, the focus of the NSPF will be on continuing and expanding ongoing programmes.

Child Protection Grant: An ongoing targeted programme which will be made universal in the next 10 years, focusing on a window of opportunity i.e. 1000 days from conception. The main objective of this grant is to improve the nutrition outcomes. At the same time efforts will be made to cover all orphans and children affected by HIV/AIDS within the next five years and all children in the categorically targeted group by the end of the tenth year.

Basic Health Services: As provisioned by the Interim Constitution of Nepal, the Government will continue to make every effort to provide free basic health services to every citizen of Nepal. Basic health services will be defined by the Government of Nepal through Directives at different intervals. It should include basic check-ups and treatment, immunizations; child and maternity care such as ante natal care (at least four times) and post natal check-ups (at least two times), institutional delivery, child and maternal health protection services like the Maternity Incentive Scheme (Ama programme); and the provision of basic treatments and medications deworming, a basic package of nutrition including Vitamin A supplement, iodized salt distribution, control of communicable diseases, and other essential drugs.

Free Secondary Education: As stipulated by the constitution, Government of Nepal will strive to provide free education up to grade 12 to all students of community schools within next 10 years. The system of scholarship will be implemented linking with free education initiative and the whole system of educational incentive including school meal programmes and school health programme will be progressively rationalised.

Employment Guarantee Scheme: The Government will ensure 50-100 day employment annually for all citizens seeking employment by enacting an Employment Guarantee Act and operational procedures. It will begin with 50 days and reach 100 days by the end of 10 years. For this purpose the Government will consolidate ongoing public work programmes, local infrastructure development programme including Karnali Employment Programme and other safety net programmes by integrating the learning from the ongoing programmes.

Food Security: As required by the Interim Constitution of Nepal, the Government of Nepal will take measures to ensure food sovereignty by making basic foodstuff available to all citizens and provide means to access food by removing barriers. The focus will on food deficit areas and will consist of promotional as well as protective measures.
Figure 4: Classification of Ongoing SP Schemes corresponding with the SP aims

Source: Presentation on Social Protection made by Stephen Devereux at SP Training workshop held in Lumbini, Nepal on June 3, 2014

3.2 Social Security Fund and Social Insurance

The need for and importance of an effective and efficient Social Protection scheme in Nepal is highlighted in the NSPF. The authors note the risks and vulnerabilities of the households in Nepal. While Social Insurance can be seen as an important aspect of Social Protection, in Nepal Social insurance programmes currently only benefit a narrow segment of the population, namely the formally employed and civil servants. The targeted beneficiaries of this programme are mostly formal sector and Government employees who earn well above the average per capita income. Out of 11.8 million people employed in 2008, less than 4% were employed in formal sector jobs (CBS, 2009). Hence, only 4% of the labour force, which is essentially non-poor, has access to social insurance. The ongoing social insurance schemes are Employee Provident Fund, Gratuity, Civil Service Pension Scheme, Work Injury Insurance, Citizens Investment Fund. The table below gives details on these.
Figure 5: Social Insurance in Nepal

<table>
<thead>
<tr>
<th>Social insurance</th>
<th>Who is eligible for this benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Provident Fund</td>
<td>Workers of Government, Organizations with 10+ employees receive pension and work-related disability payments depending on contribution</td>
</tr>
<tr>
<td>Gratuity</td>
<td>Employees serving 3 years or more and retiring are entitled to gratuities at different rates depending on years of service</td>
</tr>
<tr>
<td>Civil Service Pension Scheme</td>
<td>Civil servants with 20+ years of service and armed forces personnel with 16+ years of service receive monthly benefits and lump sums based on service and salary</td>
</tr>
<tr>
<td>Work Injury Insurance</td>
<td>Mine workers and organizations with 10+ employees receive lump sums based on salary and service</td>
</tr>
<tr>
<td>Citizens Investment Fund</td>
<td>Formal sector workers receive returns on voluntary investments</td>
</tr>
</tbody>
</table>

There is an urgent need to expand social insurance coverage beyond these sectors so that households engaged in the informal economy are also included. In 2011 the Government announced and set up a Social Security Fund (SSF), which mandated a 1% tax on the income of formal sector workers. The tax was to be used to finance an old age allowance; medical, maternity, disability and unemployment benefits; and the needs of other vulnerable groups. However, the Government announced this as a ‘contribution’ rather than a ‘tax’, which has led to formal sector unions claiming that benefits financed through the SSF should only be available to formal sector employees. This is in sharp contrast to the Government’s intention and mandate to use this to finance social security for the informal sector workers.

The Social Security Fund Board (SSFB) is charged by overseeing the fund and its use – yet, because of the difficulties in resolving the different interest group positions on this; the fund remains unutilised to date. Senior members of the SSFB consider it within their mandate to undertake Social Protection programming more generally, and have drafted an Act which will lay out a clear road map to implement the benefits, but this has yet to be finalised or passed.
3.3 Recommendations for policy

3.3.1 NSPF (Streamlining)

It can be seen from this discussion, that the draft NSPF is a progressive document. Certain ambiguities however remain that may need clarification in order to strengthen its effective implementation. Firstly, and perhaps most critically, it is not always clear whether or not essential services such as free health care and education are considered part of Social Protection. In some places, it is implied that services are not considered part of Social Protection: “Interventions can focus on cash or in kind transfers or safety nets, social insurance, labour market reforms or some specific programmes targeted to certain groups, communities or localities.” However, the overview of existing Social Protection mechanisms on pages 13-17 of the NSPF suggests otherwise, as free social services such as the Education for All and Free Health Services are explicitly mentioned. Even the definition (reproduced above) does not provide clarity on the role of essential services – as improving access to services is usually understood as reducing demand-side barriers by supporting household and individuals with cash transfers or subsidies.

Secondly, it is not clear whether the NSPF subscribes to a universal notion of rights for all, or whether the focus of the document is on ‘enhancing’ rights of the marginalised and socially excluded sections of society. In terms of the definition, the notions of the wider dimensions of poverty, vulnerability and deprivation need to be strengthened. How are these notions defined, and how are they institutionally and socially reproduced should be examined. Further, in the context of targeting these groups, Nepal’s draft NSPF also mentions a single registry – but if this is considered a component of Social Protection, a discussion of its utility should be included in the background chapters and the implementation considerations should be more firmly integrated in the Framework document.

Thirdly, the objectives of Social Protection in Nepal (NSPF p.20) refer to the provision of a minimum Social Protection floor for all citizens within the next decade. Although elaborated upon in section 3.7, it is not clear what is included in this Social Protection floor (SPF) or the rationale for including it in the objectives. It is also not clear how the categorisation of the different types of programmes (NSPF p.24) correlates with the different components of the SPF, which categories and programmes fall within or outside the SPF, and what may be the rationale for this inclusion/ exclusion. For example, it needs to be made clear as to whether essential services are part of the SPF or not – and why this decision was made.
Finally, the NSPF refers to the Child Protection Grant as one of the major cash transfer programmes with the particular aim to address the problem of malnutrition and improve nutritional outcomes for children. In terms of interventions targeted towards children, the Child Protection Grant is mentioned alongside Child Protection Programmes, including alternative child care programmes, rehabilitation of child labourers and anti-trafficking surveillance. However, there is no reflection on how the current child grant addresses child protection issues, and how the provision of these services operates alongside or in conjunction with the child grant.

Some specific recommendations regarding the NSPF are highlighted below:

Clarify the extent that essential services are part of the basic Social Protection measures that the Government of Nepal is willing and able to deliver.

It is strongly recommended that the NSPF include explicit strengthening of health and education services.

Taking the life cycle approach into account, the following is recommended:
- Universalisation of cash transfers for all children (0-5) under the Child Grants and opening of community child care centres (funded by the government).
- Strengthen cash transfers for education (5-15).
- Ensure livelihood security for the working population (primarily through public works programmes) and for the partially disabled population (through disability grants, skills training programmes, etc.).
- Universalisation of old age pensions to all individuals over 60.

In addition, although the draft NSPF makes mention of the notions of the wider dimensions of poverty, vulnerability and deprivation, and especially child protection, it is recommended that these wider dimensions are strengthened throughout the framework.

As the choice of Social Protection programmes is informed by a list of vulnerable and marginalised people, it would be pertinent to back up this identification by statistics and appropriate reference material.

Finally, making the links between the child grant and child protection more explicit will be an important step in making the NSPF child-friendly. While the child grant as a universal cash transfer is a positive way forward, child ‘protection signifies a larger set of programmes, which need not be included under core Social Protection in Nepal. While knowledge about the extent to which a child grant in and of itself prevents or mitigates issues of child abuse, neglect and exploitation is limited, there is increasing recognition that potential opportunities could be maximised by strengthening links between Social Protection (i.e. child grant) and child protection (i.e. child protection services). This could be
done through a system of statutory social workers or community-based Social Protection and child protection committees. This would also require a stronger reflection on institutional arrangements for implementing and monitoring the Child Protection Grant vis-a-vis the Child Protection Programmes.

The Government of Nepal needs to identify a set of ‘core Social Protection programmes’ that it can deliver on, which includes cash transfers and public works programmes.

3.3.2 Recommendations for the Social Security Fund

There is an urgent need to expand social insurance coverage beyond formal sectors so that households engaged in the informal economy are also included. It is critical to clarify the users and benefits of the Social Security Fund, and the institutional arrangements for its use. In terms of benefits, it is important to delineate whether the Social Security Fund will fund both contributory and non-contributory schemes: informal, formal or both? Having an overall central framework for regulation, coordination and monitoring will help in streamlining policy, implementation and institutional mechanisms. There seems to already exist two institutional mechanisms through which benefits can be implemented – the Social Security Fund Board and the various Ministries spearheaded by the National Planning Commission. Streamlining these institutional mechanisms will enable joint ownership and maximising efficiencies and strengths of each of these stakeholders, thereby ensuring maximisation of benefits to Nepal’s population. Finally, there have been different types of social sector programmes and benefits being discussed under the social security fund’s ambit. It is important to delineate the types of programmes that could be funded by the social security fund, especially as these have very different resource implications, beneficiary populations and overall objectives.

3.3.3 Coordination with SSF

The NSPF is the major policy document that needs to guide all contributory and non-contributory schemes. Work of all Implementing agencies such as MOFALD, SSF, and MOF should be guided by the NSPF. This also includes coordination with the Social Security Fund (SSF) which forms part of the NSPF. The social security fund (SSF) is one particular programme that is exclusively focused on a set of contributory social insurance schemes. The NSPF is the policy framework. It is much broader and covers non-contributory schemes as well. The SSF should form a part of the NSPF.
The development of the National Social Protection Framework and the Social Security Act are happening in parallel, and these need to be coordinated in order to avoid duplication. It is proposed that there is widespread understanding of the NSPF as the central framework for development, regulation and monitoring of Social Protection programmes, which will help in streamlining the efforts of the Government of Nepal. In addition, this will enable the clarification of roles and responsibilities amongst the different institutional bodies, thereby ensuring gains in efficiency across both the NSPF and the SSF as part of the NSPF.
4. Cash Transfer Mechanisms

4.1 Social Assistance

4.1.1 Child Grant

The Government in 2009 introduced a new cash transfer for all children under the age of five in the Karnali region (the most remote region of Nepal) and all poor Dalit children under five nationwide. It was conceived as a universal grant, but was initially implemented in a targeted form, although discussions about the costing and financing for the universalisation of the grant are underway. A maximum of two children per mother are eligible to receive this grant of NRs 200 per month per child, and the money is paid out directly to the children’s mothers when possible. In 2014, a total 550,000 children, including over 90,000 children in the districts of the Karnali zone, have benefitted from this programme (Okubo 2014). The Government spent around NRs 745 million in 2009 and 9,819 million in 2010. Although some political actors in Nepal have criticised the programme, it is generally perceived as popular, and therefore cannot be withdrawn. In an effort to bolster the positive impact of the programme on nutrition, the Government of Nepal has decided to promote the Child Grant alongside the Infant and Young Child Feeding (IYCF) programmes. Through this, mothers receive nutritional counselling at the community level while targeted media campaigns also promote IYCF.

Awareness and coverage of the Child Grant is high, with 98 of households having knowledge of the programme (Valley Research Group and UNICEF 2014). Ninety four % of households report hearing about the Child Grant from informal community contact, the remaining six % from a variety of sources. The coverage of the programme is reasonably high, with 83% of eligible households having received Child Grant funds at least once (Valley Research Group and UNICEF 2014). However, one issue is that coverage rates are slightly lower among households in the lowest wealth quintile (72% in the year prior to the survey) compared to that of those in the highest wealth quintile (80%), although this may be due to low coverage rates in one particular district (Humla) where the respective survey has been done (Valley Research Group and UNICEF 2014).

The Child Grant is found to have had positive impacts upon households with consumption patterns indicating that it had mainly been used for purchasing food, clothes, household goods, educational expenses, health and for income generation (Dhakal 2014 quoting NLSS findings). On average the amount of money paid out by the Child Grant is equivalent to 2-
3kg of rice or wheat, 1.5kg of sugar, or 10 eggs, but the purchasing power of the grant varies significantly across districts. In one district (Dolpa), no households report being able to purchase over 2kg of rice, while in another (Jumla), 85.9% stated they could buy over 2kg of rice. Similarly, the cost of sugar varies across districts, such that whereas 93% of all households reported that NRs 200 would be enough to buy 1-2kgs of sugar, no households in Humla district believe they could do this. Regarding eggs, in Dolpa district no households could purchase more than 10 eggs with NRs 200, whereas 26.6% of households in Kalikot and 20.8% in Humla could buy over 15 eggs respectively (Valley Research Group and UNICEF 2014).

Despite the variations in purchasing power across districts, on average the Child Grant has enabled a only a limited number of households to purchase more nutritious foods and products which are not locally produced (Adhikari et al 2014). 57 % of respondents state that the ability to buy food with the Child Grant is the most important aspect of its contribution, while the use of funds for other areas of household spending were second (40%), followed by investment in income generating activities and empowerment. The way in which the money is used varies according to key demographic characteristics. For example, households with literate parents are more likely to spend the money on nutritious food and school supplies, while households with illiterate parents are more likely to purchase household items. Similarly, households from higher wealth quintiles are more likely to spend the money on nutritious foods as well. Overall, these spending patterns have had positive impacts on overall nutrition; the prevalence of underweight decreased from 42.5% among children who do not receive the grant to 34.5% among children who receive the full amount (Okubo 2014). Regarding the impacts of the programme on IYCF indicators, it appears the scheme improves the proper receipt of breast milk in the first three days after birth, but no other indicator is affected. Meanwhile, according to a study by the Overseas Development Institute, the low level of the Child Grant means that any impacts it has had on household expenditure are highly limited, it has had no impacts on the uptake of services, and has not increased economic opportunities (Adhikari 2014).

Challenges to the programme

There are a number of challenges to the proposed impact of the programme. The first include challenges in relation to the transfer amount and distribution. In comparison with other cash transfer programmes in Nepal such as the Old Age Allowance or Single Woman Allowance the lump sum is low. While the expected amount to be paid is NRs 2400 per child per year, in actuality most households in Karnali only receive NRs 1086 on average (Valley Research Group and UNICEF 2014). Meanwhile, 28% of households had received less than NRs 1000 per child. This is largely due to the fact that most recipients do not receive all of
the instalments of the Child Grant. Although the transfer should be received three times a year, 79% of households had only received the transfer once within the year preceding the survey and only 2% had received funds at the correct frequency (Valley Research Group and UNICEF 2014). Thirty three % of all households have gone 10 months since they last received the Child Grant, while only 14% have received funds in the previous four months. Only 63% of beneficiaries received the full amount and the medium transfer value is only 83% (Adhikari et al. 2014). According to ODI, some villages have not been informed of the total amount in which they are entitled. When individuals are informed of missing entitlements they often conclude that government officials have deceived them (Adhikari et al 2014b). While it is not clear if the lack of distribution is due to inefficiencies or a lack of transparency and accountability.

Another challenge to the effectiveness of the programme is the registration process. Households stated that the main reason for non-enrolment was the inability to complete the necessary administration which requires birth registration. This leads to the underreporting and gaps in distribution of eligible children (Valley Research Group and UNICEF 2014). Of mothers who have not registered their child’s birth, the most common reasons are the absence of Village Development Committee (VDC) staff to register the birth (16%), the long distance to reach the VDC office (18%), a lack of awareness (10.7%), lack of time (15.7%) and recent birth that has yet to be registered (15.7%). Moreover, according to focus group discussions, some seem to believe that children have to be older than six months in order to be eligible for the programme (ibid). As a result, only 55% of eligible children under the age of 12 months receive the grant compared to 95% of children over 36 months (Valley Research Group and UNICEF 2014). This is clearly problematic given that the nutritional needs of the youngest children are the greatest.

However, the proportion of mothers reporting knowledge about the birth registration process has increased, from 38.9% to 65.4% as a result of the programme (ibid). This is at least partly due to efforts by the VDC personnel initiating door-to-door campaigns to raise awareness of birth registration. Indeed, the successes in outreach efforts in these areas, according to the report, could serve as models for other regions of the country (Valley Research Group and UNICEF 2014). Thus, although in the short-term the requirement of birth registration may lead to some children being left out of the programme, in the long-term, registration is clearly on the rise and this should contribute to an increase in overall coverage. To maximise the impact of the programme on nutrition, though, a special effort is required on getting children registered as young as possible.
It is often difficult for families to obtain the Child Grant funds due to the impediment of walking long distances to the local VDC offices to receive disbursement. In fact, the distance people have to walk appears to be directly related to whether or not individuals have received payment. In the districts surveyed by UNICEF, 65% of all households travelled less than one hour to get to the VDC offices, while 27% travel for one to three hours. Of those who are located less than a 1 hour walk from the VDC, 96% of those families receive the Child Grant money, alternatively, of those who live five or more hours from the VDC, only 81% had done so.

The result of irregular payments, the receipt of transfers below the agreed amount, and the resulting exclusion of children under 12 months has the potential to negatively impact the desired programme outcomes. Irregular payments and low transfers can de-incentivise increased savings or household consumption. Furthermore children gain the greatest benefits from increased nutrition in the first years after birth therefore omitting them from the receipt of the benefit will also negatively affect longer term impacts. ODI concludes that the general environment of poor governance in Nepal negatively affects the implementation of the Child Grant, and this in turn generates negative perceptions of the local leaders who take part in the delivery of benefits.

4.1.2 Old Age Allowance

The Old Age Allowance (OAA) started in 1994; a monthly stipend of NPR 100 was given to all citizens of 75 years and above. By 2008, two changes were made to the programme: (i) an increase in stipend to NRs 500, and (ii) a decrease in the age limit to 70 years for the general population, and 60 years for Dalits and the residents of Karnali. As a result of these changes, the number of beneficiaries has more than doubled from 360,733 in 2007/08 to 643,441 in 2008/09, with a four-fold increase in budget (Tiwari, 2010).

The impact of the OAA is said to be largely positive. The OAA has led to an increase in consumption and the bulk of payments are spent on personal supplies, medical expenses, household supplies, food, money spent on grandchildren and children, and some investment in improving personal income (HelpAge 2009). The OAA was also found to have significantly improved household relationships empowering beneficiaries both economically and socially (Holmes & Upadhya 2009 & Khanal 2014).

Challenges to the positive impacts of the OAA include issues related to the current distribution and monitoring mechanisms. As the records are updated and collected...
manually there are inclusion and exclusion errors. For example, when checking those registered for the allowance several deceased individuals were found to still be claiming benefits (Rajan 2013). Another challenge related to data is the lack of complete records of Nepali citizens nationwide to help budget for the programme (Rajan 2013). Challenges have also been linked to access; issues such as illiteracy, general inaccessibility, and difficulty in obtaining the Nepali citizenship certificate were also said to be barriers to inclusion (Rajan 2013).

4.1.3 Women and Single Women Allowance (SWA)

The initial cash transfer scheme provided widows aged 60 years and above, who have no income source, with NPR 150 per month. In 2008, the amount was increased to NPR 500, and the definition of beneficiaries has been expanded to cover i) all single women above the age of 60 years, ii) all widows below 60 years are now also eligible to receive the widow’s allowances, iii) and single women above 60 years (potentially including divorced and unmarried). As a result the number of beneficiaries has increased significantly. These changes have almost doubled the number of beneficiaries from about 250,000 to about 500,000, with a 5.5-fold increase in budget (Tiwari, 2010).

Currently the research has not been completed or is not available on the impacts of the SWA. However as the cash transfers are the same amount and the distribution and monitoring mechanisms are the same as the OAA. It can be assumed, although we cannot determine the impacts on younger widows, older beneficiaries would have similar positive impacts to the OAA. Likewise it would also be challenged by the same discrepancies and timings of payments, inaccurate data recording and the same issues related to access.

4.1.4 Allowance for People with Disabilities

This cash transfer is conditional on the Nepali citizenship and disability criteria of the Government. People with full disability are provided NPR 1,000 per month, while those with partial disability are provided NPR 300 per month (Tiwari, 2010). Although the allowance for severe disability is uncapped, there is a ceiling on the number of beneficiaries eligible for the partial disability allowance in each district. In 2011 16,202 people were receiving the benefit for severe disability in comparison to just 6,875 beneficiaries for the partial disability allowance (NPC 2012).

Impact evaluations do not exist for these programmes; however it can be assumed that the impact of the disability allowance differs according to the beneficiary. The impact of the
allowance on someone considered to be fully disabled could be deemed substantial, given the amount of money provided (R1000 per month) which is greater than the other monthly cash transfers, which are already seen to having varying positive impacts. This could stem to improvements in health, poverty reduction, and childcare within the household. The impact of the partial allowance is questionable however. This is both due to the amount provided (R300 per month) and the quota imposed.

Challenges to these programmes could also be similar to those mentioned for the OAA and Child Grant as they are monitored and distributed through the same mechanisms. However the main challenge is linked to the inequity of the allowance for partial disability and the geographical challenges of being certified as disabled and in the collecting of benefits.

4.1.4 Ethnic Allowance

The Government provides assistance to 10 endangered groups which include Kusunda, Raute, Surel, Hayu, Raji, Kisan, Lepcha, Meche and Kushabdiya. The population of each group is around 1,000 since 2008/09. The total budget allocation for the social assistance scheme amounted to about 0.14% of GDP until 2006/07 but with recent changes, it has increased to nearly 0.7% of GDP, a five-fold increase (Tiwari, 2010). There are currently no impact evaluations for these programmes. However challenges to programming can be linked to the nomadic nature of some of these groups such as the Raute as this means access to funding is more difficult through the current system.

4.2 Sectoral Social Transfer Schemes

4.2.1 Scholarships

Scholarships are the most significant education-related transfer. Under the programme, the following transfers are made to students or their families:

A monthly stipend of NPR 350 is given to 50% of girls in primary school, especially those belonging to poor households or excluded groups.
A monthly stipend of NPR 350 is provided to Dalit students in primary schools.

Both of these scholarship schemes are a conditional cash transfer, with the conditionality being students’ regular school attendance (Tiwari, 2010).

The current enrolment rates in primary school are almost universal which would suggest
that the impact of the schemes has been good. However the rise in enrolment cannot be linked to the scholarships alone due to a lack of monitoring and evaluation throughout the implementation process.

There are several challenges which have been highlighted in relation to the scholarship programmes. Firstly the transfer amount is very low at only 350 NPR per year. Likewise the current programme does not address the issue of long-term impacts such as dropouts and gender inequality which increases in higher levels of education.

These challenges could be linked to the girls and Dalit scholarships aiming to increase enrolment without addressing poverty alleviation or other barriers to education aside from access. The poverty targeting appears to be good (78% of girl scholarships and 86% of Dalit scholarships aimed at poor households - Khanal 2014). However the programmes ignore other contributing factors which prevent children from attending school such as economic activities or household chores (Kidd & Calder 2012). The scholarships also do not take into account the lack of education and awareness of the parents. Furthermore the current schemes do not tackle the issue of the quality of education on offer at government schools. Over 40% of children taking their SLC4 are currently failing to pass (World Bank 2013). The combined effect of programming omissions presents difficulties in ensuring attendance and low dropout rates.

Impact evaluations have also highlighted that the scholarships programmes are also challenged by poor implementation. An example of this is teachers dividing cash transfers amongst all students rather than just Dalits to promote equity amongst students (ERDCN 2011).

Another challenge to the scholarships is that through the use of a targeting mechanism which selects children from ostracised groups such as Dalits or disabled children there is the potential of reinforcing marginalisation rather than promoting social inclusion (Koehler 2009).

4.2.2 Maternity Cost Reimbursement Scheme

---

4 School leavers certificate taken during grade 10 (c. aged 15-16).
Under this scheme, women coming to health clinics for delivery are reimbursed up to NPR 1,000 for normal delivery and up to NPR 5,000 for delivery requiring surgery (Tiwari, 2010). Since the 1990’s the maternal mortality ratio has more than halved from 850 in 1990 to 170 in 2013 (UNDP 2014). Although this decline in mortality has not been attributed to the maternity cost reimbursement scheme, findings indicate that the programme has had largely positive impacts for beneficiaries.

Positive impacts include an increase in the use of skilled birthing attendants during deliveries. The presence of such professionals more than doubled between 2008/9 (15%) and 2011/22 (34%) (Lamichane & Tiwari, 2012). Awareness of the programme was also high with 84% of women aware of the transport reimbursement and 79% knowing that the delivery services are free of charge under the scheme (Lamichane & Tiwari, 2012). Research also suggests that it is utilized mostly by women from the lowest income quintile even though it is universally available (Lamichane & Tiwari, 2012).

The challenge to the effectiveness of the programme is geographical differences. In the mid to far western regions coverage of antenatal care remains low. The uptake of antenatal services was lower in these regions with only 45% of women having had a minimum of one antenatal appointment (MICS 2012). Likewise the number of deliveries attend by skilled personnel was also lower than national averages at 29% (MICS 2012). These challenges imply that attention needs to be placed on accessibility in hard to reach places.

Another challenge to the positive impacts of the programme is the level of personnel required to cope with the rising demand of services. A rise in waiting times, strains on staffing and inadequate numbers of beds were found to be hindering the supply side of the programme’s effectiveness (Baral 2012).

4.2.3 Midday Meal and Girls Incentive Programme

The Government has initiated the midday meal programme for 170,000 students and edible oil for 50,000 students in 16 districts with food shortages, low access to education, and low girls’ enrolment (Tiwari, 2010). The programme is implemented locally using local products for five years (for up to two children per family).

Very little research has been conducted on the impacts of the mid-day meal programme in Nepal and the girl’s incentive programmes. However several challenges have been
highlighted which are affecting the impacts of the mid-day meal programme on child nutrition. These include the need for the participation and cooperation of multiple ministries to implement the programme (WFP 2013). The lack of institutional capacity at the grass roots level, with both under staffing and under budgeting, has also been indicated as a challenge to effective implementation (WFP 2013). In particular budgeting for the midday meal programme in Nepal has been affected by the rise in food prices in remote districts and the worldwide financial crisis (ADB 2011). Also linked to the lack of capacity, the lack of accountability, monitoring and poor governance are said to be challenging the potential impacts of the programme (WFP 2013). Likewise the lack of nationwide nutrition and quality standards for the food used in midday meal programming means the food on offer is not of a set standard (WFP 2013).

4.2.4 Allowance to Disaster Affected People

It is estimated that about 50,000 persons are affected by natural hazards every year (Tiwari, 2010). Hazards such as earthquakes, floods, drought, and famine effect Nepal regularly. No systematic programmes for protection of such victims exist, although the Prime Minister’s Disaster Relief Fund provides some assistance to victims through the Office of District Administration. These activities are carried out on an ad hoc basis and there are currently no impact evaluations that could indicate their effectiveness.

4.2.5 Allowance for Conflict Affected People

The creation of the Ministry of Peace and Reconstruction in 2007 is not only a reflection of the government’s commitment to peace-building, but is also of relevance to social protection. The Ministry is responsible for a number of programmes and interventions designed to build social cohesion, restore peace and reduce vulnerability amongst those affected by the armed conflict. Some of the main ‘conflict-related’ social protection interventions in Nepal are listed below (Upreti et al 2012):

- Scholarships for children (at the rate of NPR 10,000 per year for primary education, NPR 12,000 per year for lower secondary education, NPR 14,000 per year for secondary education and NPR 16,000 per year for above secondary education) whose parents are deceased or disappeared. The Ministry of Education is responsible for executing the programme, and a recommendation committee is tasked to make decisions on eligibility.
- One time cash grant of NPR 25,000 to widows and families of missing persons.
- Treatment costs for injuries incurred though conflict.
One time cash grant of NPR 200,000 to disabled persons (depending on classification of disability)
Skills training for victims’ families
Quota seats for victims’ families in foreign employment
Cash grants to martyrs’ families: NPR 150,000 to those killed by security forces and for those killed as a result of cross fire, bombing, mines, or ambush. However, no grants are given if families have already accessed some other relief packages
Cash support of NPR 100,000 to poor people with cancer, heart disease, Alzheimer’s, Parkinson’s, or kidney problems
Various levels of compensation against damages to vehicles due to civil riots or general strikes
Compensation against damages to fixed property or house

At this time, no impact evaluations have been conducted in order to assess this programme.

4.3 Recommendations

As the above discussion shows, while there are specific challenges to each of the transfers, some common challenges include problems in delivery and monitoring systems. Lack of impact evaluations and proper costing mechanisms also add to the challenges of implementing these social protection mechanisms. During fieldwork, another common constraint expressed was the limited capacity of VDC secretaries to deliver these benefits on a regular basis to beneficiaries.

Given these constraints and challenges, specific recommendations include:

Putting in place delivery system for payments to those beneficiaries that are hard to reach – these include those living in locations that are geographically remote, or those groups facing social exclusion and marginalisation.
Any delivery system that is put in place in Nepal also needs to take into account the limited time (and other demands on that time such as household responsibilities) that beneficiaries may have to avail of benefits, and therefore cementing the capacity through increased personnel is a better option, than pushing the travel time and costs of availing benefits onto the beneficiaries.
Well-designed impact evaluations for those programmes which lack data, will ensure that impacts of these cash transfers are carefully recorded and assessed.
Costing mechanisms of delivery and monitoring mechanisms needs to take place in order to ensure proper budget allocation for these activities.
In addition, there are programme specific recommendations as well:

For the child grant, regular disbursement and accountability for those responsible for disbursement is essential. A focus on timely registration of young children, and increasing the amount of the benefit (indexed to the cost of living) would ensure that benefits are adequate, useful and effective.

For Scholarships, a review of the amount of the cash transfer and the uses that this is put to, can be used for assessing the size of the transfer and for reviewing the targeting of the transfer. It might also be worth considering a merging of the various scholarship programmes into one package for poor girls, Dalits, endangered ethnic groups and disabled children, to reduce their marginalisation. Scholarships need to also be supplemented with sensitisation of parents towards the value of education, and links with other distribution mechanisms (as the scholarships are not implemented under MOFALD).

For the Midday meal programme – geographically sensitive budgeting, with greater funding being allocated to more remote areas in order to account for increases in food prices, is required. In addition, nationwide guidelines on the nutritional value of proposed food stuff, and effective storage of food stuff, will go a long way in ensuring benefits are useful and efficiently distributed.
5. Public Works Programmes and assessment

Public works programmes (PWPs) combine the objectives of providing Social Protection, specifically livelihood protection through employment generation and aid in the creation of local level assets and enhancing infrastructure. They have been implemented in different forms in various developing countries to reach the poorest and most vulnerable who are in a position to work but cannot access dignified wage labour in the labour market.

The Government of Nepal has identified the acceleration of pro-poor and broad-based economic growth as of critical importance to the nation. In the wake of the abolition of bonded labour in 2000 and the principles of secularism, autonomy and socio-economic equality upheld by the Interim Constitution, promoting a long-term inclusive growth strategy will emerge to generate higher growth and reduce inequality and poverty. Therefore, in the short term, there is an urgent need for Social Protection for the poorest and most vulnerable groups. The working population between the ages of 15-60 can be provided with employment opportunities that provide cash or in-kind payments for manual labour to aid sustainable asset creation to promote food security and strengthen rural infrastructure within the district. Different employment generation programmes have been tried and tested in various locations across Nepal. Coverage levels vary while it seems that substantial effort and resources are committed to the process of ‘identification’. To achieve effective Social Protection through livelihood creation, a comprehensive, universal employment guarantee scheme is of pressing need.

The National Planning Commission drafted an Employment guarantee Bill, which the cabinet has approved and sent to the parliament. The EGA guarantees 100 days of employment per year to one adult member of households that are Below Poverty Line (BPL). The scheme provides jobs, but also seeks to create infrastructure that would help in boosting productivity and livelihood opportunities. Jobs provided are in the sectors of construction, infrastructure, various industries and other development projects. If the Government is unable to provide jobs within a stipulated deadline to those who are eligible and demand one, then it will have to pay unemployment allowance equivalent to around 50 to 60% of minimum wage. It will have a grievance redressal mechanism set up at grassroots level (Sapkota, 2012).

In an economy with 83% of the population still living in rural areas, a time-tested and successful public works programme such as this will be a vital policy tool for Social Protection.
Protection. This can be passed as a separate Act or it could be a central part of the employment generation component of the Social Protection Act. It can be implemented in three phases where the first phase focuses on 25 districts which include 2 Rural Community Infrastructure Works food insecure districts and the 5 KEP districts to factor in budgetary constraints and limited manpower capacity. Proper planning and monitoring is necessary so the scheme does not become a fiscal burden to the government.

5.1 Karnali Employment Programme

The Karnali Zone is one of the poorest and one of the largest of the fourteen zones in Nepal and is approximately 14.5% of the total area of the country. Its population at the time of the 2001 Census was only 309,084, about 1.4% of the total population of Nepal. The Karnali Employment Programme (KEP) is a public works based Social Protection scheme attempting to address the regional dimension of poverty and vulnerability. Under the one-family-one-employment programme, unemployed or people with an annual income insufficient to feed the family for more than three months (especially from remote areas) have access to employment opportunities.

First introduced in FY2006/07 and offering ‘One Family, One Job’, was designed to provide 100 days of paid employment at NPR 180-350 per day on Government infrastructure programmes for persons willing to do unskilled manual labour (Koehler, 2011: 12). The programme intended to cover 55,000 households in Karnali Region at an estimated cost of NPR 41.64 million. The 2008/09 budget allocated for the employment of 270,000 people for 100 days (NPC 2009). In the first four years of the programme, households were found to have worked just 30 days or less (Vaidya et al., 2010) due to a lag in transfer of funds. Also it took time to explain the scheme to the population and although the commitment to include all castes appears to have been met, women and youth employment impacts are still lagging (Koehler et al., 2009b). Other studies find that families were able to find between ten and 15 days’ work on average with the scheme (Harris et al 2013).

Limited positive impacts have been found in households participating in KEP. This has been mainly been linked to household consumption patterns related to KEP wages. Most households stated that the main use of the income gained from KEP was being able to buy food (Vaidya 2010) implying a possible rise in food security. Household expenditure on education was also found to have increased by just under 5% between 2006 and 2011 (NPC 2010). However research also suggests that consumption patterns of households engaged in
KEP have remained comparable since the beginning of the programme as a result of the lower than anticipated wages and number of days worked (NPC 2010). In households where there has been a marginal increase in consumption it has also not had an impact upon savings (Vaidya 2010).

5.2 Rural Community Infrastructure Works

The Rural Community Infrastructure Works (RCIW), administered by MOFALD through the DDCs and the VDCs, is an umbrella programme through which many Food for Work (FFW) and Cash for Work (CFW) programmes are implemented. The districts and the VDCs for RCIW programmes are selected on the basis of their food insecurity status and households self-select themselves into the programme. CFW and FFW schemes are labour-intensive local infrastructure development initiatives, mostly construction and maintenance of rural infrastructure. More than NPR 26 billion was allocated for public work schemes towards improving rural infrastructure and generating employment opportunities for the poor in 2008/09 (MOF 2008).

The food-for-work programmes are self-targeted since only the poor are likely to work in these types of programmes. Although leakages have been reported, most of the food-for-work programmes have adopted a social auditing system to improve transparency and reduce leakages. Although relatively limited in terms of expenditure, the Rural Community Infrastructure Works programme fares comparatively well against other types of Social Protection initiatives in terms of coverage, reaching almost half a million beneficiaries in FY2010. It also has a poverty targeting rate of 90%. (NCCR report: 41). The main impact of RCIW is the increase in household food security. Consumption was found to have increased between 3 to 6 months of the year in RCIW participants households (MoFALD 2010).

5.3 Decentralized Rural Infrastructure and Livelihood Project (DRILP)

DRILP was being implemented by the MOLD with the support of the Asian Development Bank in 18 of the poorest districts of the country, of which 14 districts are in mid-and far-western regions and 4 are in eastern. The project was implemented from October 2005 until August 2011 during which the project aimed at reducing the poverty level in 18 project districts from 60% to 45% by generating employment of 34,700 person years.
5.4 Youth Self-Employment Scheme

The Government of Nepal announced the Youth Self-Employment and Small Enterprise Fund (YSESEF) programme on 5 February 2009. The vision of this programme is to develop the entrepreneurship skills of unemployed youth and small business owners, in order to provide employment and achieve optimum utilisation of productive labour and local resources, alleviate rural poverty, relieve rural unemployment, minimize the increasing trend in rural-urban migration, and contribute towards the development of peace and the lessening of social injustice. To attain its vision, the Government’s strategy was to make use of banks and other financial institutions to provide short-term collateral-free loans up to NPR 200,000 at low interest rates. For this, the Government initiated a Youth and Small Enterprise Self-Employment Fund of NPR 500 million. It is envisaged in the Self-Employment Fund Regulation 2009 to subsidise 60% of the total paid interest rate to the applicants who return back the money in time. In an assessment of the implementation of the YSESEF in two districts, i.e. Chitwan and Palpa, it was found that the lack of technical skills and knowledge is the main obstacle for the YSESEF applicants. On the other side, high monitoring costs and lack of trust make it difficult for the banks to serve the YSESEF applicants.
6. Cash Transfer Programmes – Institutional Assessment

In this section we have divided the institutional assessment into the following categories i) assessment of overall institutional mechanisms, ii) budgeting and financial structures, iii) conditionalities, iv) planning identification and debates around targeting vs. universalisation, v) delivery and dispersal, and vi) monitoring. We will provide a discussion of the strengths, weaknesses with possible changes and focus areas for each of these categories. We have traced the institutional arrangement for the allowance for people with disabilities in particular, while other cash transfers which are operationalized through MOFALD have similar institutional mechanisms have also been covered, though not in as much detail. The section will conclude with a list of recommendations for each category.

6.1 Assessment of overall institutional mechanisms

6.1.1 Nepal's current scenario

The largest cash transfer programmes are administered by the Ministry of Federal Affairs and Local Development (MOFALD). Additional programmes are also carried out by ministries including the Ministry of Agricultural Development, the Ministry of Labour and Transport Management, and the Ministry of Health and Population, amongst others. The delivery mechanisms of the different ministries vary, but overall, distributions are made through either the District Development Committees (DDCs) or Village Development Committees (VDCs) in rural areas. In urban areas disbursement is made through Municipalities in urban areas where the distribution is done by the wards. The role of the ministries is to contribute to making policy, procedure development, planning and fund management, capacity development, monitoring and issuing periodical instructions for most schemes that reach out to the poor and the disadvantaged.

The most central body for Social Protection schemes is a separate Social Protection section within the MOFALD. The SP section currently looks after cash transfers including old age allowance, disability, single women and widow allowance. The SP section is based in Kathmandu and coordinates the fund management and monitoring for all 75 districts with only 3 officers as staff, including an Under Secretary. Each DDC Officer directly reports to this SP section and in turn the VDC secretary reports to the DDC.

It is clear from Figure 6 that the section lacks in both human resources and authority. This
may be an impediment to the effective delivery and monitoring of cash transfer programmes throughout the country.

Figure 6: Organisation Chart of MOFALD

---

6.1.2 International experiences on institutional mechanisms for SP programmes

South Africa

South Africa coordinates its cash grants (including the child grant) under the South African Social Security Agency (SASSA), which was set up in 2005 in order to overcome bureaucratic constraints which had been making it hard for people to claim their grants (Hagen-Zanker et
The SASSA works underneath the Department of Social Development, which is responsible for policy development. However, SASSA is an agency rather than a department and therefore has a number of discretionary powers, including setting salaries outside of government-determined limits (ibid). Before the setting up of SASSA, recipients faced difficulties in accessing the various cash grants because of onerous and complex documentation requirements and application processes which differed from one grant to another. SASSA aims to address the lack of institutional integration, coordinating processes so that there will be a ‘one stop shop for benefit claimants with links to the department of health, home affairs etc’ (ibid, p. 13). This is envisaged to result in major efficiency gains for both the system and the applicant.

Brazil

In Brazil, the Bolsa Familia scheme, which provides direct aid to families, was formed by merging four pre-existing conditional cast transfers (CCTs) into one unified one, thus unifying different systems, registers, and rules which had been developed by different agencies. The Bolsa Familia is run and regulated by the Federal Government via the Ministry of Social Development which shares operational costs with state and local governments. However, key aspects are carried out by the country’s municipalities. In this it shares much in common with other CCTs which are often implemented by local governments (Ferraz 2011). This could potentially be beneficial as local officials have greater knowledge of local conditions, although it also creates challenges because municipal governments may distort the system to bolster their own political agendas. Within the Ministry of Social Development, several secretariats run the Bolsa Familia, including the Bolsa Familia Secretariat (SENARC), which is responsible for recipient selection, authorisation of payments, consequences for non-compliance with conditionalities, monitoring, and the training of municipal managers (Lindert et al 2007).

Meanwhile the Ministries of Health and Education are responsible for monitoring conditionalities at the federal level. A federal bank operates the Bolsa Familia data set and payment system. At the same time, state (provincial) governments are to some degree bypassed as they have been identified as potential sources of corruption. However they still have key roles in providing technical support and training to municipalities, providing services, and issuing necessary documentation to possible recipients. Finally the local governments identify and register poor families in the Single Registry, provide public services, and check to see if families have access to the right services.
Unsurprisingly in such a large country, the quality of the implementation of the Bolsa Familia is highly heterogenous across the 5,564 municipalities. In fact, because the municipalities are autonomous they do not, in theory, have a constitutional requirement to implement the programme according to the federal standards. To try to resolve this, the Ministry of Social Affairs signs management agreements with every single municipality to clarify roles and responsibilities (Lindert et al 2007).

Uganda

In Uganda, the Social Assistance Grant for Employment (SAGE) programme is under the management of the Ministry of Gender, Labour and Social Development (MGLSD), which works through the Directorate of Social Protection. The directorate is supported by the Social Protection (SP) secretariat, which is responsible for policy development and overseeing programme implementation (Bukuluki and Watson 2012). Then at the district level, the programme is run by local government systems, and in these chief administration officers are responsible for programme delivery and funds. Under these, district community development officers (DCDOs) are responsible for direct oversight of the programme. The district SAGE team is comprised of the senior community development officer (SCDO), SAGE management information systems officer, and SAGE monitoring and evaluation officer, and they are responsible for implementation management. The SAGE technical officer works alongside the senior CDO who is responsible for SAGE and co-reports to the DCDO. These officers report to the SAGE technical officer, although they receive technical line management and support from the national M&E and MIS managers.

Then at the sub-county level, the SAGE is coordinated by the sub-county community development officer (SC-CDO), who coordinates day-to-day programme operations such as communicating with parish chiefs, parish development committees and village council chairpersons. The SC-CDOs then report directly to the senior CDO responsible for SAGE on operational matters, while the sub-country chief provides oversight of sub-county operations (Bukuluki and Watson 2012).

Harmonization, decentralization, and informal power structures

In recognition of growing interrelated and complex development challenges, there have been growing calls for integrated social protection systems which combine a variety of instruments (Arnold et al 2011). Both recipients and implementers in a number of countries frequently comment on the importance of linking cash transfers to other programmes in order to deliver sustained improvements in wellbeing (ODI 2013). Harmonisation requires
countries to create a national social protection programme to coordinate cash transfer programmes, but also to develop a unified payment and targeting system. As we can see from the Brazilian case, creating a single registry can contribute significantly towards achieving this. In fact, according to Fizbein and Schady, the necessity of coordination across institutions and agencies actually represents an opportunity to encourage municipalities to improve their coordination and quality of their service delivery, sometimes going beyond the issues that relate to the CCTs themselves (Fizbein and Schady 2009).

In lower income countries such as Mozambique, Yemen, Uganda, Kenya, and Palestine there is often a disconnect between the knowledge base at the central government level and at the district and community levels. Municipalities can often suffer from under-staffing, under-resourcing and/or the use of unpaid and untrained volunteers. In Ramallah (Occupied Palestinian Territories), social workers have to provide inputs into the national database but are not actively included in decisions or feedback processes (ODI 2013). This leaves them feeling disempowered and undervalued, which in turn makes it harder for them to communicate the logic of the scheme to recipients. In other cases, such as Yemen and Mozambique, it is clear that undertrained staff can end up treating recipients badly.

Moreover, as in the case of Brazil, decentralised structures create challenges in implementing policies appropriately. Lindert et al (2007) believe that the management tools (we will see more of these subsequently) used to ensure good implementation by municipalities in Brazil could be useful to other countries implementing a cash transfer via a decentralised system, although they refrain from advocating them as a ‘blueprint’ for other countries.

What is not always understood is the potential role of informal community leaders. The ODI found that in countries such as Kenya and Uganda, local chiefs who did not have a formal role in the cash transfer programmes were often key in helping people to claim their programme entitlements, channelling feedback to district implementers, and helping to resolve grievances (ODI 2013). In Kenya, even in cases where people were aware of how to use the formal system for enquiries and complaints, individuals still preferred to use informal channels to resolve issues (ibid). This is controversial, however, as unequal power dynamics can lead to unfair distribution and using their privileged contacts and knowledge to maintain their own power. There have been complaints about this in Yemen and the Occupied Palestinian Territories (ibid).
6.2 Budgeting and Financial Structures

6.2.1 Nepal’s current budgeting and financial structures

The finalization of the Social Protection budget is completed after a request and list of beneficiaries is sent by the DDC to MOFALD. The MOFALD then forwards the request and the updated statistics of the target groups within the district to the Ministry of Foreign Affairs. If budgetary constraints exist, then there will be a reduction in funds provided or the payments will be delayed. Once the budget is authorized, the MOFALD sends authorization for SP programmes to DDCs within the period of mid-July to mid-August. The DDC then deposits the amount in the accounts of VDCs or municipalities.

The key challenges to the current financial and budgeting procedures are the lack of regular review of the budgets, including disbursement. Also, there is a general lack of personnel at the field level to gather data, especially in regards to gathering accurate numbers of beneficiaries and if disbursement accurately allocated. As a result, would-be beneficiaries may have to wait for long periods, as they are not accounted for in a timely manner.

Another challenge to the effectiveness of the budgeting and financial structure is that the implementation structure specifies that the budget amount released for the SP programmes should not be used for any kind of administrative purposes. No administrative cost specifically for delivery is allocated; administrative and human resource cost related to identification of beneficiaries and delivery of the cash is covered from regular operational cost. The VDC Secretary (assisted with a VDC Assistant and social mobilisers in most VDCs) is responsible for disbursing all the cash transfers. However, as the task is substantial, the VDC must be able to authorise additional personnel to assist the process after approval from the DDC. This means that extra costs incurred, such as distribution costs, are not covered.

On a related note, geography poses a challenge to budgeting and financial mechanisms as remote districts require more personnel in order to be able to deliver cash transfers on time. Also, data collection is difficult where individuals are located in remote areas. The costs involved for transportation may also be higher (ADB 2011).

Furthermore the lack of a long term outlook of costings for programmes are a challenge to sustainability. As it stands the Nepali government may not be able to sustain the costs of large programmes such as the OAA.
6.2.2 Lessons from International Experiences

In the cases where CCTs have replaced pre-existing programmes, such as food subsidies in the case of Oportunidades in Mexico or smaller CCTs in the case of Bolsa Familia, policymakers have often expanded the budget in order to more than compensate for the replacement of the previous programmes (Fizbein and Schady 2009). In general, cash transfers account for 1-2 % of a country’s GDP (DFID), and operational costs are kept relatively low. For example, operational costs for the Bolsa Familia represent 4.18% of the overall financial resources. In low income countries, of course, these %ages of GDP are likely to cover fewer people and constitute lower amounts of money. Indeed, the ILO estimates that the cost of a basic protection package comprising of pensions, child benefits, work and administration in Nepal would cost 5.7 % of GDP (ILO 2008, cited in Arnold et al 2011).

Fizbein and Schady argue that financing can be a tool for bringing better service delivery in the case of CCTs. For example, in Chile, the portion of the budget needed to provide services to recipients of the CCT (Chile Solidario) passes through the Ministry of Planning, which only releases the finance in exchange for services being made available (Fizbein and Schady 2009). Meanwhile in El Salvador, the CCT (Red Solidaria) has its own budget to increase health services through NGOs, meaning that its budget is likely to increase as enrollments in school increase though the demand side effect of the transfer. In Brazil, municipalities are also subsidised for the administrative costs of the programme by the Ministry, although municipalities with a very low Decentralized Management Indices5 receive no subsidies. This serves to disincentive very poor performance. There have been suspicions that some municipalities report perfect compliance with conditionalities in order to receive a higher administration subsidy. Therefore the way in which budgets are used can encourage or discourage good practices among municipalities and implementers. In particular, it is important to ensure that municipalities don’t have incentives to lie, but rather are encouraged to coordinate resources better.

In many cases, cash transfers for the poorest constitute only a small %age of overall social spending which continues to be oriented towards relatively less poor sectors of the population. For example, in Mexico, Oportunidades takes up a tenth of the state funding for the two main social insurance funds, while in Brazil the amount spent on the country’s non-contributory pension is eight times less than that spent on contributory schemes (Lloyd-Sherlock 2008).

5 A tool used to monitor and evaluate the quality of implementation in each municipality
6.3 Conditionalities

At the moment, most of Nepal’s cash transfers are unconditional and based on geographical and categorical targeting. A review of international experience confirms that this is the best strategy for Nepal to continue with.

Firstly, there is an ethical concern with using conditional cash transfers in an instrumental way to get people in need to fulfil societal conditions. This can be seen as condescending and controlling – dictating to the poor how to live their lives, this “presupposes that the nanny-state knows better than its citizens how best to use their scant resources” (Freeland, 2007, pg.75). Conditionalities thus disempower people in a programme ironically meant to empower people through freeing them from poverty, as well as encouraging and/or entrenching the problematic idea that people live in poverty due to their own personal failings rather than structural inequalities. In contrast, UCTs (unconditional cash transfers) empower people to make decisions themselves through a cash transfer with no restrictive conditions.

Secondly, the impact of conditionalities is debatable. Usually, conditionalities are issued around health and education – and there is no conclusive evidence that these lead to improving enrolment rates or the incidence of health visits. Even in the case of well-established programmes like the Oportunidades in Mexico, the jury is still out, and studies so far have been unable to identify which is most important – ‘the income, the awareness or the conditionality’ (Freeland, 2007, pg.76). Another analysis of evidence from Zambia (MCDSS/GTZ 2006), Namibia (Devereux 2001) and Malawi (Devereux et al. 2006) found in fact that ‘school attendance and health indicators also improve where cash transfers are made unconditionally.’

Thirdly, and this is especially important for Nepal, is that the conditions imposed on families can be onerous to fulfil. This responsibility for fulfilling the condition is often unevenly distributed in the households, with women taking into account these tasks. Molyneux notes that “there is evidence that [CCT] programme demands... constitute a problem for a significant proportion of women. In the case of Oportunidades, responses to surveys indicate that between a third and a half of the titulares [recipients] say that the demands of the programme are difficult to fulfil and/or conflict with their income-generating and other responsibilities” (Molyneux, 2008, pg.49).
There might also be unintended social consequences of attaching a societal condition that could even exacerbate problems. Britto argues that CCTs entail “significant private and social costs at the household and community levels” (Britto, 2005, pg.24). Gitter et al (2011) undertake a modelling exercise for CCTs in Honduras and Nicaragua, finding that CCTs can in fact have a negative impact on young children due to the loss of child labour earnings during hard economic times, and by encouraging families to channel relatively more resources towards school-aged children if the conditionality is for school attendance (Gitter et al 2011). This may be an extreme scenario, but is illustrative of the dangers of unintended consequences when policymakers focus too heavily on conditioning the behaviour of the poor. The conditionality clause of CCTs can miss, for example, households that don’t have children and the ultra-poor. Asking families to fulfil conditions will also exclude the ultra-poor if transaction costs are too high, for example if the children are needed to work on the family’s farm and cannot attend classes.

Finally, and perhaps most critically in the case of Nepal, conditionalities presume that services are available and accessible to all. Needy households are sometimes excluded due to geographical reasons, where there are no schools or clinics – and these are usually the poorest, geographically most remote communities. This is borne out by evidence from both Mexico (Progresa) and Brazil (Bolsa escolar). Compounding this is the fact that CCTs often operate in “the areas typically inhabited by the most vulnerable groups are often those where health and education services are weakest... [s]imilarly, it is typically the poorest and most vulnerable who will find it most costly to comply with any conditionalities, and are therefore the most likely to be deprived of benefits if they fail to do so” (Freeland, 2007, pg.77). Archbishop Desmond Tutu has spoken out against CCTs for this very reason: “[c]onditionalities attached to social transfers tend to prevent the poorest families – the very people who most desperately need income support – from accessing grants” (Ibid).

Also, the cost & human resource requirements necessary for monitoring compliance of the CCTs is obviously one which Nepal cannot afford right now.

Planning and identification of beneficiaries in the case of Nepal’s Disability Allowance

For the disabilities allowance people have to undergo two stages of identification. The initial stage of identification, issuance and updating of ID cards for the fully and partially disabled are being conducted by the district level unit of the Women Development Division (WDD) of MOWCSW. Four categories of ID cards are distributed to disabled people. The Red Card is given to the fully disabled, Blue, Yellow and White cards for the partially disabled, depending on the level and type of disability. The decisions of the eligibility of such card holders are taken by a district level identification committee. In the final stage, fully disabled and partially disabled people submit applications in the VDCs or municipalities along with a
copy of their ID issued by the district unit of WDD to get enrolled in the list for the allowances.

To fulfil application requirements, all people with disabilities have to go through a mandatory medical check-up through a certified health practitioner, the nearest remote districts would be at the district headquarters.

Given the difficult geographical terrain of Nepal and the lack of public transport infrastructure in the mountains, it is difficult for people with disabilities to undergo the medical check-up necessary for the ID application process. For people with partial and full disabilities, movement from their home in the village to the district headquarters can be extremely difficult and in some cases, might exclude the actual beneficiaries from accessing cash transfers. The distribution of allowances for the people with disabilities, both full and partial, are all done through the VDC and also open up the possibility of geographical challenges for both the beneficiary and the VDC secretary who may need to travel to the recipients household to distribute the transfer.

Another challenge to the effectiveness of the planning and identification of beneficiaries for the disability allowances is the quota imposed upon partial disability allowance. MOFALD has fixed quotas of allowances to the DDCs for the partially-disabled persons based on the size of population of the district. DDCs with less than 100,000 population will get funds for 50 partially-disabled persons, districts up to 300,000 population will have funds for 75 partially-disabled persons, districts up to 500,000 for 100 persons and districts beyond 500,000 for 150 persons. Some studies suggest that the introduction of the red card, the highest rating of disability which provides NPR 1,000 per month, has resulted in everyone trying to qualify for the higher rating of disability. Implicitly, those close to power succeed in reaping benefits while the real poor lose out. A quick analysis of how many people in the districts have a blue, yellow, or white card, and then comparing this with the actual number of partially disabled persons receiving a grant would show how inefficient this system is. Moreover, in most of the places the quota limit is saturated, and new registration of beneficiaries with partial disability is not possible because of the quota limit. New registration is possible only when those who are registered die or recover from the disability. As the quota system does not work effectively, it could be replaced with a system where VDC can identify people living with disabilities with the help of a mobile health practitioner.
6.4 Planning and Identification of beneficiaries

6.4.1 Nepal's current scenario

At the VDC level, the VDC secretary and social mobilisers identify beneficiaries, create a list, and send it to the DDC. This is an important effort towards using a bottom-up approach for planning and identification. At the VDC/municipality level, a 12-member recommendation committee, called the Local ID Recommendation Committees, is formed under the chairmanship of the VDC or municipality chiefs to scrutinize the applications, issue IDs, and monitor the delivery of allowances at the local level. Representatives should include individuals a variety of demographic groups: senior citizens, single women, endangered ethnic groups, disabled, Dalits, local NGOs, and local school teachers. Local ID Recommendation Committees finalize and publish the lists of the new applicants and the renewal of old IDs by the end of December and send the lists to DDCs by the first week of January. VDCs and municipalities distribute IDs to all applicants free of charge by first week of January. DDCs collect such lists from all VDCs and municipalities and send them to MOFALD by the second week of February. The VDC plan is prepared in December after the collection of the beneficiary list and the plan goes to the DDC. The DDC makes a consolidated plan for the district that includes SP planning.

Although, in theory, the use of these social mobilisers and the Local ID Recommendation Committee is a positive step towards ensuring better identification of beneficiaries and more accountability, in practice this system does not always run smoothly. In many districts the VDC secretary remains uniquely responsible for the collection and dissemination of data, which is collected and stored by hand. This has resulted in issues of accountability, such as the issue of deceased individuals claiming the OAA as discussed earlier (Rajan 2013). The use of user committees for programmes such as the Karnali Employment Program has shown that they do not always lead to good practice. Several instances have been recorded where the user committees were using beneficiaries allowances to pay for other unrelated projects such as teachers' salaries (Vaidya 2010). These committees are also made up of large numbers of people and it is difficult to organize the groups, leading to possible issues around the time frames of data collection which affects implementation and waiting times.

For all cash transfer programmes administered by the MOFALD, the VDCs or municipalities issue a public notice in the third week of November each year, requesting applications for

---

6 NGO staff paid by the government to help VDC secretaries
the allowance-identity-card (ID) from the eligible senior citizens, single women, and members of endangered ethnic groups and disabled people who will reach the required eligible age by mid-July of that fiscal year. This means that those who are eligible after mid-July have to wait for up to for the next year to enrol. A better system would be to have a continuous beneficiaries registration system or at the very least one every trimester matching with the grant distribution. However the optimum system would allow the beneficiaries to enlist on the exact date that they are eligible.

At the district level a Social Protection District Coordination Committee (14 members) under the coordination of the DDC President is formed to effectively run the Social Protection programme, comprising of:

- Community Development Officer
- Local Development Officer (LDO)
- a representative of senior citizens
- a representative of district indigenous peoples' welfare committee,
- a representative of district Dalit development committee,
- a representative of district NGO federation,
- a representative of local FNCCI,
- one representative from among the organizations working for the disabled as nominated by DDC,
- chief of Women Development Division,
- a representative of district unit of FNJ,
- a representative from among the organizations involved in social mobilization
- DDC's planning or administrative officer as member-secretary.

The SP District Coordination Committee (i) monitors SP programmes in coordination with the concerned district agency, (ii) initiates awareness raising about SP, (iii) redress the SP related complaints, (iv) assist VDC / municipalities in documentation, (v) designate VDCs or municipalities with a view to distribute allowances through the banks, post-office, saving banks, or banking-cooperatives accessible to the beneficiaries. The designated VDCs or municipalities are to make payment of the allowances accordingly. However, in the absence of the elected representatives in the local bodies, these provisions exist legally, but not in practice so these committees are not functional at present.

6.3.2. International Experience

The South African experience provides evidence that Social Protection can be universalised and fraud can be curbed simultaneously. South Africa has a Department of Social Protection at the Institute of Development.
Development which oversees social security. There were targeting problems which led to poor access so a committee was formed to examine the system. Reforms were instituted that created a second Agency that implements the Social Protection, and the original Department works to monitor and ensure quality. A massive amount of savings has been as a result of reduced corruption since the reform and the introduction of a dual system over implementation and oversight (Samson et al, 2006, pg.9). The Department of Social Development projects that the resulting reduction in fraud together with pooling buying power to contract for the grant payments could save R1 billion per year” (Samson et al, 2006, pg.49).

Brazil’s Bolsa Familia targets beneficiaries based on declared income. Both unverified means testing and categorical targeting are used to target children up to 15 years old plus pregnant women who fall below a given income line. The targeting process is highly institutionalized in comparison with poorer countries, with the policy defined at the federal level, and the monitoring and implementation at state and municipal level. The means testing is done by social workers for the municipalities. In addition, the Federal Government decides how many possible recipients there can be in any given municipality. It does this using the Single Registry (Cadastro Unico), which is used to identify low income families in Brazil. The Single Registry is also used to implement other social programmes, and as a result it has a larger number of families registered in it than receive the Bolsa Familia.

Oportunidades in Mexico, meanwhile, uses geographical, social and poverty criteria. Small rural communities are chosen according to their marginality, with those with limited access to health and educational infrastructure prioritised. Targeting is also categorical, focusing on families with children aged 7-14, and subsequently both community-based and proxy means testing are used, via socio-economic data from census gathering and also community feedback mechanisms which are used to re-classify households (Slater and Farrington 2009).

In Kenya’s Cash Transfer for Orphans and Vulnerable Children (OVCs), geographical areas are chosen for the programme based on data compiled by the Kenya National Bureau of Statistics and prevalence of OVCs (Ikiara 2009). Households must be identified as poor by a number of criteria including household size/composition, dwelling characteristic, and asset ownership, they must be supporting at least one Orphan or Vulnerable Child (OVC) under 18 years of age, and not receiving benefits under a similar programme (ODI 2012). Recipient households are identified through an elaborate community-based selection process. Districts are allotted a certain number of recipients according to the levels of poverty or
vulnerability according to government officials, NGOs and community representatives. Once data collected, it is put into the Management Information System developed with development partners (Ikiara 2009).

In Uganda, recipients of the country’s Senior Citizen Grant (SCG) are selected through an automated national civil registry or an on demand process of registration involving a local community-based government structure (ODI 2013b). The former is based on birth and death registration exercises by the Uganda Registration Bureau and the Uganda Bureau of Statistics and the local government departments (Bukuluki and Watson 2012). The data collected is then put into the management information system at the national level. There is also a provision which allows people to appeal if they were not registered or if their age was recorded erroneously. Meanwhile, community registration uses local community-based government structures, particularly parish chiefs who identify older people with the support of local council chairpersons. Where there is insufficient documentation, village councils decide eligibility by referring to commonly known local or national historical events. This process leaves community development officers with the discretion to prevent beneficiaries who have been erroneously included from enrolling.

One difficulty is that there are far more cases of effective targeting and monitoring in middle income countries than in lower income countries (Slater and Farrington 2009). Poorer countries are constrained not only in their resources but also in their capacity to target (ibid). In some cases, self-targeting can be an efficient and fair way of reaching the poor. For example, if subsidized food shops are placed in low-income areas, less poor people may be put off using them. However, it is highly problematic to have long queues for people to receive their social benefits (Slater and Farrington 2009). There can be major tradeoffs, according to Slater and Farrington, when it comes to ensuring cost effectiveness and protecting the dignity of the poor.

It is important that recipients understand why some people are included, and others are not. This is not always the case, however. Whereas in Uganda and Kenya, there was a high degree of knowledge about the eligibility criteria, in Mozambique people were unsure, whereas in the Occupied Palestinian Territories, neither recipients nor non-recipients understood precisely why some people are included and other not (ODI 2013). In particular, many were unaware of a shift in procedures, from categorical to poverty-based targeting, and assumed that people were being selected according to patronage. In Gaza, there is a general but mistaken view that social workers can decide who is eligible and who is not eligible (ODI 2012). In Yemen, the lack of information about the relevant programme contributed to a lack of transparency and accountability. This reveals the importance of flows of information between policymakers, recipients, and the different formal and
informal implementers who are essential for any cash transfer programme to function smoothly. When information flows effectively across different actors, programmes do not become excessively politicized, cash transfers can promote people’s understanding of citizen rights (ODI 2013).

6.5 Targeting: Options for Nepal

The draft NSPF discusses practical considerations in opting for geographical and categorical targeting. It also mentions the ambitious plan for an efficient information system and suggests that this may make targeting more effective and efficient. It is unclear whether this refers to revising existing targeting mechanisms (i.e. categorical and geographical targeting) or whether this implies introducing means-tested targeting or other forms of targeting. This report strongly recommends a non-means tested targeting approach, given the resource and capacity constraints of Nepal. This is also borne out from international experience, which highlights significant administrative and political costs associated with targeting. These costs include the costs incurred with identifying beneficiaries such as those incurred when implementing means testing of households or conducting a survey on which to base a poverty map. There is no perfect targeting mechanism; every approach requires a trade-off between accuracy and cost. No method is good or bad, it depends on how well the targeting is done. Yet, international experience leads us to believe that the means testing based targeting has not yielded the results it has promised, for example, the Benazir Income Support Programme where large scale exclusion errors were reported.

Even where targeting is delegated to non-Government actors, as in the case of community-based targeting, costs of identifying beneficiaries persist even if they are less tangible, such as the opportunity cost of the time spent by community members in constructing lists of prospective beneficiaries. In addition to the high costs of accurate targeting, ‘administrative sophistication and capacity’ (Mkandawire, 2005, pg.16) is also required – which is often not realistic in developing country contexts.

The main reasons given for targeting are for redistributive equity, lack of financial resources and budget constraints. Therefore, it is claimed that targeting backed by a means testing approach will result in cost savings in terms of actual cash transfer amounts. However, in reality, the costs of targeting are very high. Administrative costs are very high as the process itself is time-consuming and can lead to resources being diverted from the actual programme and spent on the identification process.
In Nepal, the World Bank report on the analysis of Social Protection based on the NLSS-III data has argued that current benefits are reaching only a limited number of the “poor”—the “poor” defined as those in the lowest income quintile. Hence, only those with less $1/day, which is 20% of the population is classified as poor and the Government should try to identify this specific 20% and ensure that they are covered under Social Protection programmes. However, 57% of the population is in the category of $2/day, and this is expected to be much higher in the Karnali and rural areas, so it is clear that the argument put forth for means testing does not hold true in the case of Nepal. A means testing approach will only lead to high exclusion errors, which then leaves large numbers of those needing Social Protection without the requisite support. Instead of means targeting, this report therefore strongly recommends that the focus must be on expanding coverage so that exclusion errors can be minimised.

Another argument for targeting is often made on the basis of tackling inclusion errors. However, in a targeted cash transfer there is potentially a perverse incentive for people to misreport or lie to get into the programme, or even sell assets to be included, thereby leading to a ‘leakage’ of benefits to people who do not fit the criteria for the programme. In addition, targeting often leads to errors of exclusion because of the ‘inability of the programme to correctly identify potential beneficiaries’ (Hoddinott, 2007, pg.93). While the inclusion error common in targeted cash transfers is a value cost, the exclusion error is a humanitarian cost that is a heavy burden for a programme designed to help people most in need. Cash transfers which are universal within categories (older persons, children under five, etc.) avoid this type of exclusion by not having the targeting mechanism that creates it. This argument holds even truer in the context of a country like Nepal, where poverty rates are so high that even if everyone was included, one can infer that a large proportion of benefits would go to the poor.

Finally, targeted cash transfers have a social cost as “social tensions [are] generated when some individuals, but not others, are selected for programme participation” (Hoddinott, 2007, pg.93). These social costs create resentment in communities, potentially undermining informal Social Protection networks and breaking social relationships. This is especially relevant in the case of Nepal’s fragmented and post-conflict society. In the case of Nepal, there is also strong disparity between different ethnic groups, but the extent to which this is a basis for targeting, needs to be examined further.
6.6 Delivery and Disbursal

6.6.1 Nepal's existing systems of delivery and disbursal

The DDC is to release the instalment amount to VDCs within 15 days of receiving the receipts for the distribution of the previous instalment. The VDC / municipality secretary are supposed to distribute the first instalment of SP allowances to ID holders before Dasain festival on 18th September, the second instalment during Martyrs' Week on 26th January and third instalment on Republic Day on 29th May. This is however, is not practiced in reality. In most areas, especially remote and backward regions, the flow of funds have been random over the years with no proper monitoring of how long the VDC secretaries take between the time they take out the advance from the DDC to when they settle the advance with them. There is anecdotal evidence that VDC secretaries are even putting the money into fixed deposit accounts for a month or two and profiting from such activities.

Contextually, there are a number of reasons for these delays considering the current system of in hand cash transfers:

September is still monsoon, so some areas, such as Karnali, are inaccessible. October has many public holidays, and the government and staff vacate their posts for most of the month. November is then very busy as staff are catching up on their job. Using festivals as payment days is good in terms of morale building for beneficiaries (especially in terms of linking them to conflict related days as the programmes are about social inclusion) but these are also government holidays, so staff are not available. It would be better to offer them just before and link them to the festivals through awareness. This is particularly true of Dasain where people spend money on celebrations such as buying meat and the necessary items for puja (although that’s not what the benefits are for)

January may also be affected by adverse weather in mountain regions due to snowfall and ice.

As some districts have beneficiaries that are in hard to reach places it would be more effective to offer a number of days for VDC secretaries (and social mobilisers where applicable) to choose from. This will also make it easier for beneficiaries to reach the place where the CT's are dispersed from. Limiting dates when there is only a skeleton staffing to distribute CTs can only led to delayed payments.

These issues could be overcome if the World Bank mobile banking system is extended and people can collect the cash when they wish rather than through the VDC secretary.
ID holders need to collect all allowances within a year. VDCs arrange home delivery of the allowances to those ID holders who, due to extreme weakness or fragility, may not be able to visit the distributing spot. In case of extreme disability and for the minors of endangered ethnic groups' the allowance could be handed over to the guardians whose names and photographs are certified in the IDs.

For those ID holders who migrate to another district, they are able to submit an application to the new DDC along with the migration certificate and amount of the due allowances. The new DDC will send the records to the DDC of origin to deduct the names from the list and will instruct new VDC / municipality to make the arrangements for further distribution of allowances.

Endangered ethnic groups allowance

MOFALD has specified 10 endangered ethnic groups. The endangered ethnic groups who are nomads, such as the Raute, can choose a VDC or municipality from where their allowance could be collected. In case of migration to another VDC, they should submit migration certificate to the VDC or municipality concerned within six months of the last allowance received. This is a good practice but it may also lead to inordinate delays that could be avoided.

The VDC / municipality secretary is responsible for the funds released by DDC for SP programmes. DDC, VDC and municipality have to make the following arrangements for the distribution of allowances. Each VDC / municipality has to distribute the allowance in the presence of five persons representing political parties or CBOs and from among the local elders, and has to prepare statements of witnesses verifying the distribution, a copy of which he has to paste on the information board and a copy to attach with the receipt for audit purpose. Undelivered allowances could be distributed in the next instalment but should not cross over into the next financial year. The amount delivered and date should be clearly mentioned in the ID. The receipt of the instalment delivered should be submitted to DDC within 7 days for the liquidation of advance. There is a provision for the DDC to provide the second and third instalments after deducting the undelivered amount of the first instalment. However, if the recipient comes to claim their first instalment during the second distribution cycle, the lack of available cash will prevent them from receiving the payment.

However, this process is not practiced in most districts, and service delivery is not efficient.
and payments are irregular (Subedi 2014 & Dhakal 2014). For example, a study on evaluation of child grant in Nepal reported that a very limited number of mothers of those children registered received funds regularly, i.e. three time a year as per rule (Adhikari et al. 2014). The average amount of the benefits received was also significantly low.

These problems with delivery could have detrimental impacts on the overall aim of the programme as the lack of regular and predictable payments will not lead to increased household consumption or savings. This is something which has been found in the case of the Child Grant (Adhikari et al. 2014) and the KEP (Vaidya 2010).

6.6.2 International Experiences relating to delivery and disbursements

Delivery payments to remote areas can prove a challenge even in middle-income countries which have adequate infrastructure and better implementing capacity. In Mexico, intermediaries gained a lot of power in disbursing the money in some areas, and in some cases took advantage of the co-responsibilities system to exploit programme recipients (de la Jara 2007). Similarly, Ulrichs and Roelen report that in Mexico, ‘remoteness of indigenous communities and the higher levels of marginalisation compromise Oportunidades’ performance in terms of coverage, outreach and targeting for indigenous people and may exacerbate and reinforce the groups’ marginalised and disadvantaged positions in comparison to the non-indigenous population’ (Ulrichs and Roelen 2012, p3). The fact that this could be a problem in one of the most prestigious social protection programmes in the world should be pause for thought for other countries attempting to implement similar policies. In Mozambique, for example, cash transfer payments are highly irregular due to logistical constraints (ODI 2013). Meanwhile, in South Africa, SASSA has undertaken the Integrated Community Registration Outreach Programme (ICROP), which involves mobile units being sent to remote areas in special trucks equipped with information and communication technology to process grant applications (Hagen-Zanker et al 2012).

A growing number of countries are using electronic means of dispersing cash transfers in order to reduce costs and leakage, as well as facilitating the financial inclusion of the poor (Arnold et al 2011; Cull and Vincent 2011). In fact, of 40 transfer programmes which were launched in the last decade, 45% include electronic delivery (ibid). In Brazil, switching to electronic benefit cards helped cut administrative costs of delivering the Bolsa Familia by seven times, from 14.7% to 2.6% of the overall money disbursed (Lindert et al 2008, cited in Arnold et al 2011). Meanwhile, in South Africa the SASSA moved to paying out money via bank accounts offered by the private banking sector, which reduced the costs of delivering grants by 62% (Bankable Frontier Assets 2006, cited in Arnold et al 2011). Paying out money
in this way also reduces the possibilities for fraud and encourages financial inclusion (Arnold et al 2011). For example, one quarter of South Africa’s grant recipients have their money transferred directly into financially inclusive bank accounts, while in Kenya, the Hunger Safety Net Programme has led to more people becoming bank holders (Arnold et al 2011).

In Uganda, the Senior Citizen’s Grant (SCG) is paid directly to beneficiaries’ Mobile Money accounts via a mobile phone company, MTN Mobile Money, which is an instant e-money transfer service, and then they are converted into cash by MTN agents at designated paypoints. Once the recipients are approved, the relevant ministry (Ministry of Gender Labour and Social Development, MGLSD) sends the list to MTN, which creates SIM cars with a chip for each recipient. Recipients can then use the cards to withdraw money from a relevant paypoint. However, the mobile service often breaks down, and due to the dependency on it there are a lack of fixed payment points for recipients to then go to withdraw their money. Due to a lack of staffing, there are often long lines at these payment point. Along with the difficulties in reaching payment points, this can be highly problematic for people with disability, older people and women who are usually time-constrained. On the plus side, however, the implementers of the programme have been making an effort to talk with recipients on the payment day (ODI 2013).

In Kenya, meanwhile, people were happy with receiving the cash transfer money from the post office, although they complained of the distance they had to walk to withdraw it (ODI 2013). The costs of travel to get access to cash transfers often mean that recipients end up receiving less than they otherwise should. In Bolivia, for example, older people spend an average of 34.7 Bolivianos ($USD 5) each time they withdraw their non-contributory pension, primarily due to the costs of transport to withdraw it (Chumacero Viscarra et al 2013). This amounts constitutes approximately 14% of the overall monthly amount of the transfer (250 Bolivianos, $USD 36), thereby reducing the net amount of money that they ultimately receive. In these cases, the costs of delivering the transfer are being pushed onto the recipients themselves, and this is likely to have a disproportionate impact on those in most need of the transfer, such as older people, disabled people, and women who often suffer from acute time poverty.

6.7 Monitoring

6.7.1 Nepal’s current monitoring practices

The amount of funds distributed to the target groups, funds received by VDCs /
municipalities from DDCs and funds released to DDC for the distribution under SP programmes are all audited by DDCs through the Auditor General's Office. The grant amount released for the SP programmes is frozen if not spent within the current financial year. VDCs / municipalities are to update the records of ID holders every year. They are required to send the quarterly and yearly report of allowance distribution to DDCs, and DDCs should send such reports to MOFALD. VDCs / municipalities need to present the list of the ID holders to the village development council or municipal council. DDCs publish a booklet containing the list of all types of ID holders of all the VDCs and need to distribute the booklet to concerned VDC / municipality, district level institutions, offices of all political parties, and the MOLD and the MOWCSW.

DDCs in their regular quarterly and yearly review of the programmes must review the amount released and delivered under SP programmes. VDCs / municipalities need to make the distribution of new IDs, provide quarterly distribution of allowances, and delete the names of the recently deceased and migrated on a quarterly and yearly basis. In practice, this exercise is not carried out regularly and a system to monitor this process does not exist at the current juncture.

DDCs have to coordinate with the Social Protection District Coordination Committee to monitor the distribution of the allowances. This programme is subject to regular monitoring, or when needed by MOLD, MOWCSW, MOF, DDC, VDC and municipalities. DDCs in coordination with subject-related district agencies may initiate integrated monitoring system of the programme.

However, despite these monitoring mechanisms being in place in practice they are not applied according to the guidelines. It has been acknowledged that there is a lack of monitoring and evaluation and information related to total investment, coverage, effectiveness and impact are unavailable for most programmes (Koehler et al. 2009; Khanal 2012). Linked to this lack of M&E there are also no functioning grievance mechanisms in operation (MoLD 2011).

Piloting MIS in Nepal

A new computerised system has been introduced to register vital data such as birth and death registration which was done manually until a few years ago. However, the system is at its preliminary stage with data from 2 districts so far with branchless banking and 3 districts with MIS. At this time it is only at DDC level and there are quite a few infrastructure
problems which need improving before rolling out but plans for expansion are being discussed. There were plans for populating the data from other districts but this has not progressed well and the MOFALD is working with the World Bank to step up the programme.
A Case Study of Sindhupalchowk

Apart from interviewing officials from MOFALD, the research team made a field visit to a sample DDC office (Chautara, Sindhupalchowk) and 2 VDCs (Thulosirubari and Sangachowk) that are located along the highway in the district. The analysis presented below is based on interviews conducted with the district level and village level officials which include the LDO, the SDO, WDO, computer operators and social mobilizers.

Overall, the situation in this district which was visited by the research team is positive. It is important to mention that in reality, these strengths may not function in most districts, especially in the Karnali region. The picture in Sindhupalchowk is comparatively better as Save the Children is supporting the DDC/VDC towards strengthening Social Protection which is not the case with most districts in Nepal, but this could provide a case study that may provide some positive lessons.

At the DDC Level, the updated list of the social security related beneficiaries is prepared and forwarded to the MOFALD in time. A printed list of beneficiaries was available at the DDC when the team visited the District in February 2014. Minimum Conditions and Performance Measures (MCPM) is an annual performance evaluation system adopted by the MOFALD to decide annual top up grants to the local bodies as per their performance. This seems like good practice but in most districts such computerized records are not available. A thorough analysis of the MCPM would reveal a nationwide picture, which would in turn help improve implementation.

It was claimed by the DDC office that cash transfers are distributed 3 times a year (September, January and May). Delivery through the banking system is followed in Chautara (District Headquarters) VDC. In other VDCs, the VDC Secretary holds the primary responsibility for delivery. District Social Security Coordination Committee provides facilitation and monitoring support e.g. determining beneficiaries, publication of the details of the SS beneficiaries, reconfirmation of identity through Social Mobilizers, monitoring, etc. At the VDC level, the team findings reveal that the vital registration data entry system is functional and names of cash transfer beneficiaries with their photograph is available.

Week-wise distribution of allowances are organised in the VDC in September, January and June every year. Beneficiaries are informed the date and venue of cash allowance distribution via FM Radio, Social Mobilizer and social leaders. The VDC Secretary, Technical Assistant and Computer Operator provide doorstep services and provide cash to those who could not come to the distribution spot during that week.

Feedback from the LDO office confirmed that there is a shortage of manpower at both the DDC and VDC level. VDC secretaries are overloaded with work as they are responsible for the implementation of all Social Protection and developmental programmes at the VDC level. VDCs are not uniform in land area, density of population and difficulty of terrain. Moreover, since elections have not taken place for local bodies since 2002, the Village Committees cannot share the burden of work or monitor effectively the performance of the VDC Secretary. The central problem is the lack of adequately staffed VDC offices. Since local elections have not taken place and an elected body does not exist, the VDC Secretary has to cover the role of elected bodies and thus has limited time for implementation, monitoring and so on. In addition, there were several vacancies for VDC secretaries, especially in VDCs located in the high mountains (23 secretaries’ positions are lying vacant in Sindhupalchowk as of Feb 25, 2014).
In certain cases, one VDC Secretary is assigned to look after more than one VDC and in such cases, identification of beneficiaries, delivery of cash transfers and filing expenditure slows down further. Incentives needs to be given to VDC Secretaries working under difficult circumstances based on, as an example, road connectivity, density of population etc. Capacity development of DDC and VDC staff is imperative as this will enable them to eventually file expenditure and provide implementation details via the internet and save time and resources spent in numerous visits to the DDC office and back to the VDC. The lack of a proper computerized database of beneficiaries and payment details is a major challenge. Moreover, with the recent addition of 72 new municipalities, efficient functioning is a daunting task, as these newly established bodies are short of manpower.

In Sindhupalchowk, beneficiaries reported that Social Protection allowances have been paid only once in September for the current financial year. January payment had not yet been carried out due to late advance settlement by VDC secretaries which in turn delays payment, because the DDC will not release additional amounts until settlement of earlier advances are collected and forwarded to MOFALD in Kathmandu. While delivery of allowances was carried out through banks in some VDCs, it is not possible in all VDCs of the district, because of the non-existence of such agencies there. VDC secretaries also had to carry and take responsibility for large amounts of cash for disbursal with no security provisions. An additional potential delivery mechanism could be ‘cooperatives’. Hence, local elections, developing a Computerized Vital Registration System and contracting additional staff with enhancement of their capacity is the first step towards achieving effective Social Protection for the poor.

6.7.2 International Experiences in monitoring

In Brazil, it was acknowledged at the outset that there was the potential of fraud and leakages due to the decentralized nature of the disbursement of the Bolsa Familia. Intentional fraud, for example, could occur if politicians register potential beneficiaries in the programme in for political purposes, or if people provide false information to become eligible (Lindert et al 2007). Alternatively, errors could be committed if people have irregularities with their documentation that they had been unaware of, or if officials make a mistake or commit an act of omission.

To mitigate the risks, the Brazilian Government has various mechanisms, including a centralized determination of eligibility according to ‘objective’ criteria and use of the index. However, in order to attempt to improve implementation at all levels, an ‘Index of Decentralised Management’ is used, and additional training is given to municipalities where the score is low (Lindert et al 2007). This index monitors the quality of functions which are performed by municipalities, the monitoring of conditions and municipalities’ social controls.
for the programme (Fizbein and Schady 2009).

However, the index is not able cover all aspects of municipality operations, including the linkages to other (optional) complimentary services, and cannot verify the quality of information fed back to central authorities (Lindert et al 2007). An award given to the most effective and innovative municipalities, the BFP Innovations Award is used to encourage the sharing of knowledge about successful experiences. In South Africa, SASSA has introduced a number of accountability measures with some success, such as internal audit processes, regional steering committees and a fraud prevention strategy (Hagen-Zanker et al 2012). This has led to thousands of prosecutions and the repayments of grants paid out fraudulently (ibid).

Colombia’s Familia en Acción has used simple-based site monitoring or ‘spot checks’ to do evaluations (Fizbein and Schady 2009). This involves interviews every six months in a sample of 20 municipalities, using questionnaires which cover 400 indicators of various programme aspects such as inscription processes, the verification of compliance with conditions, payment systems and appeals. Not only that, according to Fizbein and Schady, the officials have successfully been acting on its findings, for example working with banks to reduce queues at payment points. Meanwhile, there were also children who were not being served continuously between the preschool and school periods of the programme because of when their birthdays fell, and this was resolved by authorities changing their specifications. Similarly, additional training was provided to staff at the local level where it was found wanting (Fizbein and Schady 2009).

In Mexico, Oportunidades had from the outset three mechanisms to monitor programme operations and results (Fizbein and Schady 2009). The first generates a set of 64 monitoring and management indicators every two months, the second is a survey which records information on the perception of service quality twice a year, while external experts also use monitoring data to do evaluations. All of this data is publically available on the Oportunidades website.

By contrast, low income countries with less established social protection systems have had much greater problems with monitoring. Key informants in Mozambique, Kenya, Uganda, Yemen, and Palestine all felt that the monitoring and evaluation culture in the countries is weak (ODI 2013), although there has been nascent progress. For example, Uganda has been undergoing significant reforms and is collecting baseline data, while Mozambique is also
developing a new information management system with a view to promoting community monitoring systems. In general, though, monitoring that has occurred to date has not involved much participation. In Uganda, there are quarterly meetings with recipients at paypoints in order to gain their views on monitoring the Senior Citizen Grant, and implementers of the programme felt these to be extremely beneficial. Meanwhile, in Palestine, there had been some development in monitoring programmes financed by donors, and this has led to the formation of community social protection committees who can discuss issues relating to targeting, but do not have monitoring and evaluation as part of their mandate (ODI 2013). Moreover, they also lack transparency and credibility in the eyes of many recipients. Where recipients have been involved, though, they have found it a worthwhile and valuable exercise.

According to DFID, effective monitoring and evaluation should be ‘flexible’ to incorporate changes in programme design or implementation context, operational in its links with MIS tools and with strategic and management decision-making, client-focused to accommodate client feedback and complaints, cost-efficient in selection of indicators and data collection, intelligible to its target audiences and accountable for its results and findings’ (White et al 2013, p17-18). Fizbein and Schady suggest that CCTs in particular have a great potential for innovations in monitoring and evaluation due to the requirements these programmes have for large levels of accurate data, potentially encouraging improvements which can then have spillover effects in other areas of policy (Fizbein and Schady 2009). In Latin America, the implementation of CCTs has led a number of countries to enact the routine exchange of large volumes of data, something which would have been unthinkable ten years earlier (ibid).

Brazil’s experience with the Bolsa Familia is the clearest example where there have been significant efforts to establish reliable monitoring systems and overcome the dangers of malfeasance. It has had a degree of success by using the index to measure performance and also initiatives to encourage good practice. At the same time, it is simpler to achieve these objectives in middle income than lower income countries (Slater and Farrington 2009). Moreover, the research from ODI reminds us that monitoring should not be seen simply as a one-way process. Recipients should have access to effective feedback mechanisms by which they can voice their grievances in the case of malpractice, or to criticize aspects of the way a programme works. This can occur through informal and community mechanisms, but there needs to be care that these do not also recreate clientelist and non-transparent systems.
6.8 Recommendations pertaining to cash transfers

This section presents some recommendations from an assessment of the challenges in Nepal’s current practices relating to cash transfers, drawing in the lessons learnt from international experiences.

Overall, the general message on Institutional mechanisms, borne out of international experiences, is as follows: “Effective and equitable social transfer systems usually require a balance between centralised policy development and decentralised implementation mechanisms” (Samson et. al. 2006: pg.80).

Firstly, the capacity and availability of staff at the VDC level in Nepal seems to be critical, yet is an important bottleneck. It is recommended that any National Social Protection Act be based on the provision of additional capacity in terms of manpower as well as in terms of training to the VDCs. In fact, as the draft NSPF reiterates and this report also accepts, capacity needs to be built at all levels and across all sectors of Government in order to cater for an expanded system of Social Protection.

Additionally, it is recommended to upgrade the SP section to a SP division so that it is headed by a Joint Secretary. Each development region would then have a dedicated section led by an Under Secretary which could be based in the development region to improve coordination or located at Kathmandu, but would be able to focus on improving efficiency and monitoring for 15 districts each. This would allow for more accountability and oversight.

In terms of budgeting, Policymakers need to both increase the fiscal space available for social protection, and ensure, where possible, that this is oriented towards the poorest and most vulnerable. This means establishing dedicated and regular funding for non-contributory social protection in Nepal’s budget, which is generally targeted at the poorest. This funding needs to separate out spending on the formal sector (through contributory programmes such as pensions for the formal sector). It is the former which are more likely to contribute to major pro-poor outcomes, even though, as we have seen, the latter often receive far larger %ages of public spending. In Nepal, there is a need to increase the budget for the cash transfers and the PWPs in order to ensure social protection for the poorest and most vulnerable, and ringfence it as a separate line item, also distinguishing this from spending on health and education services.
Second, budgets need to be managed to encourage municipalities to implement cash transfers equitably and efficiently, without creating perverse incentives.

In terms of conditionalities, this report supports Nepal’s unconditional cash transfers as the best way forward. The lessons from international experience reveal that successful and equitable identification of beneficiaries is both a political exercise, potentially fraught with controversies, and a technical one, requiring a relatively high level of technical capacity to do so effectively. Doing so in geographically remote areas, where many eligible recipients of cash transfers live, is particularly challenging.

The NSPA will aim to extend geographical coverage of Social Protection, stressing a universal approach through unconditional transfers as a safety net for the poorest and the employment generation for the working population. Extending the geographical coverage of Social Protection policies is imperative but the basis on which this is done needs to be carefully examined. This is especially critical in the context of Nepal, as a purely geographical targeting may exclude ethnic groupings which might require special Social Protection programmes. Further, geographic targeting can be done at various levels (regions, zones, districts, villages) with varying administrative costs associated with these different levels. For example, in certain districts, some VDCs might be remotely located with no access to public infrastructure, and might therefore have lower development indicators than other VDCs in the same district – and the remote VDCs would be where the need for Social Protection would be the greatest. The Government of Nepal will need to establish what the most appropriate form of targeting mechanisms need to be used for cash transfers – with a mix of geographical, ethnic and gender and child sensitive mechanisms. More on targeting mechanisms is discussed below.

Also, cumbersome procedures need to be streamlined and simplified. For example – registration of beneficiaries should be a continuous process, completed throughout the year, and individuals should receive benefits in the next trimester after registration. This change, would not make a significant difference in budget either. This is especially important in the case of the child grant; the provision of continuous registration would greatly help to reduce the time from registration to payment.

Having quotas for partially disabled people is a hindrance and can be eased though maintaining an active database at the district level through the use of the computerised vital registration system.
Also, the identification of the disabled needs to be a separate discussion not mixed in with identification of beneficiaries of other programmes. The question that should be asked is: Is the current categorization of level of disability acceptable in terms of international standards? This can also be monitored by the central Government. Local bodies may add to the amount from their own resources if the number of disabled persons exceeds the quota fixed for the districts.

Again, keeping the principle of beneficiary centrist in mind, the amount released for a particular time-period should be distributed within three months. In case of shortage or delay of funds DDCs, VDCs or municipalities may need to bear the shortfall proportionately from their own internal resources.

VDC secretaries are overloaded with work as they are responsible for the implementation of all Social Protection and developmental programmes at the VDC level. VDCs are not uniform in land area, density of population and difficulty of terrain. Moreover, since elections have not taken place for local bodies since 2002, the Village Committees cannot share the burden of work or monitor effectively the performance of the VDC Secretary. At this moment the Village Development Committee in a real sense is the VDC secretary, when there is an election of local bodies VDC secretaries role will be reduced to some extent and will need to be accountable to elected representatives. In addition, there were several vacancies for VDC secretaries, especially in VDCs located in the high mountains, therefore it is imperative that local elections are held as soon as possible – this will immediately ease the pressure on VDC Secretaries. The Village Committee should have the right to hire additional personnel and offer stipends to youth social mobilisers to increase short term capacity as well as promote the idea of decentralised implementation, avoiding unnecessary delays and bottlenecks. There are also other institutions in place at the moment, like the ward citizen forums. The Ward Citizen Forum can contribute in monitoring and social audit role.

With rising rates of inflation (currently at 12%), the amount of the cash transfers needs to be increased to provide effective support. It has been revised in the past and currently requires another revision of the benefits upwards, preferably every three years. As we have seen, the positive impacts of the Child Grant are fairly limited, mainly due to the low amount of money being paid. According to the ODI, ‘for more substantial impacts, the level of the grant would need to be increased and pegged to local prices, given large price differences with the rest of the country’ (Adhikari et al 2014b, p5). In fact, Okubo projects that if the government increased the amount of the Child Grant to NPR 500 (USD 5$) per month from what it is currently (NPR 200 or USD $2), the prevalence of underweight would
fall more significantly, arriving at 23.8 % (Okubo 2014).

It is important also to factor in the delay in receiving these transfers which effectively means that the beneficiaries are vulnerable to debt and food insecurity until funds are finally collected. The main purpose of the cash transfer is that the disbursal of payments are made on time and at regular intervals to enable beneficiaries to smooth out uncertainties in their monthly consumption expenditure. This shortfall leads to debt, and compounds possibilities of beneficiaries falling below the basic safety net. It is evident that the state is unable to provide this amount on a monthly basis and delivers them quarterly in a majority of cases. And in certain cases, the cost of delivering the cash transfers is higher than the cash amount itself.

Reducing the distance between the recipients and the place where they can receive their money increases the net amount that they receive. Any Social Protection programme which ignores the time that it takes for beneficiaries to access programme benefits is bound to have very limited impacts. The policymakers should take the necessary steps to ensure that the costs of delivering cash transfers are not pushed onto the recipients, as this is unjust and means that the policies will have less impact. Moreover, these costs are likely to bear most heavily on those most in need of these transfers, such as older people, disabled people, and women who are time-constrained. Additional steps must be taken in remote areas and where infrastructure is limited, for example by providing more staff in these places to deliver transfers.

The international experience shows that technology used well can greatly facilitate delivery mechanisms, as well as encourage financial inclusion. Private sector companies may also have a role in cases where they already have a financial network or the means of disbursing money already established. Much depends, therefore, on the type of developments in communications technology, and the existing transport infrastructure developments that are present in the country. The draft NSPF mentions the development of an integrated Social Protection system, with ‘digitization of beneficiary lists and links to a central database’ in order to create synergies between programmes. While new technologies can include aspects such as mobile banking, smart cards etc., care needs to be taken that the onus of collecting cash payments is not left either to the beneficiary, or the VDC (without bolstering their capacity). This is especially critical in topography like Nepal’s, where connectivity to a central location is not always feasible. Further, while new actors such as financial institutions or cooperatives can be contracted out to deliver benefits, again the topographic conditions and the principle of beneficiary centric approaches need to take
priority above what may seem like inefficient procedures.

The development of a National Information Management System (NIMS) can enable electronic payments to beneficiaries in urban areas which can be subsequently expanded to the rural areas. Phone banking is another innovative technology which can enable people in remote locations to carry out transactions online. The recent advances in communications and information technology have made it possible to introduce more advanced systems of cash delivery that are less amenable to abuse and manipulations of unethical practices, and deliver payments more quickly without undergoing administrative hazards. Alternative options should be explored, tested and implemented given the infrastructure available across the states, districts and VDCs. The vendor payment system, in use in some African countries, has been discussed by international consultants in the past and could be explored to see if it suits Nepal. However, technological options need to be weighed against a cost-benefit calculation, which also consider the costs (and benefits) incurred by the Government of Nepal. Overall the cost of delivery should not be pushed onto the recipient in the name of efficiency and cost savings for the government. Bolivia’s example of people spending 10% is an example of this. In the most remote places, where utilization of these types of technologies are not available, a more targeted approach is required; more staffing is needed for the house-to-house delivery of benefits where there is no other infrastructure.

According to the ODI, most of the solutions needed to address the problems facing the implementation of Nepal’s Child Grant are likely to require better monitoring (Adhikari et al 2014). The fact that recipients of Nepal’s Child Grant are not receiving the full amount of the transfer, are receiving it irregularly, the lack of transparency of implementation, irregularities of payment mechanisms, and prevalence of corruption all point towards the need for ‘better monitoring processes at all levels along the way and strengthening those that have already been put in place’ (Adhikari et al 2014b, p5).

The NSPF clearly states that ‘efforts will be made to identify the beneficiaries using different tools including means testing. The information of these beneficiaries will be entered into the management information system.’ It is recommended that the Social Protection Technical Group (SPTG) in collaboration with the CBS and the NSSO can supervise the task of designing a National Information Management System (NIMS) that will provide comprehensive information on all beneficiaries of Social Protection programmes. The NIMS can also issue Social Protection Benefit Cards to all eligible beneficiaries and link them with the national identity card initiative. It will maintain and update a record and balance sheet of all transfers to beneficiaries; and establish an effective monitoring and evaluation system to
track the beneficiaries and transactions along with fraudulent practices under various Social Protection programmes. Data collected should be disaggregated by province, region, ethnicity, religion, sex, disability, age, so as to capture the coverage of specific vulnerable groups and the historically marginalised communities.

The system should also include indicators to monitor the implementation process. The single registry can build on existing registries of beneficiaries under various ongoing programmes and integrate with the National Identity Card (or Social Protection Benefit card) initiative. The system needs to be developed gradually to enable tracking of beneficiaries enrolled under different programmes so as to minimise exclusion and inclusion errors. Also, this will help to track the mobility of beneficiaries from one state to another. The management information system can also facilitate the tracking of complementary initiatives implemented by Government and non-Government sectors so as to strengthen inter-sectoral linkages between programmes and maximise outcomes. The village and district level database needs to be linked with the state and national levels.

M&E systems should distinguish clearly between 2 objectives: (1) to monitor delivery of the programme (process indicators); (2) to measure programme effects (impact indicators). The existing Monitoring and Evaluation system and process is weak and underdeveloped from the perspective of Social Protection. Moreover, it is not properly designed to cater to the needs of Social Protection programmes due to the simultaneous development of poverty identification cards by various ministries and agencies (ODI, 2013). At present, only the Ministry of Cooperatives and Poverty Alleviation is actually in the process of issuing “poverty cards” but then the MOFALD is developing a HH database, which for two districts, there is an element of poverty identification. The process of identifying the poor and providing Identity cards can be looked into further: If “poor” people are identified, existing public works and employment generating programmes could be targeted to those with “Poverty cards”. In this case probably the Ministry of Cooperatives and Poverty Alleviation could be the apex ministry to work with the DDC. However, considering their existing capacity it may not be possible immediately – i.e. to take over the role from MOFALD to MCPA.

With expansion and diversification of programmes and instruments it has become necessary that the system is redesigned to be an active database which can be updated remotely at the VDC level after local verification or at the DDC level. This is necessary to improve delivery by early identification of the problems in the system and procedures as well as through timely corrective measures. It will serve three major objectives. In the first place, it will help assess whether the Social Protection programmes in general and particularly the
Social Protection Floor initiative is achieving its targets and goals. Secondly, at programme level it will document information on whether or not the system, including an accountability system, and process and programme managers are performing up to the mark. It will also help detect implementation problems at an earlier stage and initiate corrective actions to improve performance. Third, it will be instrumental in integrating learning outcomes in decisions regarding programme design and shall feed into policy efforts.

The NIMS can also aid community audits of Social Protection programmes, which is something that Nepal should put in place as part of all its policies. Here the reference is to the Government’s Poverty Monitoring and Analysis System—a policy guiding the public sector M&E systems. Of course it was never able to achieve everything it set out to do but it was a great framework which recognized public hearings and community audits. Also, there were effective systems put in place through the LGCDP. Updated information on beneficiaries and the funds available, expenditure on wage and material component etc. can be monitored. Monitoring can take place at all levels of Government: national, sectoral, state, district and VDCs. Appropriate indicators need to be developed or selected for the Monitoring and Evaluation System. This is essential in order for the system to serve as an effective tool for programme and performance management and improvement. Input, process, output, outcome and impact level indicators need to be defined by sectoral action plans. Monitoring and evaluation activities should be carried out on regular basis. The results and report should be shared among the National Social Security Organization, National Steering Committee, relevant implementing ministries, PAF, state level authorities and other stakeholders.

Mechanisms should be devised to strengthen accountability systems at different levels and improve the transparency in the delivery process by identifying the grey areas. Similarly, Dispute Resolution Committees (DRCs) should be established at the national, state and district levels to resolve any complaints or disputes arising from the implementation of Social Protection programmes and the administration of benefits. This can be composed of five members – two from Government and the other three from private sector, civil society and the trade union sector. Unresolved disputes, at their respective, level need to be forwarded to the districts and national levels. We must take into account the grievance handling mechanism in institutional mapping. In fact, the SP committee at district and VDC levels have the dispute resolution role. Thus our recommendation is to strengthen the role of the SP coordination committee and make it functional as well.

The overall recommendations pertaining to cash transfers are as follows:
• Increased capacity at the VDC level to assist with identification of beneficiaries, applications, and to monitor and implement the programme. This may take the form of more formal and extended human resource infrastructure for the VDC secretaries. This increased capacity will also allow VDC secretaries to collate and disseminate records which will improve upon geographical challenges, create better accountability and more timely record keeping.

• Smaller number of members in the Local ID Recommendation Committees.

• The implementation of the SPDCC but with the capability to function with fewer members.

• A review of the registration system allowing for records to be updated more frequently to reduce waiting times for beneficiaries to receive regular benefits.

• Introduce the continuous enrolment of all programmes.

• Attention to geographical barriers to participation and implementation, and appropriate delivery mechanisms in view of these geographical barriers.

• Links to the Aama programme to get children registered quicker and increase the programmes impact on nutrition.

• Linkages with the child grant through the facilitation of birth registration at or around the time of delivery as this may help get children into the programme quicker.

• Costings and evaluations into the extension of the programme and for different age ranges.

• Increasing of infrastructure and staffing capacity especially in more remote areas.

• The introduction of improved local infrastructure, technology and systems to help with data collection and fund transfers such as MIS and branchless banking.

• Emphasizing the importance of not shifting monetary burdens on to beneficiaries and improving transparency and accountability

• A review of the use of VDC secretaries to deliver payments and a possible outsourcing to banks.

• A review of the process of re-registering in other districts which could be linked to improvements in MIS or payment systems.

• Better monitoring and evaluation of the programme including impact evaluations.
7. PWPs – Institutional Assessment

PWPs are important programmes that have many benefits. First, PWPs include the involvement of real beneficiaries as stakeholders; the implementation, supervision, monitoring and distribution of food is done through the user groups composed of beneficiaries themselves, so sense of ownership is enhanced. Secondly, CFW programmes such as KEP create local infrastructure which can include roads, bridges or improved irrigation systems which also benefits the local communities. Third, local agricultural producers are indirectly benefitted due to increased transportation and the availability of local market. Finally, at a later stage, PWPs can be upgraded to provide training to user groups to gradually transform into multipurpose cooperatives for the future.

7.1 Review of PWPs from International experiences

In Sub-Saharan Africa, the largest social protection scheme which is based around PWPs is Ethiopia’s Productive Safety Net Programme (PSNP). The PSNP is a government programme, financed by nine different bilateral and multilateral donors, which is implemented almost entirely through national systems which are decentralised through regional and local administrations. It offers public works which are targeted through community mechanisms as well as unconditional cash transfer for labour-scarce households. Its institutional framework is based on the federal administrative structure of the Ethiopian Government, and its objectives span the mandates of two ministries and multiple departments within each ministry (Van Domelen and Coll-Black 2010). The Ministry of Agriculture and Rural Development (MOARD) manages the PSNP, while the Disaster Risk Management and Food Security Sector (DRMFSS) is responsible for programme coordination, and within that, the Food Security Coordination Directorate (FSCD) facilitates day-to-day management and coordination, particularly the timely delivery of transfers to recipients. Meanwhile the Early Warning and Response Directorate (EWRD) provides accurate and timely warning information for the PSNP Risk Financing (RF) and ensures linkages between PSNP RF and other humanitarian response activities. Meanwhile the Natural Resources Management Directorate (NRMD), which is within the MOARD, is responsible for coordination and oversight of public works. The Ministry of Finance and Economic Development (MOFED) oversees financial management of the programme and disburses cash resources to federal ministries and to the regions (Van Domelen and Coll-Black 2010, p16).

These arrangements are replicated by regions and woredas (districts), and within the regions the final authority for the PSNP resides in the regional council, the highest regional
levels decision-making body. The regional president is responsible for the PSNP through the regional bureaucracy, while the woreda council approves allocation of PSNP resources within the overall woreda development plan prepared by the woreda cabinet. Regional and woreda bodies are responsible for making sure that there is sound coordination of the public works, for example by ensuring the health centres constructed by the PSNP are staffed by the Ministry of Health.

The PSNP shows that it is possible for a predominantly donor-funded social protection scheme, based on PWP’s, to attain genuine national ownership. In fact, the discussions prior to the programme reveal that the Ethiopian Government imposed its will on donors on two key issues, namely ensuring that the scheme would have a work requirement, and in favour of a rapid rollout of the scheme.

In South Asia, India’s MGNREGA is the most significant example worldwide of a social protection scheme based on public works programmes, guaranteeing 100 days of work to anyone who demands it in rural areas. It also has a highly decentralized structure. Its central ministry is the Ministry of Rural Development, which has the responsibility of assuring timely resource support for the state governments. The state governments formulate a Rural Employment Guarantee Scheme (REGS) which meets a certain minimum level of specifications. The state government also has to form the State Employment Guarantee Council, which has the responsibility to advice the state government on matters relating to the MGNREGA. The state government also has the obligation of ensuring the release of the state share of the REGS budget ad facilitating administrative, financial and technical support for implementing bodies at the lower levels.

Meanwhile, the authorities actually implementing the REGS are the local government (panchayat) institutions at the district, block and village level. They have the task of identifying employment-generating activities and proposing, scrutinizing and approving the respective REGS projects. They must do this both on the long and short (one year) terms. Priority areas are decided during village council (gram sabha) and sub-village council (ward sabha) meetings, and based on these, the gram Panchayats prepare an annual plan, passing on to the MGNREGA block program officer for technical sanction or approval (Alam and Alam 2014). The organisational structure of the entire scheme is illustrated in Figure 7.

Figure 7. Organisational Structure of NREGA
Experience from both Ethiopia and India shows that maximising the full potential of PWP’s requires an extremely high level of coordination and political commitment across ministries, agencies, and authorities. In Ethiopia, many of the more complex rules of the PSNP (particularly relating to targeting) are often poorly understood at the local level. In India, the implementation of the MGNREGA has varied significantly, and is often dependent on local and regional politics and implementation capacity rather than by the central government (ESID 2013).

In Rajasthan, a study found early civil society activism threatened local politicians, uncovering acts of corruption (Chopra 2014). This led to a backlash, whereby politicians did not want to implement the MGNREGA because they would only invite more scrutiny,
leading to a significant reduction in the work made available to local people (ibid). By contrast, in Tamil Nadu, another study found that the programme had been rolled out successfully, and this was owed largely to the ‘tight supervision of chief ministers and their office’, and ‘a well-developed and integrated bureaucracy [which] is enabled by its administrators’ extensive experiences with the implementation of rural development programmes and welfare schemes (Heyer 2012) and at the same time enforced by centralized state-level surveillance’ (Jeyeranjan 2011; Carswell and De Neve 2014, p18). For Carswell and De Neve, the precise fact that the scheme in Tamil Nadu remained in the hands of the bureaucracy rather than the village panchayats lent it a degree of independence from local elites, allowing for the extension of the programme. Moreover, the population in Tamil Nadu had previously had a history of organisation which led them to have ‘high levels of social awareness and collective action’ (Carswell and De Neve 2014, p18), which helped them to make claims on the state. However, Tamil Nadu is has relatively less poverty than other states in India, such as Bihar, where the rollout of the programme has been far more problematic and has therefore had less impact (Dutta et al 2014). This raises the difficult issue that the coordination, capacity, and political engagement necessary to implement PWPs successfully is more likely to exist in regions where the need for such schemes is relatively less.

Meanwhile, Hirway and Batabyal (2011) say that the MGNREGA often fails to offer its full entitlements ‘due to poor commitment to MGNREGA at the state level and the pressure from vested interests at the local level’. In response to this, they suggest high levels of popular mobilisation to demand the effective and equitable implementation of the scheme (ibid). This reveals that effective implementation of PWPs on a large scale require more than efficient technocratic practices, but rather need to be stimulated through interactions with an organised civil society. Although the MGNREGA has always had stipulations for the role of civil society, these have not always been met in practice, or have sometimes occurred in a problematic way.

7.2. Budgeting and Planning for PWPs

7.2.1 Nepal’s current practices

In the KEP, the District Programme Coordination Committee delivers grants to VDCs via DDCs, based on the statistics of unemployed families provided by VDCs. Unemployed persons from each family are organised into groups of at least five persons, and these groups submit proposals for appropriate income generating schemes to the VDC for the approval by VDC level Implementation Committee. Seed money is then provided to the
group to initiate skills development and start the community enterprises where the members could be self-employed.

For RCIW projects, District Project Support Unit (DPSU) identifies such areas and VDCs, prepare proposals and submit them to the DDC for approval. Upon approval of DDC the proposal is sent to Central Project Support Unit (CPSU) for final approval. Consumers' Groups are formed with the active involvement of associated VDCs after the project gets approval from CPSU. Consumers' Committee is formed from among the members of the Consumers' Groups. Projects are selected with the view to provide direct or indirect benefit to VDCs and target groups.

As stated previously, 57% of the SP budget is spent on social insurance, while there is a low number of beneficiaries. Only 2% is spent on labour market programmes but the reach considerably more beneficiaries (more than double) the social insurance programmes. In other words, social insurance programmes receive the bulk of Social Protection funding but reach the fewest people who are not the poorest and the most vulnerable (Upreti, et al. 2012:46).

Case study: Budgeting and planning for the KEP pilot projects 2013/14

In the original model, participants should have been eligible for 100 days of paid work, however in practice this was only equating to, on average, 13 days (Vaidya 2010). This amount of work cannot have noticeable impact in the long-term. For the KEP pilot projects at least one hundred days work was guaranteed in order to see if there is are longer-term impacts on factors such as migration patterns and household consumption. Although initial findings suggest that there are greater positive impacts it has been acknowledged that more work needs to be done around improving alternative livelihoods in the region to decrease dependency on migration.

7.2.2. Budgeting and planning process in international experiences of PWP

Ethiopia’s PSNP is heavily donor-funded. Donors deposit their money with the National Bank of Ethiopia or have their funds channelled to the National Bank through trust funds which are managed by the World Bank. These funds are then pooled into a single account whenever the PSNP requires an injection of further cash, and is disbursed by the Ministry of Finance and Economic Development (MOFED), which transfers the funds to the Bureau of
Finance and Economic Development (BOFED) and the federal administrative budgets. BOFED then transfers resources to the Woreda Office of Finance and Economic Development (WOFED) at the request of the Regional Food Security Office (RFSCO) based on the approved annual plan. The WOFED makes payments to the PSNP recipients against a payroll and attendance sheet, which is approved by the Woreda Food Security Taskforce (WFST).

In principle, the budget for the PSNP is supposed to flow from targeting assessments. However, the amount of money often disbursed to the kebeles (smallest administrative unit) and woredas are often relatively low, leading potentially eligible families to be excluded. It is also common for kebele officials to request additional funds but these requests are frequently denied (Berhane et al 2011).

The PSNP also has a contingency budget worth 20% of the base programme cost, as well as a risk financing facility which is supposed to respond to spikes in needs in chronically food insecure woredas if and when they arise (Van Domelen and Coll-Black 2010). Of this, 15% is held at the regional level and 5% at the woreda level. It receives contingent financing provided by a World Bank grant. It uses an early warning system providing ongoing analysis that identifies risks and triggers the release of funds. Efforts have been made to ensure the PSNP can scale up the delivery of transfers to households when necessary.

In India’s MGNREGA, funding is shared between the centre (90%) and the states (10%), with the central government covering 100% of the cost of unskilled labour, 75% the cost of semi-skilled and skilled labour, 75% of the cost of materials and 6% of the administrative costs. States need to cover 25% of the skilled labour and material costs, and also pay unemployment allowance. States request funds from the national government, and any money which they do not use is then deducted from whatever they request in the following year (Chopra 2014). One problem is the under-utilization of funds, with 27.31% being unused in 2010-11 – most of this underutilization comes from poorer states who do not have either the administrative set up or the infrastructure to be able to deliver on the programme. This creates a vicious cycle of receiving fewer resources and therefore less administrative costs, and spending less resources because of inability to finance administrative costs. The new Bharatiya Janata Party led government has proposed to cut back the scheme in some areas and focus on the 200 poorest districts, a decision which has brought criticism from supporters of the scheme who say that this will threaten its universality and ultimately lead to the major scaling back of it.
7.3 Process of Identification and Targeting/Universal

7.3.1 Nepal’s current practices

In the KEP, VDCs identify target beneficiaries following the latest electoral roll: at least one member of a family where 1) no members are gainfully employed elsewhere or self-employed and do not have any source of external income; 2) subsistence is sufficient for no more than three months from their own production; or 3) they are physically unable to work, Dalit, indigenous or landless. For the RCIW the following are target beneficiaries: women; Dalits; poor and marginalized; ethnic people; those having no property and suffering from acute food shortages; and residing in rural areas of 30 food-deficit districts.

Coverage levels vary while it seems that substantial effort and resources are committed to the process of ‘identification’. The central question remains, how are the beneficiaries identified? In rural communities where food insecurity is high how do you ensure equality in the selection process when most households are living in poverty? In the case of KEP, it might be easier to make the scheme available to all households, especially since Karnali makes up only 1.4% of the total population of Nepal. Additionally, there is the issue of not linking PWP to other MoFALD programmes and inclusion/exclusion from other programmes taken into account or used to assist with selection. This also applies to budgeting and planning.
7.3.2. Identification and targeting/universal international experiences and lessons

In Ethiopia, targeting under the PSNP combines both categorical and individual selection using both administrative and community mechanisms. Administrative mechanisms include the provision of a specified number of clients that can be included within a specific administrative area (woreda, kebele, etc.); guidance on targeting criteria to be used at the community level; and oversight to ensure transparency and accuracy. Oversight ensures upward accountability, through regional oversight of woredas and kebeles. Meanwhile, within the communities, clients are identified by the Food Security Task Forces (FSTFs), which are comprised of a kebele official, the local Development Agent and elected villagers representing men, women, youth and the elderly (Berhane et al 2011). The participants need to be chronically food-insecure households, defined as those which have faced continuous food shortages in the last three years, which have become more vulnerable due to the loss of assets, and those without family support and other means of social protection. Those who have able bodied members who can work in public works, and those households without labour capacity are identified. Households receiving the PSNP are expected to graduate (move out from the programme) from the PSNP once they are deemed to be able to feed themselves for 12 months a year, so that the programme does not foster long-term dependency on it. Asset-based benchmarks, tailored to local conditions, are used to decide who should graduate and who should not. To do this, data is collected by Development Agents, and then verified by officials in the kebeles and woredas, and vetted in community meetings (Van Domelen and Coll-Black 2010, p22).

India’s MGNREGA, meanwhile, uses self-targeting of recipients, in theory offering 100 days of work to everyone who demands it. The advantage of this mechanism is that there is less need for complex targeting methods. However, in practice the ability to offer work on demand depends very heavily on local administrative and political factors. Due to this employment is not always offered on demand and the implementation of the programme is actually quite uneven. Authorities undertake door-to-door exercises to assess the levels of demand for work among groups deemed to be most in need, included scheduled tribes, scheduled castes, families living below the poverty line, female headed households among others. The details gained from people are passed to the Gram Panchayat, who then issue the household their job card which contains details of adult members of the household.

Historically, in Ethiopia, most PWPs have relied on self-targeting, based on the assumption that only the poorest of people will volunteer for the modest wages provided for manual
labour. The PSNP differs in this respect, working with a concrete scheme for targeting families, and then ensuring that all members of the family are inscribed (full family targeting) in order to give them the strongest possibilities for graduating. The fact that it does this is a reflection of the levels of demand for work in rural Ethiopia. The flipside to full family targeting is that less families are recipients.

One danger of complex targeting mechanisms is that they are poorly understood. Berhane et al (2011) find that whereas, in Ethiopia, there is a ‘solid understanding at regional levels’ regarding the concepts of graduation, whereas below the woreda level, there is little understanding of it. Further, the ‘knowledge of the process by which people graduate was varied at the community levels, with some thinking that it was time-dependent, others believing it to be political, quota-driven, and others knowing the specific benchmark value for graduation’ (Berhane 2011, pxxiii). In the worst cases, this leads to people being ‘graduated’ without understanding why this has occurred (Berhane et al 2011).

In India, there is a certain paradox that those states with the highest levels of unemployment and poverty (such as Bihar) have provided less employment under the MGNREGA than richer states (such as Tamil Nadu), revealing that the effectiveness of the scheme depends heavily on state capacity to implement it (ESID 2013). In wealthier states with more state capacity, authorities have more ability to provide employment, meaning, in effect, that employment under the programme is driven more by the availability of work than the demand for it, as is supposed to be the case (ibid). This reveals the importance of institutional capacity in making PWP’s effective.

The paper by ESID also emphasises the importance of local functionaries for deciding who does and who does not get access to employment under the MGNREGA. According to them in Rajasthan, a clear number of villagers ‘perceived, correctly, that the type, allocation and implementation of projects within Gram Panchayats were influenced by the bias of Sarpanchs towards their own villages.’ (ESID 2013, p3). The effect of this was that only half of the people actually wanting work actually applied for it.

7.4. Implementation and Distribution of Wages

7.4.1 Nepal's current practices
In the KEP, community infrastructures to be developed under the project are of the type to encourage the use of at least 80% to 90% of unskilled labour, local materials and projects can be built and maintained from local capacity. Workers are paid NPR 40 and with 2 kg of
course rice, donated by World Food Programme.

In the KEP, wages equivalent to 100 days per person at the prevailing district wage rate or employment equivalent to at least NPR 5000 per person per year is the aim of the programme. However, due to delay in transfer of funds and unclear directives issued to the

---

**Case study: Implementation and distribution in the KEP pilot projects 2013/14**

In the original KEP model wages were distributed by the user committees. However in practice this did not work. Problems of accountability were highlighted as user committees were found to be paying workers less than the agreed wages and using the money to pay for other things outside of the agreed project planning. This included paying for machinery instead of using manual labour and using the money to pay for temporary teachers wages at the local school. In order to tackle these issues of accountability and monitoring the pilot projects used new payment systems. The participants were given cash-in-hand by an official upon the production of their jobs card. Supervisors and skilled professionals who are knowledgeable in the project groundings such as in irrigation etc. were also used to check the progress of the project more systematically. The frequency in payments was also made more often. Instead of receiving the bulk of the wages upon completion participants were paid half of their overall wages in fortnightly instalments and the rest of the wages upon the completion of all the work. They were also all paid exactly the same amount. This was to facilitate greater impacts upon household consumption. These changes have had positive impacts on project outcomes and the next phase of piloting is looking into what this means in terms of realistic staffing for effective monitoring, implementation and distribution so that the techniques can be scaled up to other areas.

LDO and VDC, the situation has led to the money being distributed in some cases like an unconditional cash transfer, without any asset creation. In other cases, since beneficiaries could not be identified at the VDC level, the cash was distributed evenly between all the households.

7.4.2. International experiences and lessons on distribution and disbursal of wages

In Ethiopia in the PSNP, households receive transfers on a monthly basis for six consecutive months. They are supposed to receive quantities of food or cash which are set at the level required to fill gaps in household consumption. Transfers are made on a monthly basis by WOFED cashiers for cash transfers in communities, while payments are delivered at collection points within the woreda. Attendance sheets and the payroll are processed using the computerized Payroll and Attendance Sheet System (PASS). Payments are made according to the attendance, quantity and quality of public works completed and this is
decided by the DA and kebele chairperson. Meanwhile food payments from donors are allocated through NGOs and the WFP. The Emergency Food Security Reserve Authority (EFSRA) is used to gain loans and provide food transfers on time to recipients (Van Domelen and Coll-Black, p24).

The PSNP implements the concept of ‘full family targeting’, which means that all members of a family should be registered under a scheme. The objective of this is to ensure that resources are concentrated towards families in order to give them the greatest opportunity of reaching ‘graduation’. The counter of course is that it means that other families miss out on the scheme altogether, at least in the short term.

The cost for PSNP projects should absorb 80% of project costs for wages and 20% for material, equipment and administrative costs. Public works projects are supposed to be located as close as possible to recipients, with the attention that they contribute to productivity, thereby having unintended effects in addition to the transfers from the safety net (Van Domelen and Coll-Black 2010, p24). The works are identified and planned through a participatory process at the community level. The communities therefore come up with a public works plan which is communicated to kebele and then the woreda, who in turn develop a safety net plan. Plans should include a list of approved public works, an estimate of their administrative and capital costs for each sub-project, and identify necessary technical assistance.

The PSNP attempts to disburse payments to recipients to coincide with the ‘lean season’, which follows the season when PWP’s are carried out, the agricultural slack season. Thus, payments are supposed to lag behind when the work is done somewhat, but this is highly variable. In some regions, recipients express concern about the timeliness of payments, and emphasised the importance of predictable payments (Berhane et al 2011). Another key finding is that recipients generally prefer food payments due to the uncertainty of food prices.

In India, the central government sets the wage rates but these vary across the states. Workers should receive their wages within 15 days of the muster role, and are entitled to compensation worth 0.05% of the unpaid wages per day for the duration of the day. If people do not receive work within 15 days of requesting it, they are due an allowance. In many cases, though, workers have not been compensated for late wages, and the allowance has not been paid out when work is not provided. In Rajasthan, capacity failures among
local authorities have meant that the MGNREGA has not been implemented efficiently, and the programme’s image among the poor has been damaged. According to Chopra (2014, p21), ‘delayed wage payments, low wages and the state’s lack of responsiveness in providing employment have corroded the trust of potential workers, who have begun to explore other not-so-attractive but more reliable avenues of employment’. By contrast, in Tamil Nadu, the system was running in an ‘extraordinarily transparent way’, with payments being made correctly and on time, and information was being made available to workers in an open and public manner (Carswell and De Neve 2014, p14).

Under the MGNREGA, the ratios of spending on labour and materials has been set at 60:40, although this has now been changed to 51:49 in an attempt to improve the quality of the assets built, although this has been criticized by supporters of the scheme who argue that this will dilute the objective of providing employment (e.g. Dreze 2014). Work sites must be within a five kilometre radius of the applicant’s village, and if it is not, it must be provided within the Block and labourers must be paid 10% extra for the additional travel expenses. Work sites should be equipped with safe drinking water, provisions for childcare, and first aid.

7.5. Monitoring

7.5.1. Nepal’s current practices

VDCs, DDCs and Central Coordination Committee of KEP are allocated 2% of the total budgeted amount to monitor the implementation of the programme of which VDCs are allocated 0.66%, DDCs 0.66% and Central Coordination Committee 0.67%. These numbers beg the questions: Is this sufficient? Should the density of population or geographical location play a role in increasing administrative costs?

VDCs and DDCs have to maintain records of the implementation of the projects and VDCs have to carry out audits of the programme and submit the report to DDCs. User groups have to conduct public audit of their project activity. DDCs have to submit quarterly progress reports to the MOFALD and the MOFALD in turn submits reports to the NPC Secretariat. Central Coordination Committee, MOF, MOLD, NPC and Karnali Area Development Unit monitor and supervise the implementation of programmes from time to time.

The User Committees publicly reviews and evaluates the project activities in RCIW on a
regular basis, calling the meeting of consumer committees in the presence of VDC representatives and staff of DPSU. Based on this evaluation, additional instalments of rice and construction materials can be demanded. DPSU helps the consumer committee with the public audit of the plan (which includes criticism and evaluation), to regularly monitor the progress of the plan, and not to allow the violation of directive. DPSU collects a progress report both monthly and for each trimester and submits a work completion report to DPMC, CPCU and WFP. DDC supervises the activity and management of the project and regularly monitors the progress of project.

Monitoring exercises are conducted in the construction phase only. Once completed the community must own those assets, however, weak maintenance of constructed infrastructure has been observed.

Case study: Monitoring in the KEP pilot projects 2013/14

As discussed in the distribution section, the original KEP model was found to have ineffective monitoring systems which were leading to the misuse of funding. The KEP pilot projects employed technical supervisors to monitor the projects more regularly and also increased personnel for CT distribution. Work is still being carried out in the second phase of piloting to discover what the realistic demands are for increased staffing.

7.5.2. International Experiences and Lessons

In Ethiopia, the PSNP has a system of appeals for people with complaints. Most commonly, people appeal due to what they consider to be unfair exclusion from the programme. Appeals and complaints are made to the development agents (Das), kebele cabinet, kebele administrator, traditional/village leaders, kebele women’s affairs office, woreda administration, and disaster preventions office (Berhane et al 2011). However, relative to the concerns which some have made about the selection process, few households appeal due in part to a perception that appeals are rarely successful (ibid). Female-headed households are also less likely to lodge appeals than male-headed ones, and have less contact with Development agents (Berhane et al pxvii).

The Ethiopian Government has a single M&E system for the Food Security Programme (which includes the PSNP) based on an integrated logical framework. The Food Security
Coordination Directorate (FSCD) is responsible for monitoring of the PSNP, while the Natural Resource Management Directorate (NRMD) oversees public works, and the Ministry of Finance and Economic Development (MOFED) monitors financial management.

As the PSNP is based on existing government systems, most of this reporting is done manually, and is therefore generally weak. Not only that, the PSNP also adopted various innovative monitoring tools to strengthen programme monitoring and address other programme risks. Within the FSCD, an Information Centre collects real-time data every other week from a sample of 81 woredas regarding the status of transfers and food prices. There is also a Rapid Response Mechanism which consists of federal and regional teams offers support to implementers at lower levels to address problems when they occur.

In India, the MGNREGA has a strong emphasis on ‘social audits’ which are carried out by civil society activists and organisations to ensure the transparent and equitable functioning of the programme (Chopra 2014). However, when these audits did uncover serious acts of corruption, political actors acted to prevent further civil society engagements, leading to disaffection and mistrust between different actors (ibid). Sometimes, the threat of social audits may mean that local power holders have fewer incentives to implement the programme, however, these are critical to ensure the effective functioning of the PWPs.

7.6 Recommendations pertaining to PWPs

Currently, neither the Nepal Government nor the donor community has shown any significant interest in scaling up or consolidating the country’s PWP schemes into a broad universal Employment Guarantee Scheme (EGS) (Harris et al 2013). However, in order to contribute to the future development of PWPs, there is a need for preparatory work. Harris et al recommend a ‘detailed needs analysis’ to increase the understanding of the social protection needs in different parts of the country (Harris et al 2013). This could potentially lead to a scheme which is not absolutely universal but focused on the areas with greater potential for implementation, taking into account homogeneity in terms of population density, accessibility and livelihood strategies. They also call for a the development of a ‘theory of change which clarified the relationships between the objectives related to poverty, migration and livelihoods promotion that are currently variously associated with PWPs’ (Harris et al 2013, p33).

The findings from India which show that local systems of patronage can be important
determinants of the function of social protection programmes is relevant to Nepal, where Harris et al find anecdotal evidence of similar dynamics (Harris et al 2013). Where there are options for elite capture, this can explain the existence of support across political parties for investments in social protection (ibid). Moreover, bureaucratic interests vary, such that whereas there is support for the coordination and consolidation of PWP’s in the Social Protection Task Team (SPTT), there have been no such discussions among EIIP agents. Moreover, Harris et al find evidence for the ‘bureaucratic competition between and within ministries and their political affiliation’ (Harris et al 2013, p23). This is a challenge, because scaling up schemes such as the KEP would require a greater degree of coordination across different ministries, and some may have incentives to resist such consolidation if it leads to encroachment on their own spheres of influence. While MoFALD has coordinated projects dependent on donor funding, it does not have the mandate to coordinate PWP’s more broadly across Nepal (ibid).

The ongoing debates about the MGNREGA in India reveal precisely the political contentiousness of budgets for PWP’s. The extent to which PWP’s are considered to be a targeted safety net, focused on specific areas or indeed specific events such as droughts, or whether or not they offer a right to work for citizens, has ramifications for budgetary considerations.

The Karnali Employment Programme currently aspires to offer work to anyone who demands it, similar to the Indian model of MGNREGA rather than the PSNP model, which carefully attempts to target work at the poorest families. However, this is a long way from manifesting in reality. One report emphasises that the Karnali programme is essentially ‘a supply-driven programme’, whereby only people who happen to be living in a particular area where there is a PWP are able to use it (OPML 2014). Meanwhile across the country there has been a proliferation of Employment-Intensive Infrastructure Programmes (EIIP) in Nepal, Harris et al report that ‘employment creation has remained on a somewhat ad hoc and small-scale basis’.

It is recommended that the Nepali government offers work as a right, gradually making the programme more demand-driven. Evidence from other lower income countries, particularly in Sub-Saharan Africa, reveals that PWP’s have a negligible impact when they are only available on ad hoc basis (McCord and Slater 2009), whilst work as a right increases the ability of the poor to use it to plan their lives and decision-making. Making this a reality, however, would require further funding, and it is clear that to date the KEP has not received sufficient funding to offer employment to all eligible households (Harris et al 2013). Fiscal
constraints on the Nepal Government means that it has to balance pressure to increase salaries for poorly paid civil servants with the desire to avoid increasing the fiscal deficit and the pressure to implement projects to respond to poverty reduction (Jones et al 2010, cited in Harris et al 2013). According to Harris et al, the cost of providing a universal Employment Guarantee Scheme paying out a minimum wage at the national level would cost 110% of all government expenditure, although the provision of a more limited scheme paying lower wages to a targeted group could be fiscally viable (Harris et al 2013).

Currently, considerable donor and government resources are being used for PWPs and labour intensive public works, although it is difficult to know precisely how much of this is being used for PWPs per se or general construction activity (Harris et al 2013). That notwithstanding, the amount of money being used by the Government of Nepal is quite small in comparison to what is used for social insurance schemes which only reach a limited number of people. This is probably at least partly due to political pressures. Discussions over the development of the Social Security Fund through a 1% payroll tax and its use for social protection programmes attracted opposition from formal sector workers who wanted the funds to be used solely for contributors to social security (Harris et al 2013).

Additional funding would need to be provided not only for wages but for administrative costs, because planning public works which are genuinely productive and which offer work on demand can be extremely challenging for local authorities. After all, the cost-effectiveness of any Employment Guarantee Scheme is partly contingent on the quality of the assets created (Harris et al 2013). At the moment, it is far from clear whether the technical capacity to consolidate existing schemes into a national level one actually exists (ibid). Increasing the effectiveness of the assets created is dependent on ‘strategic selection and effective administration of projects’ (Harris et al 2013, p20). To date, most of the schemes under the project are road building projects, which makes sense given the infrastructural deficits of the country but other types such as watershed projects and land management could also help communities as well (OPML 2014). One problem is that while MoFALD is responsible for coordinating schemes, much responsibility for implementation is dependent on VDC secretaries at the village level and LDOs at the district level, and these are often overworked and lacking in the necessary administrative capacity to manage projects (ibid).

The types of public works which are appropriate are likely to vary substantially across topographical regions, and this needs to be taken into account. Moreover, local communities need to be actively involved in the planning of work and identification of
recipients.

The lesson from international experiences on identification and targeting is that it is important to establish work as a ‘right’ in the constitution (as has happened in India). To date, the Karnali Employment Programme aims to establish work as a right for people in that region. Although that objectives is still some way away from being achieved, most schemes of this type are not intended to be universal in their early stages of implementation, and there is scope for further rollout (Harris et al 2013).

In addition however, the implementation of that right is still highly dependent on local politics, state capacity and commitment towards this right. It may be possible to get around this, for example by bypassing district-level functionaries and using and electronic fund management system (EFMS) to prevent political manipulation (ibid).

In keeping with the principle of progressive realisation of Social Protection coverage, a three-phase approach would be best suited for the EG component of a proposed National Social Protection Act (see Section 5 above and Section 9 below). In each stage, 25 districts will be taken up to implement a comprehensive livelihood security programme. The recommendation for phase wise implementation is in keeping with the manpower and resource constraints faced by Nepal. The EG Component of the NSPA can be based on the good practices and shortcomings of RCIW, Karnali Development Programme, and other Public works programmes that have been carried out. There are 21 food insecure districts and 6 + 19 PAF districts which have been identified as vulnerable geographical locations and are located in far west, Karnali and high mountainous regions. MOFALD and WFP have implemented the food and cash-for-assets activities as part of the Social Safety Nets Programme (SSNP) in 21 food insecure districts.

In India, data collection for the Socio Economic and Caste Census was a paperless activity and enabled data to be uploaded immediately to a central server for analysis which can in turn feed into better policy and programme design. Tablet PCs were used for this exercise and are intended to be used for programme monitoring at the village level. The large scale data collection exercise resulted in capacity training and development of local officials uniformly across the country, who were trained in operating the Tablet PCs and uploading relevant information. Nepal, with difficult terrain and limited resources must develop a similar model for effective and speedy data collection and put in place a monitoring system to track implementation simultaneously considering the financial resources committed to Social Protection programmes.
On wage disbursal, unsurprisingly, the evidence suggests that timely delivery of both work and wages is essential to the effective functioning of any PWP scheme, and is indeed essential for its credibility in the eyes of the poor. Delivering these depends heavily on both the implementation capacity of local officials and also the relationship between political authorities and recipients. As noted above, payment mechanisms should be pro poor and not shift the burden of cost to workers in the name of cost efficiency.

There is a question over whether to pay workers via an hourly rate, as is currently the case, or under a task system rate whereby workers are paid upon completing a given task. While the latter can promote greater productivity, but this requires more skilled supervision and management and local site supervisors, who are often community members themselves, do not have the sufficient skills to manage such a system. It could be possible, however, to pay wages in the form of a combination of a fixed daily subsistence wage and a lump sum payment linked to productivity (OPML 2014). In addition, OPML also recommends setting a standard wage rate, as opposed to the differentiated rates which are paid out currently under the Karnali scheme.

The appropriate payment mechanisms are likely to vary according to geographical region, and also the local political context. Some reports advocate moving directly to electronic payments across the board, on the basis that manual payments are not scalable, are ‘inefficient, insecure and prone to fraud’ (OPML 2014). There is a need for caution, however, because the appropriate systems of payment are likely to vary across different geographical regions and political contexts. In the MGNREGA in India, there has been a move from paying out cash in public places, which involved fairly high administrative costs to making payments through banking accounts, which was more cost effective in some areas, but inappropriate for others where banking services were unavailable. This led, in some cases, recipients having to travel long distances to get paid, thereby pushing the cost of disbursing wages onto them. In addition, paying through financial services can be less transparent in some cases. Payment methods therefore need to be adapted to local conditions, and above all should attempt to reduce the cost paid for by the recipients for getting paid the money.

An example of varying payment mechanisms come from the Indian MGNREGA, where there is a mixture of cash payment (high transparency but the cost and time needed are greater), to payments in bank accounts and post offices (lower cost, and faster, but there are issues of logistics, especially considering payment points in remote places). It can also be
expensive for beneficiaries to access cash from banks repeatedly and there is lower transparency. Different states in India engage with different strategies that are the most efficient for the beneficiary. Nepal may have to consider topography and other logistical issues such as access to banking before choosing the best mechanism.

Overall, what is needed for Nepal is better monitoring and evaluation of the PWPs, including impact evaluations. Secondly, there needs to be an increased capacity at the VDC level to assist with applications, and to monitor and implement the programme.

Much has been said about the role of civil society in ensuring effective monitoring of PWPs, particularly with the MGNREGA in India. According to one study, the engagement of civil society is particularly important to good implementation of the programme (ESID 2013). Andhra Pradesh, meanwhile, has achieved high employment outcomes despite minimal engagement with civil society, although the authors believe this is not a good model as it pushes out other objectives such as strengthening grassroots objectives in institutions. Meanwhile, the case of Rajasthan shows that mobilising civil society is necessarily conflictive, and may carry threats to local political elites, in that instance leading to a backlash. In Tamil Nadu, the general scheme is operating effectively and transparently, although most workers are unaware of the social audits, and where they are aware, have only experienced them in a passive way (Carswell and De Neve 2014). The case of Tamil Nadu suggests that full engagement of the population of all aspects of a programme may not be a pre-requisite for effective implementation, but that much depends on the political will and capacity of local authorities.

However, a challenge in Nepal is that the absence of local elections weakens the possibilities for bottom-up accountability mechanisms, while top-down performance monitoring systems are also relatively ineffective (Harris et al 2013). Institutional failings mean that in some cases in Karnali, it appears that recipients have been paid wages without actually complying with the work requirement, whereas in others, assets created as part of other programmes or schemes were registered under the KEP (Harris et al 2013).

8. Designing and Adopting Policy Instruments

The draft NSPF calls for the enactment of ‘a Social Protection Act (SPA) and bylaws that provide a legal basis for various forms of existing as well as upcoming interventions and
delivery procedures’. This report agrees with this recommendation, especially in order to consolidate the various Social Protection schemes under the purview of one Act. The draft NSPF also speaks about ‘taking into account the existing as well as potential contribution based different social insurance schemes including social health insurance and social security schemes for the informal sector workers’. Given the difficulties in not only identifying informal sector workers but also in eliciting contribution from them, this might be a tall task. In addition, focussing on insurance and other contributory aspects may detract from the ‘protection’ goals of Social Protection – especially in dealing with the needs of vulnerable and marginalised populations, including children and women.

It is therefore suggested that the Government of Nepal passes two Acts - the National Social Protection Act (NSPA), and the National Health Insurance Act (NHIA), although one could argue that social insurance covers more than just health. ILO Convention 102 provides a better framework on this7. The Government is also in the process of formulating several related acts, such as the Employment Guarantee Act, and the Social Security Fund Act. In the light of these developments, the National Social Protection Act can have two components: Firstly, a direct cash transfers (CT) component for vulnerable populations (categorical targeting across the country) and secondly an employment generation (EG) component to be implemented in a phased manner over a 10-year period (three phases covering 25 districts each) wherein geographically distressed locations (Karnali and food insecure districts) can be prioritised in the first phase. A combination of both, geographical and categorical targeting, would ensure a progressive realisation of coverage and would adhere to the requirements of a responsible fiscal space.

NSPA should be based on the individual entitlement approach, not a household approach, to ensure that it is beneficiary centred and takes care of marginalised groups and strengthens the village committees with a monitoring or a nigrani (keeping a watch) role. Proactive disclosure of information is an important part of the NSPA. This will enable better monitoring by all village communities and expenditure on the CT and EG component for the VDC, list of beneficiaries and cash amounts received should be displayed publically and at a prominent designated place at the VDC office. The village communities will have a role in identifying beneficiaries as well. But there needs to be a separation of beneficiary identification, distribution, and monitoring functions.

7 As Convention No.102 requires the existence of at least three social security branches, including one long-term benefit or unemployment benefit, the strategy will focus on the extension of social security to new branches, namely: unemployment insurance benefit, employment injury insurance benefits, maternity insurance benefit and sickness insurance benefit.
The EG Component will be supplemented by a vision document, for example, ‘Nepal Nirman 2015-2025’, a policy document detailing the nature of work, schedule of rates, kinds of asset creation, wage and material component, right to fix a minimum wage, etc. It will consist of two lists; a national list of works which will include the creation of grain banks (for food security), community childcare centres and roads, education and health infrastructure. A further ‘suggestive’ list will be based on the Terai, hilly, and mountainous regions crosscutting the topographical needs of the 5 development regions which could be adapted in case of a federal model. These works will be decided at the VDC level and examples are priority works (rural roads, irrigation facilities, constructing primary health centres, upgrading school buildings, building child community centres etc.).
9. Institutional Structures to Support NSPF

This section presents some options for institutional structures that could work in the context of Nepal. Where appropriate, examples from international experiences for the two most common Social Protection instruments – i.e. cash transfers, and public works programmes, have been drawn. These options have been proposed keeping in mind the basic principles of the NSPF – being beneficiary centred; being sensitive to gender concerns and child rights; and with a principle of universal and comprehensive coverage but with a focus on the most marginalised and vulnerable populations.

The focus therefore, is on providing inclusive Social Protection which should do two things: ‘guarantee universal access to Social Protection and also to ensure that Social Protection and complementary programmes address the structural causes of poverty and vulnerability, rather than merely responding to the symptoms’ (Roelen & Devereux, IDS Policy Brief 2013).

9.1 For Central Level

The NFSA clearly states that ‘A central level regulatory body will be put in place by means of Social Protection Act to regulate, coordinate, monitor, evaluate and introduce reform in the system on regular basis. It will be a small and smart body entrusted with the responsibilities to regulate, monitor and reform all tax-financed, contributory or voluntary schemes as well as to introduce innovations in the system.’

Different arrangements are possible, but the need for a central coordination committee seems to be crucial. This Committee will require strong leadership for making sure that the objectives driving Social Protection policies are upheld and delivery mechanisms are beneficiary centred. The Central Coordination Committee for Social Protection (CCCSP) needs to be set up under the auspices of the National Planning Commission and comprise of secretaries of various ministries involved in the cross-sectoral implementation of Social Protection policies and the NSPA. A Task Force was set up with a strict deadline to draft the NSPA and circulated to various stakeholders. This process has been completed. The only remaining works are (i) the financing options to implement the NSPF, and (ii) the institutional mechanisms to implement the framework. At the current conjuncture, feedback must be sought from civil society organisations and community-based organisations in a consultative process.
The NSPF further points out the importance of

‘firstly, avoiding the practice of “rechristening and revamping” programmes without genuine experimentation and innovation, and secondly opening-up the prospects of central Government. This would give state and local tiers of Government a freer hand in adapting their policy mix among programmes by allowing flexibility in adjustment of specific programmes to suit their diverse ecological and topographical circumstances. In the beginning all Social Protection programmes will continue to be delivered from the existing delivery mechanisms which will gradually be streamlined with new innovative technologies and measures. This body will be named National Social Protection Authority/Board/Agency and will act as policymaking body for all Social Protection related interventions.’

This report concurs that a nodal agency named the National Social Protection Authority can be set up with constitutional recognition under MOFALD for implementation of the NSPA. Alternatively, it could have constitutional authority over the Ministry level, e.g. under the Prime Minister’s office to oversee coordination between different ministries. This nodal agency must be responsible to and directly report to MOFALD and the National Planning Commission via the CCCSP. The CCCSP and the nodal agency will help build linkages across sectoral ministries which are critical and look into the requirements of innovation and regional variation. Further, beneficiary consolidation as well as institutional consolidation needs to go hand in hand. This nodal agency should also make strategies for organization and staff development. It needs to oversee the performance of different options being implemented and initiate appropriate timely actions for continuous improvement in the system. A centralised NIMS system as explained above, will ensure efficiency and provide live data to the CCCSP to guide implementation of Social Protection.

A robust data collection and monitoring system is important for successful implementation of Social Protection policies. A small but competent Social Protection Technical Group (SPTG) should be working under the secretariat of CCCSP which will be responsible for the monitoring of all Social Protection programmes and providing updated information to the committee on the state of implementation. Similarly five-member steering committees should be constituted at state and district levels headed by the chief of the planning body. They can be represented by members from Government, private sector including financial institutions, civil society organizations and trade unions as suggested in the NSPF.

Figure 8: Flowchart of the Proposed Structure for NSPA
The Social Protection Technical Group should comprise of members of the CBS and NSSO. The CBS and the NSSO can supervise the task of designing a NIMS that will provide comprehensive information on all beneficiaries of Social Protection programmes. The NIMS can also issue Social Protection Benefit Cards to all eligible beneficiaries and link it with the national identity card initiative. It can maintain and update a record and balance sheet of all transfers to beneficiaries; and establish an effective monitoring and evaluation system to track the beneficiaries and transactions along with fraudulent practices under various Social Protection programmes. Importantly, data collected should be disaggregated by province, region, ethnicity, religion, sex, disability, age, household so as to capture the coverage of specific vulnerable groups and the historically marginalised communities.
For effective implementation of social insurance schemes and the NHIA, a National Steering Committee (NSC) should be reconstituted under the proposed social security organization represented by National Planning Commission, relevant Government ministries (primarily Ministry of Health), Employee Provident Fund, private sector, trade unions, development partners' SPTT and relevant civil society organizations including those working in the informal sectors. The committee should be headed by the Minister of the focal ministry. This committee will play the role of building synergies and complementarities with all Social Protection interventions across the various sectors and levels of Government. The committee will also be responsible for policy coherence as well as the resource mobilization for the implementation of national framework.

The NSC should be responsible to bring development partners on board by ensuring that their programmes are firmly aligned with this framework. It is necessary to ensure that they complement and do not compete with one another and Government agencies in terms of programmes. The NSC can develop an interface with development partners' Social Protection task team. It should hold combined meetings with the SPTT at regular intervals to ensure that that Government and development partners are working at the same wavelength.

9.2 For District and Local Levels

The NSPF clearly states that, the proposed federal structure will be progressively enabled to take greater responsibility in redesigning and implementing Social Protection interventions based on the unique circumstances and varying needs of local people. After the political transition is over, a state level Social Protection authority or board can be introduced making them responsible for policy coordination and innovation at the state levels. In the years to come these institutions can be developed to assume the responsibility of delivering Social Protection benefits in their respective jurisdictions. Therefore, priority work specified in the vision document (Nepal Nirman) can also be decided at a state/ federal level as it allows for innovation and decisions on priority areas based on the needs and particularities of the local population and terrain.

Federal structures could be evolved at a zonal or a regional level. Apart from playing an important role in planning and monitoring exercises for implementing the NSPA, financial devolution is key. In the eventuality that a federal structure is brought in, MOFALD’s role in
the accounting and funds transfer can be devolved to federal institutions so that bottlenecks such as delays in submitting accounts and receiving instalments can be further curbed. In the more immediate scenario, the VDC Secretary and President should have the authority to jointly hold an account for the VDC where money is transferred directly for SP policies after the District SP Committee approves of expenditure in the previous trimester. MOFALD should transfer funds directly to the VDC based on a nod given by the DDC (MoRD in India does the same for rural development funds).

10. Further Research Required

10.1 Social protection policies and institutional mechanisms in the context of federalism and decentralization

To understand how the proposed institutional structures at both central and sub national levels will be affected by Federalism, it is important to locate the analysis within the different contexts in which the Social Protection Framework will, or could potentially, work. It is equally important to identify and analyse the various roles that actors and institutions can play in a federal structure. The most efficient and effective methods, that work in congruence with pre-existing structures must be explored. The possible decentralized financing mechanisms must also be explored to ensure the most cost effective solutions. Finally, the type of federal structure that Nepal might adopt, will affect the specific context in which both the social protection policy and its institutional frameworks will operate.

There is need for further analysis on this front, which can be undertaken after Nepal’s proposed federal structure becomes clearer.

10.2. Financing and expenditure

A detailed look at the financing options is outside the scope of this report. However, here it is critical to say that a separate exercise needs to be carried out in order to examine the financial implications and funding options for both the Social Protection measures that the Government is keen to embark upon; as well as the financial costs of putting in place institutional mechanisms at both central and more decentralised levels.

The budget earmarked for Social Protection has increased over time and it is currently at around 2% of GDP. Efforts should be made to raise this to factor in cost of living and
inflation. Keeping in mind that there is a 12% inflation rate currently, cash transfers and public works wages should be index-linked to retain their value despite inflation. There also needs to be an effort to streamline resources towards the poorest and most vulnerable groups. The NCCR report reveals that social insurance programmes received 57% of total Government spending on Social Protection, 41% is spent on social assistance while a mere 2% was spent on PWPs. Hence, it is clear that currently, the poorest of the poor receive the least Government spending while the richer quartiles are benefitting much more. To rectify this, expenditure on PWPs and cash transfers will have to increase manifold to achieve universal Social Protection.

Without going too much into the amounts, this report sees two main ways of financing the National Social Security Act and carrying through the recommendations of this report. Firstly, an effort can be made to increase tax revenues, through broadening the base and increasing the volume of revenue collection. Nepal has recorded a healthy tax revenue collection of 14.3% of GDP and efforts should be made to broaden the base and hence increase the volume of revenue collection. The second option would be deficit financing.

Another aspect to consider is Nepal’s large share of grants - these comprise 15% of total revenue in Nepal, and contribute 4% to GDP (Bonnorjee 2014). This donor reliance is also matched by a sharp increase in remittances – which have more than quadrupled since 2010. This massive increase is unmatched by any other country in the region, as the Figure 9 below shows.

Figure 9: Remittance inflows as % of GDP in South Asia
These aspects need to be carefully considered by experts, drawing on Nepal’s current fiscal scenario, as well as international experience of funding Social Protection programmes. A clear and consistent ‘accountancy’ definition of Social Protection should be adopted for tracking expenditures. One possible source is the Asia Social Protection Index. While the draft NSPF mentions better tracking of Social Protection expenditures, its suggestion of allocating all these expenditures to a separate standard under Social Protection can work only if provision of essential services (health and education, amongst others), health insurance or other social insurance for the formal sector is separated out from this. Otherwise, figures may depict a high proportion of ‘Social Protection’ expenditure, without affecting the standard of living and options of the most vulnerable and marginalised. This may then be open to criticism for ‘Social Protection’ being ineffective and inefficient. Instead, separating out the essential services and social insurance for formal sector workers, and tracking only the amounts spent on benefits clearly directed at the poor and marginalised as Social Protection has the potential to showcase the positive effects that Social Protection can have. This would also enable a more meaningful public expenditure tracking study (PETS) as proposed by the draft NSPF, in order to ‘set the baseline and track the flow of money at different levels from treasury to beneficiaries’.

Almost 96% of the poor are concentrated in rural areas and the incidence of poverty in rural areas is almost 4 times that of urban areas, 28.5% in rural as compared to 7.6% in urban
(NPC 2010). Moreover, over 96% are employed in the informal sector and require livelihood protection. Yet, estimates claim that Rural Community Infrastructure Works and the Karnali Employment Programme together comprise just 2% of the Government’s Social Protection expenditure in 2009-10. PWPs will work effectively if there is a guarantee of employment at a minimum wage for at least 100 days per adult individual. Budget allocation will have to increase to meet the expenses and this can be carried out in a phased manner for effective implementation and resource supply.

International experience shows that donors and the Government can work together for furthering the goals of Social Protection. The Ethiopian case demonstrates this complementary relationship in its cash transfers programme. “From a donor Government perspective, the lessons from the PSNP in Ethiopia are most valuable. Indeed, it is mostly funded by a group of external partners (more than 90%), is fully implemented by the Government and was jointly designed by both. As such, it is “a live example of the opportunities and challenges facing donors and Governments as they seek to forge consensus over Social Protection. Ultimately, the PSNP was the product of an eminently political bargaining process, with the Government managing to impose its vision (launch at scale and through its structures) while allowing for compromise (the PSNP is 80% conditional on public works but there is a 20% unconditional element) and quelling donor fears (by establishing a dedicated budget line though which funding could be earmarked). For their part, international partners established a donor group and strong co-ordination mechanisms to “suppress their individual voices in favour of the collective”. The result is a programme that is owned domestically, while being funded by external partners” (The European Commission for Development and Relations with African, Caribbean and Pacific States, 2010, pg.99)

“[I]nternational assistance to Social Protection works better when it complements rather than supplants local efforts and initiatives. There can be no sustainable success without strong domestic ownership, backed if necessary and whenever possible by co-ordinated and aligned development partner support” (The European Commission for Development and Relations with African, Caribbean and Pacific States, 2010, pg.99).
11. In conclusion

At the outset, we strongly believe that the recommendations suggested above can only be operationalized if certain basic conditions are met. There is an urgent requirement to hold local body elections; the primary condition is the holding of elections of local bodies for effective Social Protection. The absence of elected members of the community has created policy feedback gaps and insurmountable programme implementation hurdles. Despite the efforts of several INGOs and NGOs, most of which have been project based, sustaining development activities has remained a big challenge.

Secondly, the budget share of Social Protection has to increase. While taxation is one way of financing Social Protection policies, it cannot be the only financial source for Social Protection. The Government of Nepal and its development partners have to commit to increased expenditure on Social Protection; with different strategies as options. We have kept the current state of the economy in mind and have suggested a phase–wise approach which will ensure Social Protection to Nepali citizens.

Thirdly, political will is crucial to achieving basic Social Protection in Nepal. With a tumultuous political past, Nepal has upheld the principles of a secular democratic republic and must provide access to life with dignity, a central goal of Social Protection, to the poor who have not merely led impoverished lives but are the most vulnerable in a post-conflict society.
Bibliography

ADB (2012) Key Indicators for Asia and the Pacific 2012, Manila 2012, Manila, ADB.


Chumacero Viscarra, M., Escobar Loza, F., Mendizábal Cordóva, J. (2013) Documento Descriptivo de los Resultados de la Encuesta a Hogares con Adultos Mayores y Cercanas a la Edad de 60 Años, Unidad de Análisis de Políticas Sociales y Económicas (UDAPE)


Hirway, W., supported by Shampa Batabyal, (2013) MGNREGA & Women’s Empowerment, UN Women


Centre for Social Protection at the Institute of Development

ILO, The Social Protection Floor. Website accessed 14/05/14. Source: 


Local Self-Governance Act (LSA), enacted in 2055 (1999). Source: 


ODI (2013) Holding Cash Transfers to Account: Beneficiary and Community Perspectives: Beneficiary and Community Perspectives, Transforming Cash Transfers

ODI (2013b) Beneficiary and Community Perspectives on the Senior Citizen’s Grant in Uganda, Transforming Cash Transfers


http://www.opml.co.uk/sites/default/files/Briefing_Note_KEPTA_Lessons_learned_final.pdf [checked December 2014]


Wadhawan (Forthcoming) ‘From Rupees to Dirhams! Gender, Remittances and Labour Migration from Nepal to the GCC Region’ forthcoming book chapter in Anthology on South Asian Migration to the GCC Countries edited by Prof. P. C. Jain and Dr. G. Oommen, Routledge India


