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The evolution of Nepal's child grant: From humble beginnings to a real driver of change for children?

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Abstract

Nepal's Child Grant was introduced in 2009, and the government made a commitment to enhance and expand the programme in 2016. This contribution argues that good evidence, local popularity, and a combination of political legitimacy and opportunity were all necessary to bring about the reforms. Despite initial underinvestment and various design and implementation challenges, the reforms provide a solid platform to help the programme realise its full potential.

Keywords

Cash transfers, Nepal, social protection

Following the introduction of Nepal's Child Grant in 2009, a combination of good evidence, local popularity and political legitimacy and opportunity, resulted in a government commitment to enhance and expand the programme in 2016. This contribution argues that despite initial underinvestment and various design and implementation challenges, the reforms provide a solid platform to help the programme realise its full potential. As with the other social security schemes, the evolution of the Child Grant is indicative of an incremental approach to social policy.

The Child Grant is Nepal's most recent tax-financed, non-contributory and unconditional cash transfer scheme for vulnerable groups. Its objective is to improve nutritional outcomes for children (Ministry of Finance [MOF], 2009). While a welcome addition alongside the allowances for old age, widowhood, disability and ethnic vulnerability, it is the least generous in terms of both benefit levels and coverage stemming from significant underinvestment.

Caused by a (de facto) budget constraint, a mixed targeting approach was used in order to prioritise support to children who are most at risk of malnutrition. Age, geography, caste and poverty status, were employed as criteria to define eligibility. However, this meant that at best, 16 per cent of under-fives nationwide were being reached, and even worse, some of the most vulnerable children have been excluded (see Mathers in this issue). With 37 per cent of under-fives stunted (Central Bureau of Statistics [CBS)], 2014) and 36 per cent living in households under the national poverty line, limiting coverage in this way significantly undermines the potential to reduce national malnutrition rates. Furthermore, the benefit level of the grant is low – equivalent to just 12 per cent of the per capita poverty line which itself is a bare minimum estimate of basic needs (CBS, 2011).

In 2016, the government made a commitment to expand the Child Grant beyond the initially targeted group (under-fives in Karnali region and in poor Dalit households elsewhere in the country) and, along with the other cash transfer schemes, to double the benefit level (MOF, 2016). This will bring the Child Grant in line with the universalist approach applied to other social security schemes, and represents a significant step forward. Nevertheless, at the current rate of expansion, it is likely to take at least 10 years to achieve the goal of national coverage (UNICEF, 2017).[1] Increasing the benefit is a positive development, but it is still low compared to schemes in other countries. Changes have also been implemented without taking into account the expected impacts and indexed consumer prices. As it stands, the relative value of the Child Grant comprises just 20 per cent of pension benefits.[2]

The lack of investment in contrast to the pension reflects the need for more information and recognition among policy makers of the Child Grant's potential social and economic benefits (Bhuvanendra, 2016). At the same time, putting the matter in a wider perspective, the Child Grant is evolving through a process of incremental social policy similar to the pension and other schemes. They started small but have seen a series of reforms over the years with the pension scheme the first to become economically meaningful to people's lives.[3] This leads us to consider the specific driving factors behind the most recent reforms.

Key drivers of reform

Three major planks of evidence have helped to inform decision makers about the effectiveness of the Child Grant: a three-wave household monitoring survey in Karnali (UNICEF et al., 2014; VARG, 2016), an assessment of the impact of the Child Grant on Dalit households (Hagen-Zanker et al., 2015), and an analysis of policy options and costings (Rabi et al., 2015). These studies show that the programme has had a modest impact on children's lives to date but also that there is significant potential for much greater impact with the right reforms.

First, coverage is good, and various technical reforms are underway to further improve this. Second, the vast majority of recipients report using the money in the intended way. A higher benefit level, therefore, is likely to translate into positive impacts on the immediate determinants of malnutrition. Third, the grant has resulted in a massive increase in birth registration rates, as it is an administrative requirement for enrolment into the scheme. Fourth, detailed costings of different models show that the grant could be expanded nationally; universal coverage for all children under 5 years of age would cost between 0.5

and 0.8 per cent of gross domestic product (GDP), which is well within the spending capacity of the government.

Despite a rather limited impact on living standards, the Child Grant is generally viewed in a positive light by both beneficiaries and local officials. This perception materialises in three key ways. First, low-expectant appreciation, that is, while beneficiaries find that the money does not go that far, they appreciate that '*something [from the central government] is better than nothing*' (Adhikari et al., 2014: p. 26). Second, a link to the government system – distribution day provides grant recipients a rather rare opportunity to interact directly with local officials and to access other important information (Drucza, 2015). Third, social benefits – beneficiaries express a perception of improved social relations within the community flowing from distribution day get-togethers and the increased spending power for occasional social and religious activities (Adhikari et al., 2014).

Nepal's social security system was introduced at a time of internal conflict. The old age allowance was one of the first schemes established just prior to the eruption of hostilities in 1996. The conflict officially ended in 2006, and the interim development plans (2007–2008 to 2009–2010) highlighted poverty and social exclusion as the root causes of the conflict. As such, the interim government aimed to make society equitable by breaking down regional, class, caste and ethnic disparities and discriminations (Koehler, 2011). The broader political context, together with champions in the government, galvanised support for the introduction of the Child Grant in 2009. Indeed, there has been cross-party support for social protection for over 20 years.

Fast forward to 2015 when two devastating earthquakes hit Nepal, causing nearly 9,000 fatalities and massive destruction of infrastructure and homes. As part of a multi-sector response to the earthquakes, UNICEF worked closely with the government to deliver cash transfers to vulnerable groups using the existing social security system. This began with an increase in benefit levels during the relief phase and moved to a temporary expansion of the Child Grant to reach all under-fives in the affected districts in the recovery phase. Despite a number of challenges and some delays, the programme was successful overall in meeting its primary objectives (Merttens et al., 2017). This highlighted to policy makers the potential future role of social protection in humanitarian crises, both in terms of increasing the resilience of households to cope with shocks (Mathers, 2015), and in providing a stronger platform for shock-responsive social protection (Cash Coordination Group [CCG], 2017). Political changes after the earthquake also put social protection back in the spotlight. The most senior National Planning Commission (NPC) official used the experience of the earthquake to publicly acknowledge and promote the beneficial role that more universal schemes could play in humanitarian response (UNICEF and GON, 2016).

In 2016, several factors allowed the NPC and other advocates to push the agenda for expanding the Child Grant. They include the now accepted view of social protection as a core part of Nepal's social policy, its local popularity, the promising evidence, and the challenges presented by the earthquake and subsequent response among others. This culminated in the announcement of the intention to expand the Child Grant in the fiscal year 2016–2017. The Department of Civil Registration under the Ministry of Federal Affairs and Local Development and UNICEF developed an expansion strategy that aims to reach all under-five children nationally on a district-by-district basis within 10 years.

Making the child grant achieve its potential

While the Child Grant has won significant gains, some degree of policy consistency an further improvements in the design and delivery of the programme are critical to its future success. The Government has already started rolling out the expansion of the scheme on a district-wide basis. This is essentially a 'queuing system' with districts prioritised based on ranking according to the human poverty index (HPI). It is therefore critical that the expansion strategy achieves policy credibility within both central and local government for long-term continuity. To this end, the expansion strategy must be committed into policy – either in a national policy document or in the form of legislation – with a long-term financial commitment to protect it against changing fiscal priorities. It is also essential to roll out a communication strategy for all levels of government that clearly outlines the policy, timeframe, and rationale for the programme and its expansion.

Improvements in design and delivery are also necessary for the Child Grant to achieve its full potential. Robust evidence from monitoring and evaluation need to inform necessary changes around registration, payment delivery and the grievance system. It is important to arrive at an appropriate benefit level based on solid analysis and to link this to prices to prevent benefit erosion. Information campaigns will need to be conducted to ensure that those who are eligible can claim the benefit.

Moving forward, it is crucial to form a consensus in Nepali society to view the Child Grant as a form of economic investment as well as a right. Nepal is experiencing a unique demographic transition towards being an ageing society by 2028 and an aged society by 2054 (NPC, 2017). In 2015, an average of 11 working age people were supporting one elderly person. This will drop to about four to one by 2050. The children of today will have to be far more productive than the current generation to sustain economic growth and respond to the needs of an elderly population. Wider understanding of the Child Grant's important role in boosting Nepal's future human capital will cement broader political and financial support for the programme.

Conclusion

The evolution of the Child Grant has been driven by a confluence of factors both strategic and circumstantial. The State focus on poverty and inequality reduction in the post conflict period gave rise to social protection programmes addressing key vulnerabilities at various points in the life cycle of people. The evidence from the early implementation of the Child Grant reinforced by the experience from the earthquake response, helped push the case for expanding the programme. The future of the Child Grant and the full realisation of its potential impacts depend on national consensus on its importance, policy consistency, adequacy of resources and improved implementation in the context of a new federal government. Amidst all these changes, it is crucial for policy makers, implementers and other stakeholders to recognise and realise the strategic importance of the scheme for the 'big picture' of national development.

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Notes

1. It is yet to be seen how changes from decentralisation in Nepal and the recent local level elections will affect the rollout of the expansion.

2. A direct comparison of benefit levels between different schemes is not necessarily valid. However, the differences here are substantial and further illustrate the absolute paucity of the Child Grant benefit value.

3. The value of the pension is now 125 per cent of the per capita poverty line.

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