

THE QUEST FOR ACHIEVING SOCIAL PROTECTION FOR ALL IN NEPAL: CHALLENGES AND OPPORTUNITIES

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Presentation Outline

- Conceptual Issues
- Vulnerabilities in Nepal
- Mapping of social protection programs in Nepal
- Beneficiaries of social protection programs
- Impact of Social Protection Programs
- 'Politics of Social Protection'

Significance of Nepal's Experience

- Good example of shifting global discourse
 - Social protection as being 'unsuitable' to developing countries TO SP as a preferred instrument for poverty reduction, human development, and securing rights of the poor
- In the past 20 years, shift from social protection covering only government pensioners to a wide portfolio of social protection programs

Conceptual Issues

- Three conceptual bases for social protection
 - Social protection as a human right necessary in the context of equality, inclusion and non-discrimination
 - Social protection as a mechanism for addressing various types of (un)anticipated risks (e.g., labour market risks, natural disasters, etc)
 - Social protection as a factor that contributes to poverty reduction and pro-poor economic growth

Income poverty

- Decline in poverty from 42% in '95/96 to 25% in '10/11
- 56% in the near-poor category (less than \$2 per day)

Structural Exclusions

- Caste, ethnic, religious, gender and geographical exclusions
- Overlap between vectors of identity and distribution of poverty
- Dalits over-represented amongst the chronically poor

Life-cycle Vulnerabilities

- Elderly expected to constitute 13% of population by 2040 (at present, 5.7%)
- 45% of children under 5, malnourished

Political Strife and Uncertainties

- Civil war cost 11,000 lives but violence prevalent in many parts

Natural disasters

- Earthquake of 2015: 8,790+ dead, 22,300 injured & 8m affected

Mapping Social Protection in Nepal

Preventive

- Pension schemes, provident funds
- Social security fund
- Welfare funds of Nepal Police/Armed Police

Protective

- Cash transfer programs
- Scholarship schemes & health support
- Cash relief to conflict affected
- Mid-day meals & food distribution

Promotive

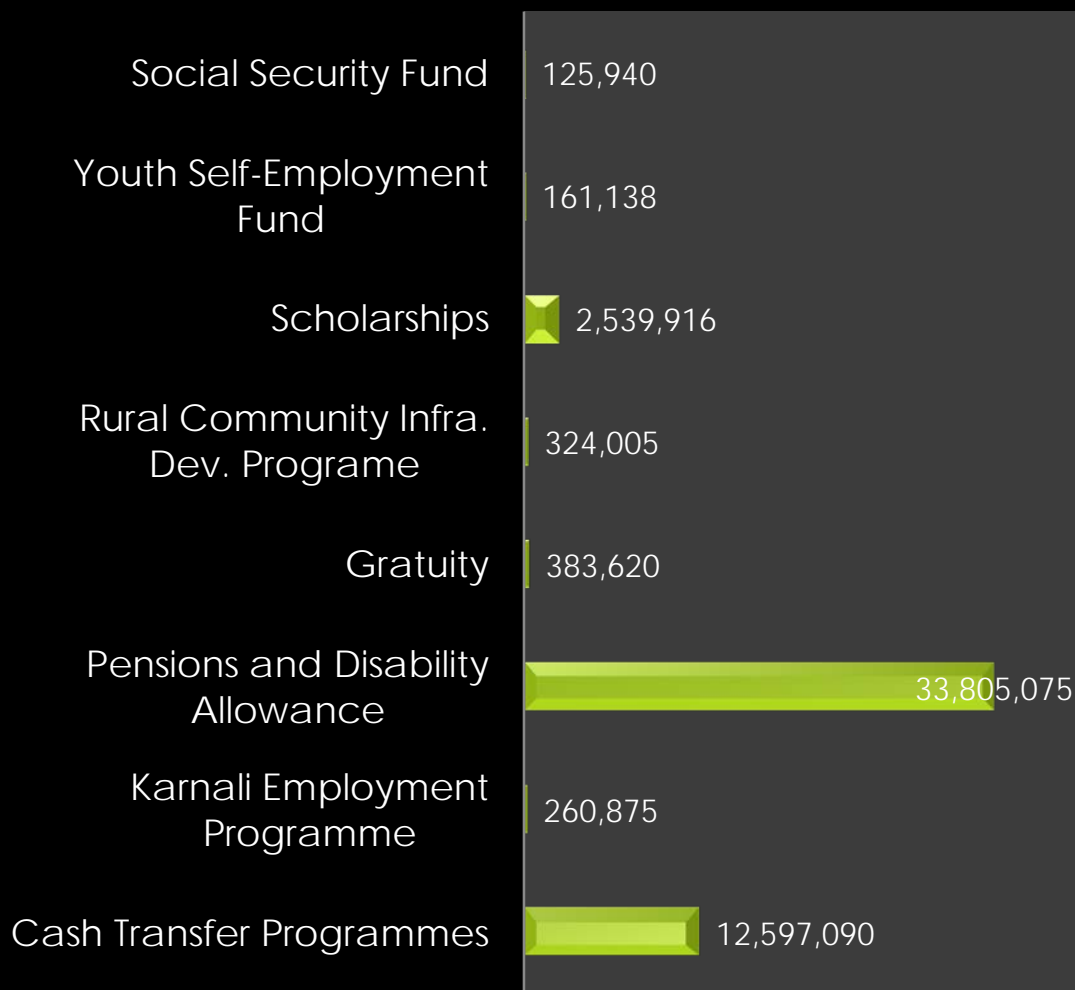
- Youth Self-Employment Program
- Karnali Employment Program
- Food-for-Work program
- Poverty reduction programs

Transformative

- 45% reservation for women and other marginalized groups in civil service

Mapping Social Protection in Nepal

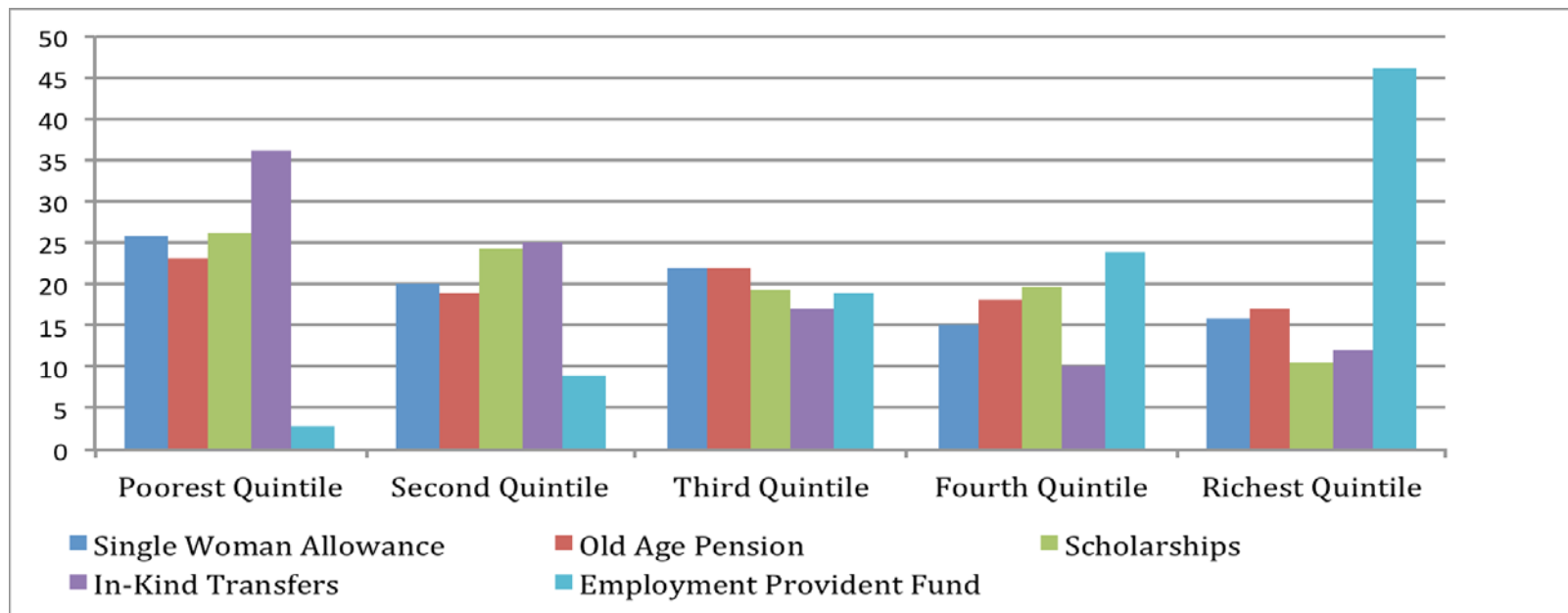
■ 2014/15 Allocation



- Social protection budget increased from 0.5% of GDP in '04/'05 to 3% in '14/15
- Apprx. 60% of SP budget for public sector pensions
- Social assistance comprise 37% of SP budget
- Labour market programs appx. 2.5% of SP budget

Beneficiaries of Social Protection

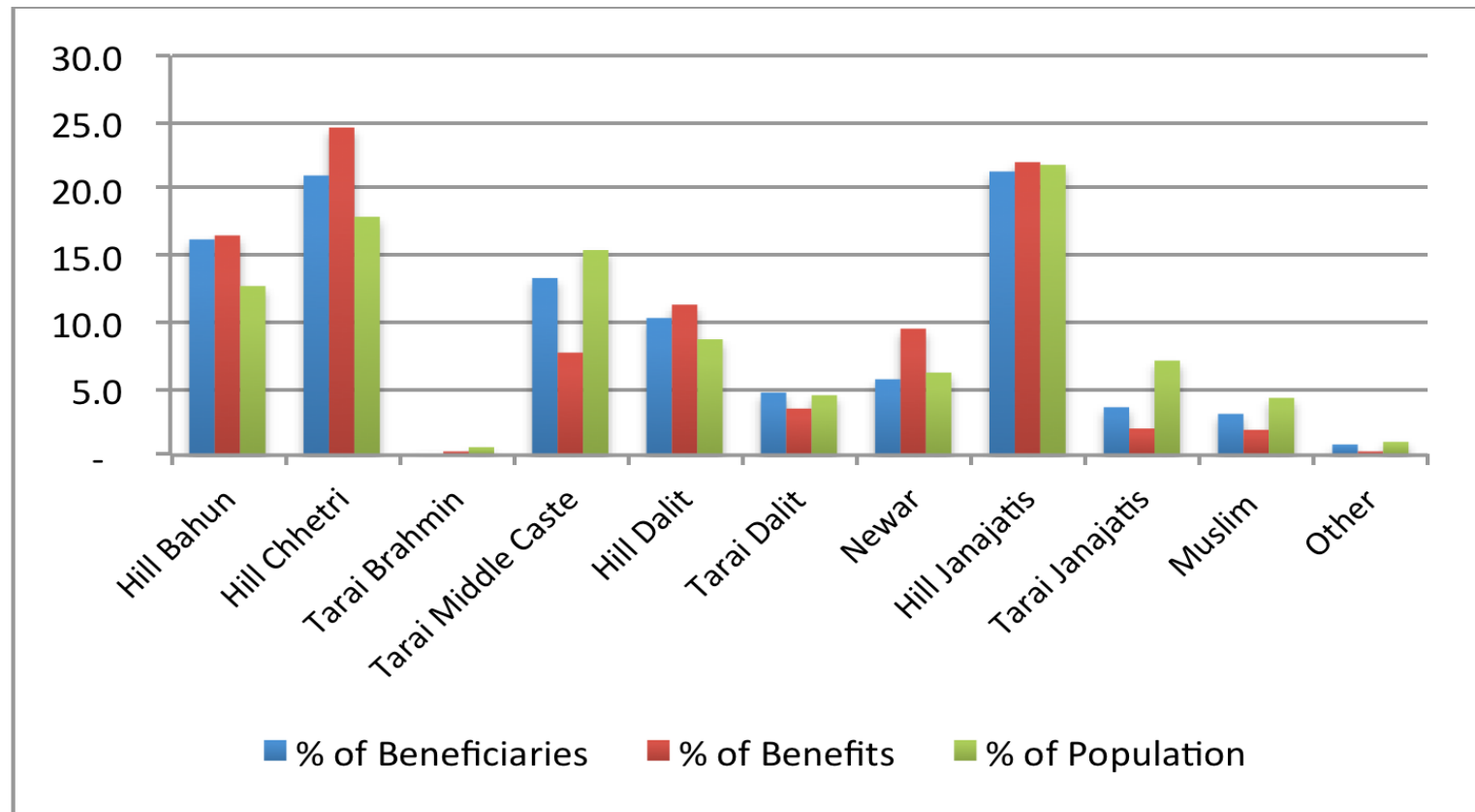
- Coverage of SP high
 - 26% of HH participate in at least one SP program
- Majority of SP programs not targeted to poor—they are universal
 - All HHs in different wealth quintiles receiving benefits
 - Wealthiest 20% of women received 60% of cash benefits for institutional delivery



Source: World Bank, 'Nepal Report on Human Development: Access, Equity, and Quality in the Education, Health and Social Protection Sectors,' June 2013.

Beneficiaries of Social Protection

- 74% of women eligible for old-age/widow allowance covered
- Share of benefits proportional to the group's population



Source: World Bank, 'Nepal Report on Human Development: Access, Equity, and Quality in the Education, Health and Social Protection Sectors,' June 2013.

Impact of Social Protection

- Comparison of HH consumption before & after transfers shows minimal impact on poverty & inequality

	Headcount	Poverty Gap	Squared Poverty Gap
All	0.252	0.054	0.018
Widow pension	0.252	0.054	0.018
Old-age pension	0.256	0.055	0.019
Disability allowance	0.252	0.056	0.018
Endangered ethnicities	0.252	0.054	0.018
All cash transfers	0.256	0.057	0.019
Poverty targeting	0.222	0.044	0.014

Impact beyond Poverty

- Child grants in Karnali
 - HH able to buy manufactured/nutritious food but quantity of food consumed same so impact limited (ODI, 2014)
- Pool allowances with HH income thus augmenting the latter
- Old-age pension used for personal health care and supplies (e.g., medicines, toiletries, tobacco, donations)
- Improved relationship with family members & community (HelpAge, 2009)
- Access informal loans/credit, especially for women who do not have other forms of wealth that can be used as collateral (ODI, 2014)

Reasons for Limited Impact

- HHs in Nepal experience multiple deprivations
- Method of targeting
 - Categorical and geographical targeting
 - Recently government used means testing in 25 districts to shift towards poverty targeting but program halted
- Transfer amount/support minimal
 - Child grants in Karnali region equivalent to 13% of poverty line/cost of one chicken
 - Old-age allowance and widow allowance amounts to NPR 500 per month but recently increased to NPR 1,000 which is still only 65% of poverty line

Reasons for Limited Impact

- Undercoverage and inclusion errors
 - One-third of HH with eligible beneficiary do not receive the concerned benefits

	Old-age Pension	Widow Pension	Endangered Ethnicities
Number eligible ('000)	1,135.00	372.5	21.1
Of which receiving	705.2	201.1	9.1
Of which not receiving	429.8	171.4	12
<i>Undercoverage Rate</i>	<i>37.9</i>	<i>46</i>	<i>56.7</i>
Ineligible receiving benefit ('000)	12.2	6.6	5
<i>Inclusion error rate (%)</i>	<i>1.7</i>	<i>3.2</i>	<i>35.5*</i>

Reasons for Limited Impact

- Problems of governance—high rates of leakages

	Old-age Pension	Widow Pension	Endangered Ethnicities Allowance	Disability Benefits
# receiving benefit ('000)	717.4	207.7	14.2	25.6
Officially registered ('000)	792.5	319.8	19.7	23.1
Difference between enrolled and observed beneficiaries	75.1*	112.1*	5.5	-2.5
<i>Leakage Rate</i>	9.5*	35.1*	28	-11
Average annual benefit (NPR)	5,669	5,796	5,561	4,423
Official Entitlement (NPR)	6,000	6,000	12,000	9504

Source: World Bank, 2014

'Politics of Social Protection'

- SP is a form of 'social contract' between state and citizens but evolution of SP indicates 'populism'
- Transition to democracy and the need to build legitimacy and 'popular support'
 - 1995: UML introduced cash transfer programs for senior citizens (70+), widows and PWD
 - 2008/09: Maoist-led government reduced minimum age for old-age allowance from 75 to 70 for all; & 60 for Dalits & Karnali region
 - Fiscal impact was a 170% increase in SP expenditure
 - 2016/17: UML-led government has doubled the amount of allowances

'Politics of Social Protection'

- Despite low transfer amount and varied programs with limited impact, SP programs offer 'placebos' to people
 - 93% of beneficiaries feel that 'child grant' is an indication that government cares about them (ODI, 2014)
- Politics on going...
 - Unable to decide on a 'social protection floor' even though a Social Protection Framework in place
 - Social Security Fund (financed by 1 percent tax on income) to cover all formal sector workers against unemployment, disability, maternity, medical, dependent and old-age benefits. Fund not operational due to disagreements between TU and government over old-age allowance
 - Poverty-targeting halted because effort led by Maoists

Conclusion

- Universal versus targeted programs
- Expand coverage versus deepen protection
- Impacts on poverty and social transformation versus non-instrumental goals