Social Policy and Social Protection in Nepal

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These notes are preliminary reflections, from an outsider, on the challenges of and options for social policy in Nepal. It contains four parts:

i. A brief introduction to Agenda 2030 on Sustainable Development and the SDGs, and Paris Agreement on Climate Change as they relate to social policy and social protection in particular;
ii. A sketch of trends in social protection globally;
iii. A very brief discussion of social policy and social protection measures in Nepal and their effectiveness and shortcomings (gaps and challenges);
iv. Some ideas on opportunities and potential next steps, based on the Agenda 2030 commitments and the Paris Agreement, global social protection trends, and the current social protection situation in Nepal.

I. The Agenda 2030 on Sustainable Development and the SDGs, and the Paris Agreement on Climate Change

Last autumn, the global community adopted a new UN Agenda for development, ambitiously called Transforming our World: The 2030 Agenda for sustainable development. It brings together, for the first time in UN history, the environmental and the “development” agendas. In addition, negotiations on the Paris Agreement on Climate Change were brought to a close in December. Combined, these two documents commit governments to action to eradicate income poverty and other forms of poverty, to overcome hunger, and to halt climate change, limit carbon emissions and the depletion of biodiversity, and ensure

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that global warming does not exceed 2 degrees C. The commitments also include a promise to provide universal access to education, health, and social protection, and to address employment and decent work.

These agreements are important “anchors” for claiming rights and for informing and pressurizing for policy change, since all 193 UN members states have adopted the 2030 Agenda and an overwhelming majority of countries has signed the Paris Agreement. The two agreements jointly give a well-rounded picture of what “development” is about, and very importantly, they reinstate the centrality of overcoming – eradicating - poverty. By combining the poverty eradication objective with an orientation to stay within the earth’s carrying capacity and respecting planetary boundaries, they also point to the policy conundrums, of reconciling economic growth objectives with social and environmental concerns.

So, what are the specific social policy commitments that policy makers must and activists can build on? They are operationalized in the 17 Sustainable Development Goals – SDGs – of the 2030 Agenda. The Agenda needs to be understood as holistic and interconnected, and none of the goals and targets can be achieved without all the others being implemented as well. Nevertheless, with reference to social development specifically, one might emphasize the following ten out SDGs (2030 Agenda) (UN 2015):

1) End poverty everywhere
2) End hunger, improve nutrition and promote sustainable agriculture
3) Attain healthy lives for all
4) Provide quality education and life-long learning opportunities for all
5) Attain gender equality, empower women and girls everywhere
6) Ensure availability and sustainable use of water and sanitation for all
7) Ensure sustainable energy for all
8) Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
10) Reduce inequality within and between countries
16) Achieve peaceful and inclusive societies, access to justice for all, and effective and capable institutions.

These 10 goals address social policy and they pay central attention to gender equality and social inclusion. Within these goals, however, actual policy paths are only weakly laid out. Nevertheless, they contain some constructive references. With respect to our topic - social policy and specifically social protection - proposals for a social protection floor feature prominently in SDG 1.3, under the poverty remit, in SDG 5.4. on the care economy, and in SDG 10.4. on redressing inequality. There are also clear social policy recommendations for the health sector, with a commitment to universal health coverage for all (SDG 3.8). There are also relevant recommendations for the care economy. Policy pointers for other sectors, such as education, which is such a crucial area of social development, remain rather vague. Nevertheless, the SDG compendium with its 169 targets (and its monitoring indicators) is an important reference for

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6 The preceding UN agenda, the Millennium Declaration of 2000 and its MDGs, had merely aspired to decreasing income poverty by half, not eradicating poverty, which was a very weak goal. For a constructive critique of the MDGs, see Gabriele Koehler 2014: Looking Back and Looking Forward: The Case for a Developmental Welfare State. in Cimadamore, Koehler and Pogge, op.cit. pp. 229-257.
improving social policy, because of its rights-based transformative intention.

II. A global sketch of trends in social policy

Social policy has different definitions, but broadly refers to the right to a decent standard of living and well-being, access to education, health services, and decent work and social protection. This is how the Universal Declaration of Human Rights (1948) defined the basic rights and by implication defined social policy. As we know, sadly, a majority of the world’s population continues to wait for these rights to be fulfilled.

In social policy, two policy areas have become particularly visible in the past three, four years: one is universal access to health services, usually termed universal health coverage (UHC); the other is social protection, usually defined as encompassing both social insurance and social assistance. Access to health services and social protection is a precondition for well-being, and the key preventer of income poverty. The commonality of the agendas on access to health services and a minimum income is that they are understood and presented as rights.

The ILO (2016) has documented recent trends in social protection and found that in 2015, 366 social protection reforms were announced across the world most with a progressive orientation, that is an expansion in coverage; and some with an increase in benefits. Pensions were the major area of attention—both in terms of expanding, but also in some cases, diminishing, the right to a contributory or social pension. One fifth of the policy measures concerned maternity and child benefits, and one third were directed at the poor or extremely poor (ILO 2016). Perhaps the politically most notable policy effort recently is that the country with the highest GDP globally, the US, has finally introduced a universal health access plan, the Obama plan, and in 2014, immigrants also became eligible for it (ILO 2016).

With a special eye on Asia, a number of social protection and health access policy examples are noteworthy:

- China achieved nearly universal old-age pensions and health coverage by introducing new systems;
- Vietnam approved two weeks of paid paternity leave;
- Indonesia introduced a program under which informal sector workers have access to an old-age pension, provided they contribute $1.10 per month;
- Pakistan launched a cash transfer program to send children from low-income households to school;
- Iran announced a universal health care system; and
- The Philippines introduced a health bill for the elderly (all examples taken from ILO 2016).

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7. Often, the right to decent and secure housing is also included.
8. The WHO defines UHC as all people receiving the health services they need without financial hardship when paying for these services. Services refer to health promotion, prevention and treatment, rehabilitation and palliative care. WHO (no year) http://www.who.int/universal_health_coverage/en/
9. In the ILO definition, social insurance is understood as contributory measures to assure access to basic income in situations of unemployment, maternity, disability, and access to health; while social assistance refers to income support including child benefits that are paid from the country’s tax revenues.
The gist of this is that social policy, with a focus on health and basic income, is “trending” – is becoming increasingly a focus of government attention. The significant social policy initiatives and efforts undertaken in Nepal did not find mention in the ILO summary. These are discussed in the following section.

III. Social policy and social protection measures in Nepal

Social policy in Nepal could be seen as implicitly designed on the philosophical premises of a social democratic welfare state. There is—notionally—free access to primary education, primary health services, and minimum income. Two recent Three Year Plans and the fiscal budgets have devoted considerable attention to social policy, and the new Constitution (2015) commits to these elements of social policy, as well as to decent work, and formulates access to these as a fundamental right.

Specifically, the current panorama of social protection in Nepal comprises a multitude of government programmes. There is a narrow-based social insurance system for the formal sector, with a proposal currently floated to expand this to the informal sector. Social assistance features 14 schemes, clustered in five areas. These include the universal old age pension, the child protection grant, the disability allowance, caste-based school stipends, and a birthing grant (Koehler 2014). Roughly one quarter of all Nepal households benefit from at least one of the schemes (Khanal 2014).

The broad range of programmes that are “categorically universal” – for all individuals in a specific identity group - is of itself noteworthy, as is the fact that these programmes are funded from the government budget. Government spending on social protection increased significantly after the end of the conflict, reaching roughly 2 per cent of GDP in 2007/8 and following years. Public funding, and the presence of a scheme as a budget line in the fiscal budget, indicates that the scheme is a citizen’s right, and in terms of multiparty politics, it is difficult to dismantle a scheme once in place.

However, needless to point out, there are considerable shortcomings in the health and income protection programmes in Nepal. Health services are difficult to access and frequently of low quality; out-of-pocket expenditures for health services remain extremely high. Thus, many people do not use the government’s

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14. See Jasmine Rajbhandari, Transforming social protection in Nepal. Contribution to a Policy Dialogue on the SDGs and the Challenges of Inclusive Social Policy in Nepal. World Bank Nepal. 26 May 2016, in this policy brief. Although this figure shows progress compared to earlier years, it is nevertheless on the low end compared to other Asian countries. For instance, the share of social protection expenditures in GDP is 3.6 per cent in Thailand, 4.7 percent in Vietnam, 7.9 percent in Korea, and 19.2 per cent in Japan. Nevertheless, Nepal outperforms other South Asian countries, such as India where the ratio is only 1.7 percent, or Pakistan with 1.3 per cent. Asian Development Bank. 2013. The Social Protection Index: Assessing Results for Asia and the Pacific. http://www.adb.org/sites/default/files/publication/30293/social-protection-index.pdf
health system. The social assistance programmes are marred by various problems (see Khanal 2014; Khatiwada and Koehler 2014; Koehler 2014). They are fragmented and scattered and do not create a comprehensive framework (Khanal 2014: 5). Eligibility is sometimes unclear. Some individuals are entitled to several social assistance transfers, but their collection is not coordinated. There are also coverage gaps – some low income or highly disadvantaged groups are not eligible for any programme.

The health and the social assistance programmes are severely underfunded. This is because an insufficient share of the government budget is allocated, and the budget itself remains low as a share of GDP.

Another reason is the fragmentation into many different schemes. As a result, the actual benefit levels are too low to make an income difference and bring low-income households up to the poverty line.

A recent analysis (Hagen-Zanker, Mallet, Ghimire 2015) of one of the programmes, the Child Protection Grant, introduced in 2009, illustrated the highlights and constraints hampering the current child benefit approach, and may provide some pointers for the entire social protection sector. It found, based on a mixed methods review in 2 districts, that the grant generally reached the intended beneficiaries – Dalit children in low-income households, and that it was used effectively for food, medical and other household expenditures. Another study (Rabi, Koehler, Okubo and Dhakal, 2015) found a phenomenal increase in birth registration in the Karnali Zone, from 42% average in Nepal, to 90% in Karnali (ibid, p. 26 ff). This is an important outcome, because registration at birth is the prerequisite for many significant citizen entitlements, and also facilitates the government's education and health planning.

On the constraints side, both these studies and other analyses found that the grant amount was too small to make a significant impact on the household income, and also recognised a number of delivery issues, such as the burden on households of collecting the grant, the added work burden on the Ministry of Federal Affairs and Local Development (MoFALD) and the VDC and DDC staff, and shortcomings in the accompanying behaviour change campaigns. The next section offers some ideas on how to build on the accomplishments and tackle the challenges.

IV. Some ideas on opportunities

As mentioned at the outset, the writer of these notes is an outsider to Nepal, so these ideas on potential next steps are offered humbly as a contribution to a discussion. The ideas draw on the 2030 Agenda for Sustainable Development (UN 2015) and the Paris Agreement (UNFCCC 2015) with their commitments to transformation and overcoming poverty. They also build on global social protection trends; and on findings and observations on the current social protection situation in Nepal.

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15. The situation is the same in the education system where many families opt for private schooling, as the government school education is unreliable, poor and narrow. They thus incur expenditures although primary education is a right in Nepal, and should hence be free (or expenditures reimbursed) to the household.

16. In addition to design faults, there are delivery problems, such as exclusion and inclusion errors. This means that individuals or households who are eligible do not receive their entitlement, or conversely, ineligible individuals do receive a grant. For an analysis of the extent of delivery errors in Nepal, see Jasmine Rajbhandari, op. cit.

17. Tax collection has been improving, but overall, Nepal’s tax to GDP ratio is not high enough to finance a performant developmental welfare state with the social policy attention needed to cover universal high quality access to education, health and social protection. See Aniruddha Bonnerjee. 2014. Social sector spending in South Asia. A Mixed Bag, in Koehler and Chopra, eds., op. cit. pp. 185-197.


As mentioned earlier, social policy in Nepal, as presented in various policy statements, appears to follow a welfare state model. This, as a norm, entitles citizens to a well-defined set of rights to education, to health, and to a decent standard of living, including access to work opportunities and to social protection.

The reality in Nepal, however, is a very different one. There is a wide gap between commitments and the every-day reality of those people in Nepali society who are not members of the elite—women in general if they are not from the privileged castes and especially if they are widowed, the income poor, the landless, the caste-or faith-based excluded, people living with disability, people living in remote, inaccessible districts, and especially children in all these groups. The fact that 2.2 million young men – 8% of the entire population and a far larger share of the adult population - have left Nepal as migrants in search of work (IMF 2014)\(^{20}\) is a clear manifestation of this. The lack of a concerted reconstruction response to the earthquake—which affected remote districts and disadvantaged groups of people the most—is shocking and defies the welfare state understanding. These situations sharply contrast with Nepal's many creative and innovative social policy commitments. The question is then how to bring promise, potential, and reality together.

Enhancing and scaling up social protection and health service access can be a cornerstone in the response. The optimal form for this is to universalize social assistance and social insurance, and create a performing and universally accessible, inclusive health system – universal health coverage, as per the international commitments. Globally, the 2030 Agenda with its reference to the Social Protection Floor can be used as a guiding reference. The social floor, adopted as an ILO Recommendation\(^{21}\) by the entire world community of governments, trade unions and businesses in 2012, has four elements or “guarantees”, each to be defined at the national level:

1. access to essential health care, including maternity care;
2. basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;
3. basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and
4. basic income security for older persons (ILO 2012).

Intriguingly, these four guarantees actually correspond to the commitments and programmes found in Nepal. It is therefore a question of making Nepal's current social protection system comprehensive and according to it substantially increased and assured funding. Advantages of such a systematic improvement are technical, social and political.

Technically, a universalized system offers many advantages on the administrative level, since it creates the opportunity to bring all ministries involved in social assistance, social insurance and health services together under a common framework, often in the form of an inter-ministerial working group, as is already the case in Nepal; it merely needs more clout. Also, universal systems that do not need to identify individual categories of beneficiaries can thereby significantly save on implementation and delivery.

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overheads. Societally, a universalist social policy would be in tune with global policy trends towards social justice, as sketched out above, with the observed move towards providing access to health services and income support increasingly as a right of citizens. Also, universalism is of prime importance in a society such as that of Nepal with strong income and asset disparities, and an unusually marked systematic social exclusion based on the caste system. Although abolished by the Constitution and an offence, the practice of caste discrimination continues, and excludes the disadvantaged caste from economic, educational and health-seeking opportunities. The current social protection system actually proactively addresses caste, with measures such as caste-based education or child grants. However, inadvertently this approach risks re-confirming the caste hierarchy, and having a divisive effect.

Moreover, a focus on the disadvantaged caste is to the detriment of other marginalized groups, who in many regions display worse human development indicators. A case in point is women and children in Muslim communities who have low literacy rates and high rates of maternal and child mortality and child malnutrition. Rather than creating an additional social protection category to address the rights of this socially vulnerable group, an approach of universal coverage would automatically include, without stigmatizing, them.

In fact, in Nepal, most of the cash transfer schemes have national coverage, and are indeed universal for the group concerned (categorically universal). The exception up to now is the child grant, which is universal only in the Karnali zone, and limited to children under 5 in low-income Dalit households in the other districts of Nepal. A decisive and unifying step forward in the immediate future would be to expand the child grant, so as to make it universal for all young children. The Government of Nepal recently presented a program to the parliament, which contains a commitment to gradually scale up the child grant nationally. The fiscal budget 2016/17 however appears to plan to restrict this scaling up to low-income families, which would be a missed opportunity to move into a universalist mode.

Politically, the benefits of a universal system are significant. Firm and dedicated, well-funded social policy on its own cannot redress inequitable power relations or the inequities in wealth and asset distribution. These require structural change such as land reform and decisive labour market policies. But a well-constructed system of social policy can be a step in the right direction. It can contribute to political cohesion because all citizens become included in a system that provides access to social services and minimum incomes. This can be a game changer in a country that is so polarized politically, and riven by income, caste, ethnicity and faith-based cleavages.

An ideal way to launch into a universalist social policy is to ensure that highest-quality inclusive schools are available to all school age children free of charge, that health services, again of highest standards, are accessible and affordable for all, and that there are some significant universal social transfers, such as an old-age pension and a child grant.

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22 In targeted programmes, the assessment of entitlements and the identification of eligible recipients require a number of steps such as means testing. This can raise costs of a programme considerably.
24 The Policies and Programmes of the Government of Nepal for Fiscal Year 2073-74 (2016-17) paragraph 88: Children protection programme, initiated with the objective of producing healthy citizens through proper nurturing of children, will be gradually expanded to cover all children in the country.
A child grant in particular can be ideal, since it is not contentious: if there is one theme where, globally, there is unanimity between the general public and politicians, the elite and low-income groups, it is the commitment to children, their wellbeing and their rights. This makes child grants politically unique.

Upgrading and enhancing social policy would be in accordance with Nepal’s welfare state promise; it would deliver the rights of citizens; and it would thereby convey a sense of belonging to all members of society. Combined with a functioning fair and progressive tax structure, a comprehensive system of universal access to health, education and social protection can significantly contribute to evening out income and access inequities.

A universalist social policy approach could set in motion the trajectory for economic, social and climate justice. That is what the international community has promised with its 2030 Agenda for “transforming our world” and the Paris Agreement. More pertinently, it is what the people of Nepal deserve.