Leveling the playing field...

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Modern social security programmes began in the 1840s in Germany with an old-age insurance scheme. The idea then was to promote the German economy by enhancing the well being of retired workers. Even that long ago there was clear recognition that citizens’ welfare affects a nation’s wealth creation.

The idea was slow to take hold though. The next plan was a national insurance programme introduced in the United Kingdom in 1911. The Great Depression of 1929-41 was the strongest catalyst for social security programmes. The Universal Declaration of Human Rights in 1948 also pushed it as a global agenda.

Today social protection has a central place in development agenda. It is no longer seen just as protection for the poor but also as a way to promote growth by transforming the poor into a productive force to boost national economies. Nepal adopted this idea earlier than many other countries in the region.

The introduction of old age pension for senior citizens 20 years ago was an important beginning: that programme has been continued and expanded by all successive governments. Since then, there has been rapid growth in the number of schemes to provide relief to the poor and marginalized. Today, an estimated 2.16 million people benefit from these schemes in Nepal. A large array of programmes under different headings such as cash transfers, in-kind transfers, access to services, social insurance, public works, employment/livelihood creation, and care services are being implemented. See page 14 for a listing of existing social protection schemes.

Joint Secretaries Rasmi Raj Pandey and Shankar Nepal in their recent paper entitled Role of the Ministry of Federal Affairs and Local Development in Social Protection say that Nepal has one of the highest shares of Gross Domestic Product invested in social protection. About 2.79 percent of the national budget was allocated to social security programmes last fiscal year. Coming fiscal year, this will be just over 3 percent of the budget, amounting to an estimated 1.5 percent of GDP. This is without counting expenditures on education, healthcare and a number of other subsidies. Their paper shows that the number of beneficiaries of the old-age allowance has increased seven-fold in just six years, from 344,348 in fiscal year 2006/07 to 2.16 million now.

Yet, for all the programmes promoted by governments of every stripe and even with the massive growth of the beneficiary population the effect of targeted programmes on poverty reduction appears to be modest.

Contrast this with the experience of Brazil, which Mariana Hoffmann describes in her article on page 16. Targeted programmes there have had a large multiplier effect on GDP and on total household income, in addition to reducing regional inequalities. The effect of social protection schemes on poverty reduction in Brazil is between 33 percent and 50 percent.

How can Nepal’s social protection programmes become truly transformative? What can Nepal learn from successes in Brazil and other countries? What are the areas of reform? How do major political parties plan to consolidate social protection schemes? What shape will social protection take in a federal Nepal? And what role does the private sector have?

This edition of Development Advocate Nepal offers perspectives on these issues and more with the intent to spur discussion of social protection issues both broad and specific.
Social protection policies and programmes aim at reducing poverty and vulnerability. Definitions vary and reflect the perspectives, priorities and frameworks of the definers. However, it is evolving on the global scale as an integral part of development policy. The general trend in developing countries has been towards a broader definition, a rights-based approach, and diversity in scope, instruments, packages and delivery modes.

Despite impressive progress made in poverty reduction, poverty and vulnerabilities remain real challenges in Nepal. Poor growth performance, lack of productive employment, endemic natural disasters, structural violence, prolonged political transition and rising prices are the main sources of vulnerabilities. Social protection measures initiated by the Government of Nepal are meant to mitigate their impact.

Policies and Legislations
Nepal has come a long way since the establishment of the Sainik Drabya Kosh in 1934, which was subsequently consolidated into the Employee Provident Fund. After the restoration of democracy in 1990, social protection received greater attention. The 1990 Constitution of Nepal directed the state to pursue policies to ensure education, health, social security and welfare of orphans, women, the aged, and disabled or incapacitated persons. Accordingly in 1995 a cash transfer programme was introduced for senior citizens (above 75), widows...
above 60 years and people with disabilities. Successive governments have added other schemes. The Interim Constitution of Nepal (2007) directs the state to extend social protection for marginalized people, including those without land and bonded laborers. It also initiates special temporary measures including affirmative measures in education, health, housing, employment and food security for marginalized people.

Nepal is trying to address the social protection agenda with a multi-sectoral approach as a part of its poverty reduction and inclusive development strategies. Both lifecycle and contingency-based approaches are combined. However it exhibits ambivalence with regards to rights-based and welfare-based approaches. The last two Three Year Plans (2007-2010 and 2010-13) laid emphasis on social inclusion, poverty reduction and the empowerment of women, Dalits, Madhesis, indigenous communities and other marginalized people. The Approach Paper of the current 13th Plan underscores the need to ensure minimum social protection floor for all, beginning with the neediest and most vulnerable. It calls for the finalization of a national social protection framework; development of social protection infrastructure; and integration, consolidation and improvement of ongoing programmes. It underlines the need to promote contributory initiatives including pension reforms and health insurance schemes. A number of policies and provisions are scattered across several sectors. However, none of them is comprehensive enough to provide a cohesive framework for this diverse field and its instruments. Legal provisions governing this sector are also fragmentary and scattered.

Government interventions can be grouped under five main instruments:

<table>
<thead>
<tr>
<th>INSTRUMENTS</th>
<th>PROGRAMMES</th>
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<tbody>
<tr>
<td><strong>Social Assistance / Cash Transfers</strong></td>
<td>Social security allowances for senior citizens, single women, People With Disabilities (PWDs), Dalits and endangered communities; child protection grants; a range of scholarships; free treatment of senior citizens, children and the poor in cases of classified diseases; free pre-delivery and delivery services along with transportation costs; free treatment of uterine prolapse; school feeding programme; various kinds of subsidies; writing off bank loans of small farmers.</td>
</tr>
<tr>
<td><strong>Social Insurance</strong></td>
<td>Employment Providend Fund (EPF), Citizen Investment Trust, gratuity, medical expenses, maternity benefits, paid leave and other provisions for the organized sector workers (as provided by labor law and other sectoral laws). The Nepalese pension system remains non-contributory. Health insurance schemes, crop and livestock insurance schemes are being tried. A Social Security Fund, the welfare funds of Nepal Army/Nepal Police/Armed Police; the unutilized Welfare Fund under Bonus Act. The gradual expansion of life/non-life insurance, cooperatives and microfinance also can be grouped under social insurance.</td>
</tr>
<tr>
<td><strong>Basic Social Services</strong></td>
<td>Free basic healthcare, free basic education, affordable housing for the poor, a safe motherhood programme, free Anti-Retroviral Treatment (ART), immunization and micro-nutrient supplement programme, nutrition related programmes, residential and non-residential social care programmes for elderly and children, temporary shelter homes or safe houses for migrant workers.</td>
</tr>
<tr>
<td><strong>Protective Legislations and Active Labor Market Policies</strong></td>
<td>Labor Act, 2048, Foreign Employment Act, 2064 and Child Labor (Prohibition and Regularization) Act, 2056, and acts and regulations related to the civil service, police, army and teachers protect employees in the formal sector. Reservation for women, Dalits, Madhesis, and Janajatis in government services. A wide range of protection for children, women, and general citizens under the Civil Code. Active labor market programmes (e.g. skill and entrepreneurship development programmes, youth self-employment programme, Karnali Employment Programme, labor market services, food/cash for work programmes and many rural infrastructure programmes).</td>
</tr>
<tr>
<td><strong>Poverty Reduction and Empowerment Focused Programmes</strong></td>
<td>Poverty reduction programmes implemented by Poverty Alleviation Fund (PAF) through employment generation and infrastructure development in the context of decentralized governance among others. Similarly various empowerment programmes are being implemented by different agencies.</td>
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</table>
Instruments, Programmes and Targeting

Social protection programmes have proliferated over the years and are being implemented by the government, INGOs and development partners. In the absence of a systematic mapping it is not possible to provide precise figures; total investment, coverage, effectiveness and impact of these initiatives are not known nor are they systematically monitored and evaluated.

Nepal is using both categorical and geographical targeting methods. Recently it has initiated means testing in 25 districts to make a shift towards poverty targeting. Traditional informal mechanisms, such as extended family, guthis and charities do exist but are getting weaker.

Institutional and Financing Strategies

No systematic institutional strategy has been developed. More than a dozen ministries and agencies are implementing programmes that have social protection components. Many have their own acts, regulations, directives and guidelines. There is no designated body for coordination, regulation and monitoring. Multiple programmes and deliveries lead to fragmentation, duplication, inefficiencies, and weak impact. Absence of regulating and monitoring bodies and accountability systems is likely to encourage mismanagement, irregularities and fiduciary risks.

There have not been serious efforts to track expenditures nor an attempt to develop a systematic institutional and financial strategy. The 1 percent social security tax levied on salaried employees was not sufficient: Total social security expenditures and the proportion of social security allowance out of total expenditures has been increasing every year. Average growth is around 0.75 percent.
and expenditures have increased dramatically since FY 2008/09. The total allocation for 2011/12, 2012/13 and 2013/14 was Rs. 266, 360 and 422 million respectively. In 2004/05 Nepal spent around 0.5 percent of GDP on social protection (including pensions) whereas the average for South Asia was about 2.4 percent. Now the country spends close to 3 percent. This only includes pensions, social security allowances and scholarships, not other instruments.

Some Impressions of Performance
No comprehensive evaluation has been carried out so far. A few studies have been done using primary data (CBS, 2011, MoHP et al. 2011, NPC, 2012, World Bank, 2011, Uprety, 2010) and secondary data (World Bank, 2013). Senior citizens felt that the programme made them independent and confident; reduced the incidence of family tensions; and enabled them to fulfil their basic needs, perform spiritual duties and assist their families.

Twenty-six percent of households in Nepal participated in at least one safety net scheme. Forty-two percent were from the lowest income quintile and 18 percent from the richest. According to the World Bank, eighty-six percent of Dalit scholarships and 78 percent of girls’ scholarships went to the low income groups. Altogether 37 percent of the rural population, 28 percent of urban, 50 percent of mountain, 40 percent of hill and 29 percent of Terai populations accessed social transfers. Overall, 17.5 percent of people benefited from social transfers, 7 percent from social insurance (including pension) and 35 percent from scholarships and social transfers together.

Ninety percent of primary schools and health services are accessible within 30 minutes distance from beneficiaries’ homes. More than 2.3 million scholarships are distributed every year. Enrolment trends are increasing, but attendance rates are decreasing at the higher grades. There is strong correlation between income level and health service utilization. According to the World Bank 55 percent of health costs are paid for by out of pocket expenditures and 43 percent of people do not seek treatment due to lack of money. Immunization services are available to 87 percent of children.

Prospects for the Future
Accommodating diverse needs and groups is a real challenge. The ever-increasing number of low-impact, low-benefit and inefficient programmes is a problem. The coverage of social insurance programmes is low, regressive and focused on the formal sector. Leakage in social assistance programmes to the non-poor is significant. There is need to develop viable and sustainable financial plans and strategies. Discrepancies continue to exist across caste, ethnicity and geographical boundaries. Lack of coherent policy frameworks, weak coordination between agencies, poor information management systems and a lack of institutional capacity are all critical problems. Addressing these challenges can pave the way for a more effective system of social protection in the future. It is time to change gears, to develop a systematic policy framework, to reduce the number of schemes, to increase benefit size and coverage, and to develop sustainable financial and institutional strategies. It is also necessary to develop mechanisms to coordinate and harmonize stakeholders’ efforts, to improve governance, to expand social protection coverage to migrant workers and the informal sector, and to develop social insurance products and coverage.

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Nepal is often – and rightly – acknowledged as an early innovator in the domain of social policy. It was one of the first low-income countries worldwide to introduce social pensions – almost 20 years ago, in 1995. Nepal in the past few years has again featured as an innovator, with a host of new social policy programmes introduced by consecutive government coalitions since 2007.

Thus an inter-ministerial task force on social protection listed 14 social assistance programmes available in Nepal in 2012, of which 11 were in cash and three in kind, five livelihood- and employment-related programmes, and in addition, five types of formal sector social insurance. In addition to these forms of social assistance, there are meso forms of social protection: economic mechanisms that address the community, as opposed to addressing the individual or household. The...
prime example is the Poverty Alleviation Fund (PAF). Another mechanism, directed at productivity, as well as at social protection, is the institution of micro-insurance mechanisms, such as crop and livestock insurances.

Regarding social assistance specifically, Nepal’s programmes include the universal old-age pension for all citizens above a certain age, the child protection grant for children under five living in disadvantaged castes and regions, a disability allowance, education-related social transfers such as caste-based stipends, school meals in government schools, and a birthing grant to financially subsidise the cost of access to health facilities for women in remote areas. There are moreover a number of social assistance schemes unique to Nepal, such as an allowance for very small ethnic groups at risk of disappearing, a marriage grant to encourage inter-caste and re-marriages, and several – very generous – allowances related to the armed conflict. These grants are unconditional and categorical.

Nepal’s food for work schemes and employment guarantee schemes are conditioned on work inputs. They have a two-fold objective: firstly generating rural employment to address food insecurity, extreme poverty and distress migration, and secondly improving rural infrastructure. The One-Family-One-

Employment Programme for the Poor, introduced in 2006, is an innovation in that it carries – at least notionally – an employment guarantee.

Two interpretations of Nepal’s social protection
It is remarkable that so many, such a variety of, and such unique programmes are in place. It is remarkable that fiscal space has increased and that – albeit still modest – a growing share of the fiscal budget is earmarked for social protection, starting with a shift of expenditures out of military spending to social protection in 2007. The attention to social protection can be interpreted as an expression of government’s concern with poverty and social exclusion, and of its stated intention to improve living conditions and human development outcomes of the disadvantaged and oppressed majority of the population. It is certainly an outcome of political party competition and of public pressure from Civil Society Organizations (CSOs) and the larger politically interested community. It can be seen as a sign of the country’s policy space, as well as its resilience and recovery after decades of panchayat dictatorship in the 1990s, and conflict from 1996 to 2006, and despite the fact that the interim constitution has still not been replaced by a formally agreed new constitution. That is one interpretation.

Women in Sanfebagar, Achham have to walk for hours to fetch drinking water.
Conversely the plethora of programmes could be criticized as populist in the negative sense of that term – offering placebos to the people in lieu of genuine support and structural socio-economic transformation. In this interpretation, one would argue that overlapping eligibilities create uncertainty among potential social protection recipients, and create transaction and administrative costs that would be better invested in the transfers themselves instead of their management and administration. Some programmes may, inadvertently, be regressive – the social pensions disproportionately benefit the advantaged castes as they have longer life expectancies; birthing grants benefit the slightly more educated or better off among the poor as they are aware of the programme and have the cash in hand to advance the transport cost required to avail of it; the formal social security system has a male bias – it advantages educated men who form the majority of government, military and formal sector firms’ staff. The benefits of the individual schemes are very low – not least because they are spread over so many programmes. The typical benefit level does not exceed Rs.200-500 per month, insufficient to close the poverty gap, if one takes the official Central Bureau of Statistics (CBS) poverty line of roughly Rs.1600 per person per month as the reference. And, only 2.3 million Nepali citizens receive any form of social protection transfers – less than 10 percent of the population.

Most importantly, however, the social protection programmes leave power relations and asset and wealth distribution intact. If there is nothing but these social protection programmes, the poor, disenfranchised and socially excluded families and communities will remain in dire situations for generations to come.

Both interpretations make sense. The broad range of social protection programmes is a welcome and much needed government response to political and citizens’ pressure, and it is populist. The programmes are a genuine reaction to the armed conflict and its need for reconciliation and restitution, and they are a subterfuge – pandering to public opinion, and delaying or even obstructing much needed structural change.

Ideas on moving forward
What then would be necessary to redress the situation? How can social protection in Nepal be transformed, become effective and genuinely transformative? There are many ways. Three ideas come to mind and are offered here as a contribution to discourse, by an external observer, friend of Nepal, not a political expert.
The first idea would be to erase the blind spots in current social protection. For example, some communities are invisible in the programming of social policy and do not receive any social assistance attention. This is notably the low-income segment of the Muslim community, who are – on average – systemically disadvantaged, with very low human development outcomes as a group and especially along gender lines. The lack of any financial support earmarked to them as a community has particularly negative effects on young children’s development and the situation of women. An idea for consideration would be to extend eligibility for caste-based child benefits or education stipends to cover children in low-income Muslim families. Such social protection measures would not radically alter disadvantageous situations such as low coverage or poor access to social services, but they could constitute a first step of acknowledging the need for redress. Obviously, this is a tricky proposition in light of the fact that different political parties in Nepal have played up identity politics in a divisive fashion, and more generally in light of the growing resentment in South- and Southeast Asia towards faith-related minorities. But it is a topic and a policy domain that needs to be broached.

The second idea is that it is analytically and politically necessary to address the intersections of caste and class. Numerous studies suggest that disadvantaged castes are also economically poor – they are landless, or farm marginal plots, burdened with high degrees of indebtedness, or they are in vulnerable, underpaid activities in the urban informal economy. Most of Nepal’s social protection programmes are identity-based – the transfers are based on caste, gender, or age. In the case of the child benefits, outside of the Karnali Zone, they are designed to cover low-income families among the disadvantaged castes; the other transfer types however do not have this two-fold caste and “class” – or income - dimension. Thus, the social protection programme overall do not acknowledge the interface and mutual causation of identity-based exclusion and economic exclusion which plays out in the form of low wages, landlessness, and an arduous life in remote locations. They thus have less impact than they would if they adopted a multi-dimensional understanding of poverty and exclusion, and modelled more comprehensive programmes. They could, for example, be designed so as to provide income transfers and other forms of economic security, but also to
develop structural policies to address the political, social and interpersonal causes of socio-economic exclusion.

A few such policies are in place, even if on a modest scale, such as proactive employment policies for youth; or insurance schemes for marginal farmers. But a wider spectrum of policies would be needed, ranging from the soft – such as awareness raising programmes for inclusiveness and rights – to “hard” policies addressing income redistribution through progressive income and wealth taxation, or some form of land reform or redistribution of rural economy assets.

The third idea, related to the two preceding ones, is to introduce poverty and power analysis into social protection programming, so as to begin a systemic refashioning of social policy. Power relations are hierarchical, based on the ability to exclude members of the community from key resources. In the family it would be resources such as care, or food, or education, or affection. In communities or villages it would be resources such as water, land, employment, or finance. In a country it would be denying citizens their right to food, to work, to access to health or education, or their right to political opinion and voice. At all these levels, power relationships re-create poverty and exclusion. Of course a policy measure such as social protection alone cannot alter power structures in families, communities, villages, or the country as a whole. Nevertheless, reshaping policy design to take power relations into account, and finding ways to address hierarchies and imbalances would be another important step. It will require sophisticated analyses, careful consensus building, and sensitive action, in a tradition-bound society. But here again, Nepal could move ahead of the curve globally as a social policy innovator.

Ms. Koehler is a development economist and visiting fellow at United Nations Research Institute for Social Development (UNRISD), Geneva. As a regional advisor to UNICEF she lived in Nepal from 2005-2009.
## A Mapping of Ongoing Social Protection Programmes in Nepal

<table>
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<tr>
<th>PROGRAMME</th>
<th>BENEFIT</th>
<th>IMPLEMENTING ARRANGEMENT</th>
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<tbody>
<tr>
<td><strong>1. Cash Transfers</strong></td>
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<tr>
<td>Senior Citizens’ Allowance</td>
<td>All persons aged 70+ receive Rs 500/month.</td>
<td>Ministry of Women Child and Social Welfare (MOWCSW)/ Ministry of Federal Affairs and Local Development (MOFALD)</td>
</tr>
<tr>
<td>Single Women’s Allowance</td>
<td>Widows, Dalits and Karnali residents aged 60+ receive Rs 500/month.</td>
<td>MOWCSW/MOFALD</td>
</tr>
<tr>
<td>Disability Allowance</td>
<td>Disabled persons 16+ receive Rs 1,000/month (fully disabled) or Rs 300/month (partially handicapped).</td>
<td>MOWCSW/MOFALD</td>
</tr>
<tr>
<td>Endangered Ethnicities Allowance</td>
<td>All household members receive Rs 500/month.</td>
<td>MOWCSW/MOFALD</td>
</tr>
<tr>
<td>Child Protection Grant</td>
<td>Rs 200/month per child under five for up to two children for all Dalit families and all families in Karnali</td>
<td>MOWCSW/MOFALD</td>
</tr>
<tr>
<td>Maternity Incentive Scheme (CCT)</td>
<td>Pregnant women receive Rs 500 in Tarai, Rs 1000 in hill regions and Rs 1500 in mountain regions as transportation costs plus Rs 300 provided to health professionals and Rs 1,000 reimbursement to facilities. Free delivery care provided in 25 low HDI districts.</td>
<td>Ministry of Health and Population (MOHP)/DFID</td>
</tr>
<tr>
<td>Senior Citizen Health Treatment Programme</td>
<td>Cash transfers to senior citizens above 65 years</td>
<td>MOWCSW</td>
</tr>
<tr>
<td>Natural Disaster Emergency Relief</td>
<td>Cash and in-kind transfers in flood and landslide affected areas</td>
<td>Ministry of Home Affairs (MOHA)</td>
</tr>
<tr>
<td>Strengthening Decentralized Support for Vulnerable and Conflict-Affected Families and Children (CCT)</td>
<td>4000 households in 5 districts receive Rs 1,000 per month for 12 months.</td>
<td>MOWCSW/ADB</td>
</tr>
<tr>
<td>Subsistence Allowance for those Martyred or Handicapped in the Conflict</td>
<td>Rs 360,000 million provided to IDPs. Rs. 60,000 per year as livelihood support for families of martyrs plus an educational allowance for children up to the age of 18 for up to three children. For those injured during the fighting with more than 50 percent disability receive Rs 100,000, those injured less than 50 percent receive Rs 80,000, those fully disabled Rs 200,000 – this is a lump sum amount. Those with a member of family still declared “disappeared” receive 100,000 per family. In addition to the 1 million for those killed, the widows receive Rs 25,000.</td>
<td>Ministry of Peace and Reconstruction (MOPR)</td>
</tr>
<tr>
<td>Tax Exemption and Debt Relief</td>
<td>For women, Dalits, disabled, poor farmers, disaster- and conflict-affected</td>
<td>Ministry of Finance (MOF) and national banks</td>
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<tr>
<td><strong>2. In-Kind Transfers</strong></td>
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<tr>
<td>Conditional In Kind transfer through Food and Cash for Assets activity</td>
<td>Food and cash is provided to highly food insecure households through an asset creation programme. This programme also creates opportunities for improved agriculture production in food insecure districts.</td>
<td>MOFALD/World Food Programme (WFP)</td>
</tr>
<tr>
<td>Public Food Distribution System</td>
<td>Food storage/distribution in select districts</td>
<td>Ministry of Agriculture and Cooperatives (MOAC), Ministry of Commerce and Supplies (MOCS), Nepal Food Cooperaion (NFC)</td>
</tr>
<tr>
<td>School Meal Programme (SMP) and Maternal Child Health Care (MCHC) Programme</td>
<td>School children are provided with nutritious mid-day meals and pregnant and lactating women and young children provided with take-home rations of nutritious food.</td>
<td>Ministry of Education (MOE), MoHP, WFP</td>
</tr>
<tr>
<td>Karnali Fortified Food Distribution Programme</td>
<td>All children aged 6-23 months in Karnali are provided with a nutritious food supplements.</td>
<td>MoHP</td>
</tr>
<tr>
<td>Iodized Salt Distribution</td>
<td>Supply of salt to boost nutrition</td>
<td>MOHP and Salt Trading Corporation (STC)</td>
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<td><strong>3. Access to Services</strong></td>
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<tr>
<td>Education for All</td>
<td>Dalits, Karnali children, girls, children from marginalized groups, conflict-affected children and children with disabilities receive scholarships. Representation of socially marginalized parents in the School Management Committees and Parent Teacher’s Association (SMC/PTA) and increased gender representation</td>
<td>MOE</td>
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<tr>
<td>Benefit Implementing Arrangement</td>
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<tr>
<td>Free Heath Services Free services available in health posts and sub health posts, primary health centres, and district hospitals. Forty listed drugs are available free of cost. Free maternity services; free dialysis and cancer treatment for endangered indigenous communities, citizens over 75 and children under 15 years of age.</td>
<td>MOHP</td>
<td></td>
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<tr>
<td>Housing programme 1000 Dalt and Muslim households in three Tarai districts are provided with low-cost housing.</td>
<td>Ministry of Planning and Physical Works (MOPPW)</td>
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<tr>
<td>4. Social insurance Benefit Implementing Arrangement</td>
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<tr>
<td>Employee Provident Fund Workers in Government and organizations with 10+ employees receive pension and work-related disability payments, scaled according to their contributions.</td>
<td>Government of Nepal (GON)</td>
<td></td>
</tr>
<tr>
<td>Gratuity Government employees serving three years or more and retiring are entitled to gratuities at different rates depending on their length of service.</td>
<td>GON</td>
<td></td>
</tr>
<tr>
<td>Civil Service Pension Scheme 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>
<td>GON</td>
<td></td>
</tr>
<tr>
<td>Work Injury Insurance Mine workers and those employed by organizations with 10+ employees receive lump sums based on salary and service.</td>
<td>GON</td>
<td></td>
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<tr>
<td>Citizens Investment Fund Formal sector workers receive returns on voluntary investments.</td>
<td>GON</td>
<td></td>
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<tr>
<td>5. Public Works Benefit Implementing Arrangement</td>
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<tr>
<td>Rural Community Infrastructure Works (RCIW) 295,000 households receive cash or food in return for 50-70 days employment annually in unskilled and low skilled public works.</td>
<td>MOFALD/WFP</td>
<td></td>
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<tr>
<td>Kamali Employment Programme Aims to provide 100 days employment for 100,000 people in Kamali.</td>
<td>MOFALD</td>
<td></td>
</tr>
<tr>
<td>Youth Self-Employment Scheme 100,000 youth and adults to receive 100 days employment.</td>
<td>Ministry of Labour and Transport Management (MOLTM)</td>
<td></td>
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<tr>
<td>6. Employment/Skills Development programmes Benefit Implementing Arrangement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty Alleviation Programme Poor people provided with employment opportunities</td>
<td>National Planning Commission (NPC)/World Bank (WB)</td>
<td></td>
</tr>
<tr>
<td>Technical and Vocational Education Training (TVET) Skills training for poor and disabled people</td>
<td>MOE, MOLTM</td>
<td></td>
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<tr>
<td>Assisted Migration Subsidized loans for economic migrants</td>
<td>MOLTM</td>
<td></td>
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<tr>
<td>Technical Education for Dalits and Poor Girls Skills Oriented Training</td>
<td>MOE</td>
<td></td>
</tr>
<tr>
<td>Child Labour Elimination and Child Labour Reform Programme Child rights protection</td>
<td>MOLTM</td>
<td></td>
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<tr>
<td>7. Livelihood Programmes Benefit Implementing Arrangement</td>
<td></td>
<td></td>
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<tr>
<td>Ultra Poor Programme Income generation support in 10 districts</td>
<td>MOAC</td>
<td></td>
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<tr>
<td>Fertilizer and Seed Transportation Subsidy Ongoing programme in 14 districts</td>
<td>MOAC</td>
<td></td>
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<tr>
<td>Subsidy on Chemical Fertilizer 100,000 tonnes of fertilizer provided per year to farmers with less than 4 bigha of land in the Terai and less than 15 ropanis of land in hill districts.</td>
<td>MOAC</td>
<td></td>
</tr>
<tr>
<td>Community Livestock Programme Income generation support for Dalit and Kamaiya families</td>
<td>MOAC</td>
<td></td>
</tr>
<tr>
<td>Kamaiya and Haliya Rehabilitation Programme Land access to landless and historically marginalized households</td>
<td>Ministry of Land Reform and Management (MOLRM)</td>
<td></td>
</tr>
<tr>
<td>Leasehold Forestry Programme Land access is provided to food-insecure communities living in areas adjacent to degraded forests.</td>
<td>Ministry of Forest and Social Conservation (MOFSC)</td>
<td></td>
</tr>
<tr>
<td>8. Care Services Benefit Implementing Arrangement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social care services for children, senior citizens, PWDs and women Services for poverty and vulnerability reduction</td>
<td>MOWCSW, MOH, MOE</td>
<td></td>
</tr>
<tr>
<td>9. Others Benefit Implementing Arrangement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Provisions for People with Disabilities Fifty percent discount on transport fare in public land transport, and domestic flights Free health check up to persons with disabilities in government hospitals Five percent quota reservation in civil service and four percent in private sector companies (according to the Disabled Protection and Welfare Act) Custom tax waiver to import specially made four wheel scooters and assistive devices for persons with disabilities</td>
<td>MoLTM, MoHP, MoGA, MoF</td>
<td></td>
</tr>
</tbody>
</table>

1Adapted from National Planning Commission’s draft National Framework for Social Protection (2069-2079 BS)
Brazil’s Bolsa Família

Conditional cash transfer programme yields huge benefits

Bolsa Familia Programme (Family Grant) is Brazil’s largest conditional cash transfer programme. It reaches approximately 50 million people in 13.8 million households in all 5,564 municipalities in the 27 states of Brazil — roughly 26 percent of the Brazilian population. MARIANA HOFFMANN writes that the programme has a large multiplier effect on GDP and on total household income, in addition to reducing regional inequalities.

A health worker measures a child’s height at a mobile service programme in Brazil.

Photo: Ana Nascimento / MDS
The Bolsa Família Programme (BFP) is a monthly cash transfer from the Brazilian federal government to poor and extremely poor families enrolled in the Single Registry of Social Programmes. It aims at fighting long-term poverty by investing in human capital, associating cash transfers with educational goals and uptake of health services. The BFP transfers a basic benefit (USD 35 per month) paid to target families living in extreme poverty regardless of their family composition. It also transfers a variable benefit paid to both poor and extremely poor families with children under 18 years old and/or pregnant or nursing women. The total amount a family can receive from the variable benefit is tiered according to the number and age of children and adolescents in the family. There is a cap at five benefits for children aged 0–15 (also including pregnant and nursing women) and two for adolescents aged 16–17 years old.

The BFP’s origins date back to municipal-level programmes in the mid-1990s, which were sponsored by the federal government. Different fragmented programmes were finally unified under the Bolsa Família Programme in late 2003. Since then the programme has been greatly expanded. It reaches all 5,564 municipalities in the 27 states of Brazil and about 13.8 million households, or 50 million people — roughly 26 percent of the Brazilian population.

Since 2009, transfers extend for a minimum period of two years, regardless of changes in household income. However a family may no longer receive transfers if it fails to abide by certain conditions, such as ensuring that children and adolescents in the family go to school and achieve attendance rates of at least 85 percent during the school year for beneficiary children aged 6-15 and 75 percent for 16 and 17 year-olds.

The BFP has brought about two important developments for the Brazilian social protection system: it has merged similar programmes, which operated separately, thus eliminating gaps, overlaps and inefficiencies, and it has given the system a new dimension by expanding transfers to households mostly headed by adults of working age. Before the BFP, the social protection system in Brazil was mostly based on contributory and non-contributory benefits granted preferentially to individuals who had lost their productive capacity.

Institutionally the BFP’s emphasis on conditions as a way to ensure families’ access to basic education, health and social assistance services required strong inter-sectoral coordination.

“TWENTY TWO MILLION PEOPLE HAVE OVERCOME EXTREME POVERTY SINCE 2011.”
BFP have also demanded intense coordination between federal, state and municipal governments. The decentralised structure of social-assistance services at the municipal level and of education and health structures has been key to the implementation of the programme at the local level.

However the evolution of the programme hinged mainly on the creation of the Single Registry of Targeted Social Programmes, made possible by the coordination of the different layers of government to implement the BFP, the main user of the registry. The Single Registry currently encompasses 23 million registered low-income households. Of these, 13.8 million are BFP beneficiaries. The BFP is at least as effective in reaching poor households as similar programmes in other countries. The adoption of self-reported income as a criterion for entering and remaining in the BFP has simplified communication with beneficiaries, given transparency to the granting of benefits and facilitated control checks. Other targeting tools are the estimated number of poor households in each municipality, used as a parameter for setting the number of beneficiaries per municipality, and periodic checks of the data reported by beneficiaries, cross-checking them with other administrative records.

Research on the BFP has shown that its targeting has remained very good, despite the substantial expansion of its coverage. Proper targeting explains the programme's low costs (0.5 percent of GDP) and its significant impact on reducing extreme poverty. Estimates suggest that the level of extreme poverty would be between 33 percent and 50 percent higher without the BFP. The programme has also contributed to reducing income inequality, accounting for 12 to 21 percent of the recent sharp decline in the Gini coefficient.

Studies have also dismissed fears that the BFP could discourage the participation of beneficiaries in the labour market or encourage childbearing among beneficiaries. The BFP has been shown to lead to lower school dropout rates and higher progression rates among beneficiaries. The longer a household remains in the BFP, the greater the impact. In the health sector, in addition to the programme’s contribution to reducing child mortality, it was shown that beneficiary children have higher vaccination rates and pregnant women receive more prenatal care than non-beneficiaries with similar profiles. The programme has positive effects on the entire economy. It has a large multiplier effect on Gross Domestic Product (GDP) and on total household income, in addition to reducing regional inequalities. These results alone would justify keeping the BFP as it was in 2010. However the launch of BrasilSemMiséria (BSM — Brazil without Extreme Poverty), with its ambitious goal of overcoming extreme poverty in a very short period of time has brought about new challenges. One of them is to include all households eligible for the

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benefit but which are not receiving it. From the launch of the BSM in June 2011 until July 2013, over 1.1 million extremely poor families were registered in the Single Registry and added to the BFP through active efforts from all levels of government.

The other innovation was the effort to boost families’ incomes so that they could overcome the extreme poverty income threshold, set at R$70 (USD 30) per person per month. To do that, the BSM adjusted the BFP benefit amounts in several ways: it increased the cap on the number of children and adolescents that could receive the variable benefit in each family; it began paying benefits to pregnant and lactating women; and, most importantly, it created a new benefit that closed the extreme poverty gap for all extremely poor families in the programme. Through these measures, 22 million people have overcome extreme poverty since the launch of the BSM.

Ms. Hoffmann is Communications Officer with UNDP’s International Policy Centre for Inclusive Growth in Brasilia, Brazil.

International Policy Centre for Inclusive Growth (IPC-IG) is a partnership between the United Nations Development Programme (UNDP) and the Government of Brazil to help equip policymakers, practitioners and specialists with the skills necessary to formulate socially inclusive policies. IPC-IG promotes the production and dissemination of studies and policy recommendations, the exchange of best practices in development initiatives and the expansion of South-South cooperation.
Bangladesh has made great strides towards achieving the first Millennium Development Goal of halving poverty by 2015. It has maintained economic growth above six percent per annum for the last 15 years, reduced extreme poverty from 41 percent to 17 percent from 1991 to 2010, and increased life expectancy at birth from 40 years in 1960 to 67 years in 2013. And despite social, legal, political, and economic challenges faced by women, Bangladesh is one of the few developing countries to make good progress in reducing maternal mortality and achieving gender parity in completion of primary education. Girls’ enrolment in secondary schools now matches that of boys.

However, because of the population increase, the number of people living in extreme poverty remains constant at 26 million. There are over eight

Social Protection in Bangladesh

Bangladesh has made strong progress since the late 1990s, but there is a clear need to consolidate and rationalize nearly 100 existing programmes in order to increase their coherence and scale up the most successful ones. A National Social Protection Strategy needs to go beyond mere coordination and streamlining of an existing set of programmes. Special attention will have to be given to emerging needs and shifting vulnerabilities, writes MAJEDA HAQ.

A Rural Employment Opportunities for Public Assets (REOPA) beneficiary runs a micro enterprise. © REOPA/UNDP Bangladesh
million unemployed women in the country; six-and-a-half million of them live in rural areas. Their poverty is largely related to unemployment and underemployment. The situation of women-headed households is the worst due to social exclusion. Only 23 percent of the poorest households, often headed by women, are reached by any kind of social safety net programme. Very few safety net programmes have a strategy like that of the Rural Employment Opportunities for Public Assets (REOPA) for graduating beneficiaries out of poverty.

Safety nets linked to longer-term income generation opportunities have proven to be effective, and public policy in Bangladesh is clearly tilting towards using them more often. But the process for promotion or graduation of the beneficiaries has not been sufficiently defined.

Social Safety Net Programmes (SSNP) to address risk and vulnerability have been an integral part of the anti-poverty strategy of the present government and are one of the key factors that has contributed to Bangladesh’s progress in reducing poverty. It is envisioned in the Sixth Five Year Plan that the allocation for SSNP would rise from two percent of Gross Domestic Product (GDP) in 2010 to three percent in 2015. The current budget allocation for SSNP is 2.13 percent of GDP.

Social protection in Bangladesh has a long history of innovation and transformation and has been promoted and expanded by successive governments across the political spectrum. Some 99 schemes are currently managed and implemented by 21 different ministries.
with overlapping objectives and beneficiaries. There is a clear need to consolidate and rationalize these programmes in order to increase their coherence and scale up the most successful ones. There is significant scope for improving effectiveness and cost efficiency through better targeting and ensuring that transfers reach intended beneficiaries without leakage. Bangladesh’s ability to finance social protection programmes is constrained by available resources, political commitment, and weak public expenditure management.

A strategic approach at the national level is required so that current interventions are made more effective and flexible to deal with the challenges the country is facing. The government has recognized the need for development of a National Social Protection Strategy (NSPS). At a 2011 Social Protection Conference, the final official communiqué of the Minister of Planning made clear the Government’s willingness to develop a national strategy for the reform of this sector. It cited social protection as the foremost priority in tackling poverty and a key tool for Bangladesh to reach its goal of becoming a middle income country by 2021.

It is recognized that a strategy needs to go beyond mere coordination and streamlining of an existing set of programmes. Special attention will have to be given to emerging needs and shifting vulnerabilities, including the challenges of migration and urbanization, persistent widespread malnutrition despite falling poverty levels, escalated climate change vulnerabilities, and effects of recurrent and protracted global economic downturns as Bangladesh is increasingly tied to the global economy.

The proposed NSPS envisions, in the long run, to “build an inclusive SPS for all Bangladeshis that effectively tackles and prevents poverty and rising inequality and contributes to broader human development, employment and economic growth.” More specifically, the goal for the next five years is “to reform the national SPS by ensuring more efficient and effective use of resources, strengthened delivery systems and progress towards a more inclusive form of social protection that effectively tackles lifecycle risks, prioritizing the poorest and most vulnerable members of society.”

The NSPS proposes to expand coverage through focusing on children, vulnerable women, the elderly, people with disabilities, the urban poor, and socially excluded groups. Significant emphasis is given to covariate shocks like natural disasters and food price...
hikes. The strategy proposes to consolidate and harmonize the existing 99 programmes into a small but reasonable number of priority schemes. With a focus on the extreme poor, five major programmes are suggested to cover all stages of life, starting from before birth with maternal care.

Child grants and stipends for school going children will be provided to each child, and reforms of workfare programmes will consolidate fragmented schemes into one. In addition, the strategy provides for expanding a range of policy measures to facilitate the entry of women into the labour market. All people aged 60 years and above will be eligible to get Citizen’s Pension, and the government will provide disability benefits for both children and adults.

Schemes to support freedom fighters and their families will continue under a consolidated benefit programme, and the Government will gradually convert all food-based transfer programmes to cash transfers. The only food programmes to remain will be for disaster management response and special food security needs. The NSPS will be financed by taxes and, in case of social insurance and employment regulations, the private sector. The financing assumption is based on keeping spending constant as a share of GDP at current level. Projections show that the available resources are broadly consistent with required resources.

The preparation of the NSPS has been a long learning process that we assume will continue. As for Rehana Khatun (see sidebar), it has been an eventful journey with a destination that holds out great promise.

Ms. Haq is a Programme Analyst with Poverty Reduction Cluster in UNDP Bangladesh.
Social Security Financing
Under a Federal Set-Up

Social security transfer (popularly known as social security allowance) constitutes the mainstay of the social security system in Nepal. When it was introduced in the early 1990s, the transfer covered citizens older than 75 years. Subsequently not only has the eligibility age been reduced to 70, but its coverage has also been expanded substantially to include differently-abled persons, single women and widows, people of endangered ethnicities, children from deprived geographical areas and Dalit children.

With the modernization of the economy and society and changes in demographic features of the population, the coverage of the social security is likely to be expanded in future. This is already a fundamental right under the Interim Constitution, and if the draft provisions of the former Constituent Assembly (CA) are adopted the new constitution is likely to be even more liberal on this.

Social security has to be provided for by the government since the market does not ensure an equitable distribution of income and is not an efficient provider of social security. As Nepal is going to adopt a constitution along federal line, it will not be enough to merely say that social security is a government function.

Theory of Fiscal Federalism and Social Security
A government in a market economy has three major roles: stabilization, redistribution and allocation. The stabilization role of government aims at maintaining a stable macroeconomic environment with the use of monetary and fiscal instruments. The redistributive role of government seeks to achieve greater equity among people of different income groups. The allocation role of government concerns itself with the efficient provision of public goods when the market fails to do so.

Fiscal federalism deals with which level of government should be placed in charge of these economic roles of government. Although some market failures are national in nature (and therefore should be dealt with nationally), in many other cases the allocation role is often best assigned to sub-national governments since these governments are better positioned to know the preference of their constituents and are thus better able to supply the goods and services accordingly.

Because stabilization is better dealt with at the macro level, the national government is considered to be in a better position to perform this function compared to its sub-national counterparts. Likewise, redistribution
is typically considered to be a national function since national government has the comparative advantage in redistributing income across its national territory. Social security is an important element of the redistributive branch.

Social security basically serves two functions: redistribution and insurance. The distinction between the two is that redistributive social security is financed through general taxation and there is no direct relation between taxes paid and benefits received. Insurance is generally financed by individual contributions and only those contributing to the insurance programme receive the benefits.

Conventional fiscal federalism theory gives a number of reasons why social security is typically a federal matter. First, the primary objective of social security is maintaining a degree of equity among citizens no matter where they live. Since the federal level is the only level with authority over the entire national territory, it is a responsibility of the federal government to maintain such equity.

Second, transfers like social security are negative direct taxes in that citizens below certain threshold receive this service rather than paying taxes. So, it is argued that direct taxes and social security should be handled by the same level of government so that taxes and transfers can be integrated. Theoretically, direct taxes, not least income taxes, are regarded as federal prerogative.

Third, divergent provisioning of social security by sub-national governments will lead to economic inefficiency given the mobility of the beneficiaries and taxpayers. For example, if two provinces implement different levels of social security payments (and different tax rates to finance the service), other things remaining the same, poorer citizens from low-benefit province will to move to the high-benefit province.
Conversely, wealthy citizens from the high-benefit province will move to the lower-tax province. As a result the province providing high-benefits would incur more expenditure and would generate less revenue, and would not be able to afford its social security programme any longer.

Over the years, however, it is has been established that social security also has important subnational elements. If the preferences for the degree of income redistribution vary across jurisdictions, the social security function should be assigned to the sub-national governments. Indeed, matching of local preferences with the provision is at the heart of fiscal decentralization. Similarly, if the mobility of taxpayers and service recipients across jurisdictions is limited, sub-national governments can provide the social security without compromising its very objective.

An additional argument could be made for the involvement of sub-national governments in the implementation of social security programmes: as the level of government closest to the people, local governments may be in a better position to identify beneficiaries for social security programmes than the more remote central authorities.

The above arguments for and against (de)centralization regard social security as either pure national or local public goods. However, increasingly it is being established that many public functions, including social security, are neither pure national nor pure local. Rather, such functions are of mixed nature such that they are composed of different sub-functions and dimensions that are national or local in scope. These sub-functions can be attributed to different levels of government depending upon their scope.

Accordingly, social security can be divided or unbundled into several parts:
- Setting standards and norms
- Financing
- Planning
- Identification of beneficiaries,
- Delivery of the service and managing payments
- Monitoring and grievance handling, etc.

These sub-functions can be allocated to different levels of government. For example, setting standards and norms for social security programmes, and the financing of these programmes are regarded subject matter of central government, while identification of beneficiaries and the payment of the social security grants are typically assigned to the local government level. Different levels of governments thus play complimentary roles in ensuring the social security function.

### Financing of Social Security in Federal Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Central</th>
<th>Sub-national</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>87.6</td>
<td>12.4</td>
<td>2004</td>
</tr>
<tr>
<td>Australia</td>
<td>88.9</td>
<td>11.1</td>
<td>2007</td>
</tr>
<tr>
<td>Austria</td>
<td>83.6</td>
<td>16.4</td>
<td>2007</td>
</tr>
<tr>
<td>Belgium</td>
<td>80.3</td>
<td>19.7</td>
<td>2006</td>
</tr>
<tr>
<td>Canada</td>
<td>66.6</td>
<td>33.4</td>
<td>2007</td>
</tr>
<tr>
<td>Germany</td>
<td>75.1</td>
<td>24.9</td>
<td>2007</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>93.6</td>
<td>6.4</td>
<td>2006</td>
</tr>
<tr>
<td>South Africa</td>
<td>55.1</td>
<td>44.9</td>
<td>2005</td>
</tr>
<tr>
<td>Spain</td>
<td>89.4</td>
<td>10.6</td>
<td>2007</td>
</tr>
<tr>
<td>Switzerland</td>
<td>71.1</td>
<td>28.9</td>
<td>2006</td>
</tr>
<tr>
<td>United States of America</td>
<td>92.4</td>
<td>7.6</td>
<td>2007</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>80.3</strong></td>
<td><strong>19.7</strong></td>
<td><strong>2007</strong></td>
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</tbody>
</table>

Source: Government Finance Statistics, Year Book, 2008, IMF

MANY PUBLIC FUNCTIONS, INCLUDING SOCIAL SECURITY, ARE NEITHER PURE NATIONAL NOR PURE LOCAL... THESE SUB-FUNCTIONS CAN BE ATTRIBUTED TO DIFFERENT LEVELS OF GOVERNMENT DEPENDING UPON THEIR SCOPE.
the assignment of the sub-functions or dimensions.

The table above shows that financing of social security is predominantly a federal matter, as more than eighty percentage of the funding, on average, comes from the federal governments in a group of federal countries where disaggregated information by national and sub-national level is available.

Yet, financing social security has an important sub-national element as well since about 20 percent of social security is financed at sub-national level, which is inclusive of provincial and local governments. However, the sub-national financing of social security may in reality be even less than the figures suggest, particularly where the social security at the sub-national level is financed from the transfers from the federal governments.

Moreover, the table only includes high or middle income countries. For lack of information from the low-income federal countries, it is hard to know how social security is financed at the sub-national level in such countries. However, given that subnational financing of social security is almost limited to the developed countries, it can be argued that sub-national financing of social security in low income federal countries is even less.

### Social Security Financing Under a Federal Set Up

In Nepal the mobility of tax payers and beneficiaries across sub-national jurisdictions to be caused by the differences social security payments may not be so high as to compromise the very purpose of redistribution. This provides justification for sub-national financing of social security. However, other factors suggest the contrary.

As per the draft provisions of the committees of the last Constituent Assembly responsible for the allocation of revenue rights across spheres of government, major sources of revenue such as customs tax, value added tax, corporate income tax are to be assigned to the federal government. This suggests that federal government will generate an overwhelming part of total national revenue and that sub-national levels will have very limited revenue available to finance social security. And with the modernization of economy and society, social security is going to be one of the biggest expenditure item in future.

Further, given the asymmetric level of development across possible sub-national authorities—whether provincial or local—and consequent revenue base, they are likely to vary among themselves with respect to their potential own-source revenue. In that case, some of the better off sub-national authorities will be able to afford social security for their residents while the authorities of other jurisdictions will not be able to do so.

As a result, the residents of poorer jurisdictions would be deprived of social security benefits simply because they are residing there. This would put into question the very relevance of social security system as similarly situated citizens would be treated differently in terms of access to social security. This would not be compatible with the strong feeling among Nepalis across all territories that they should be treated equally.

Thus, it can safely be argued that the central government should primarily be responsible for financing social security. This can be supplemented by the sub-national governments, depending upon the availability of funds and level of preference for the social security.

Mr. Sharma is Assistant Country Director and Head of Governance Unit in UNDP Nepal.
The progress Nepal has made in the field of medicine over the last few years is remarkable. Besides significant advancements in the use of technology for health service delivery, at least in urban areas, the country has also made major strides in developing human resources for delivering quality health care in rural areas.

In the 1990s, the government established at least one sub-health post in each Village Development Committee (VDC) in the country. At about the same time the rapid rise in the number of private hospitals led to competition among them but ironically the cost of treatment rose significantly. However, underfunded government institutions struggled to keep up, and patients gravitated to private facilities despite high costs.

Today, direct health care expenditures by individual is more than what the government, private sector, and non-government organizations spend on the health care system. Even one health crisis can drive a family into poverty as they try to pay for expensive private care.

"Estimates from analysis of 2003/2004 household data indicate a 2.5 percent increase in poverty as a result of high levels of Out of Pocket (OOP) health spending," according to the World Health Organization’s 2010 World Health Report. Another report says that levels of impoverishment due to health shocks are lowest in countries where the OOP share of total health expenditures are below 20 percent, compared to Nepal’s figure of over 50 percent.

Universal Health Insurance can make health care services accessible to all and thereby guarantee the fundamental right of every citizen to health care.

Because the existing government health care system is so weak and private facilities are so expensive, ordinary Nepalis can be pushed into poverty by a single health crisis, writes DR. BISHAL GYAWALI.

A health worker examines eye of a woman in Khokhana Village, Lalitpur. In the absence of a universal health insurance system, most patients are forced to pay out of their pockets.  © Laxmi Ngakhusi
Universal insurance works because the government can buy services at wholesale rates rather than at retail. If the government has 100,000 people enrolled in its insurance scheme it can bargain with hospitals to provide services at lower prices, and patients can go to hospitals without worrying about the expenses.

However, introduction of health insurance will require a significant overhaul of the current system, which will not be easy. Whatever scheme is adopted will have to fit the circumstances in Nepal. There are basically four models of health insurance system in practice in the world:

The Bismarck Model is followed in Germany, Japan, France, Belgium and Switzerland. In this system the employers and employees fund national health insurance through payroll taxes. Everyone must enter into the insurance scheme and compulsorily pay for their insurance on monthly basis.

The Beveridge Model is named after William Beveridge who inspired Britain’s National Health Services. This system is used in the UK and also in Italy, Spain, Cuba and other countries. In this system health care is provided and financed by the government.

“INTRODUCTION OF HEALTH INSURANCE WILL REQUIRE A SIGNIFICANT OVERHAUL OF THE CURRENT SYSTEM, WHICH WILL NOT BE EASY. WHATEVER SCHEME IS ADOPTED WILL HAVE TO FIT THE CIRCUMSTANCES IN NEPAL.”
through taxes. In the Beveridge model the government pays for 100 percent of all medical costs.

The National Health Insurance Model is in use in Canada, Taiwan, and South Korea. It includes elements of both the Beveridge and Bismarck models. In this system health care providers like doctors and hospitals are private, and the government is the sole payer.

The fourth model is the traditional American Model of private health insurance. It is widely criticised for its non-universality and higher cost. Non-universality means that the insurance company can decide who can enter into the insurance and who cannot, potentially excluding the most needy and sickest people. Recent reforms in the United States are aimed at guaranteeing universal coverage within the existing private insurance system.

All three of the public models – Bismarck, Beveridge, and National Health Insurance – rely on taxes for funding. This could be a major hurdle for implementation in Nepal. Many Nepalis are so far below the poverty line that monthly premiums or taxation for insurance could seem to be a curse rather than a blessing. A reasonable solution would be to

In 2003 the Ministry of Health and Population (MoHP) introduced Community-Based Health Insurance (CBHI) in Primary Health Care Centres in two districts. The programme was offered at Mangalabare Primary Health Care Centre in Morang and Dumkauli Primary Health Care Centre in Nawalparasi. Two years after the implementation the government added four more districts – Udayapur, Rautahat, Dang, and Kailali.

Under the CBHI system people pay premiums and then get benefits that include consultation fees, diagnostic services, and the cost of medicine. Premiums are set by the health institutions where programmes are being run.

A decade later programme enrollment is shrinking, and few people have benefitted from the scheme.

Initially there were a fair number of people enrolled in the scheme. But after the 2006 people’s uprising, health was enshrined as the fundamental right of every citizen. This brought along free medicine and free care in public health posts and hospitals. Because of this people often came to see insurance premiums as a waste of money, as the government provides many services for free.

Dr. Padam Bahadur Chand, a senior official at the MoHP said the CBHI has failed to provide social protection to the people in the community where the programme is being run. Coverage at present is very low. A review conducted by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) found that in Dumkauli, only 1.6 percent of the catchment area population was
covered. This figure is no higher than 15 percent in any of the health institutes where the programme was offered.

Efforts to increase the number of households have yet to bear fruit. Some of the institutions have been providing incentives to community mobilisers and Female Community Health Volunteers to enroll new households in the scheme, but this has so far failed to yield results. Data show that fewer people are enrolled every year.

The dropout rate also suggests that people were not satisfied with the schemes and service providers. Dr Ghansyam Gautam who was involved in the GIZ research says that many of the health facilities offered poor services and that the government failed to provide choices to the people. In some places despite being insured, people were not interested in renewing their premiums as they did not fall sick during the year and felt that their money was wasted, he says.

Community insurance was not a viable model in his opinion. “The premiums were too small and the benefit package sometimes so big that the institutions found it untenable,” said Dr Gautam.

The GIZ review concludes: “Considering the weak results achieved by the existing CBHI schemes in terms of population coverage and financial viability, the current CBHI approach may not be the most realistic way of achieving equitable access for the population to health services towards universal coverage.”

Dr. Chand said the ministry is planning to integrate the health insurance run in community to the national insurance programme. “Initially the health insurance programme will be run in some selected districts and all the community members will be insured integrating the community health insurance in the national insurance framework,” he said.

By Manish Gautam
In much of rural Nepal, patients have to be carried to health centers by relatives.
Nepal needs to adopt a unique model of health insurance tailored to the local circumstances. All these health care systems are working efficiently in other countries, but choosing one is a complex decision to make. Ideally Nepal’s leaders and health care professionals would openly debate the tradeoffs and pitfalls and then reach consensus on a national programme of insurance. More likely though, a universal insurance scheme will evolve incrementally. In the first phase, the government could bear all the treatment costs while regular premiums are charged to people according to their ability to pay, with options offered for varied benefit packages. The government could provide a subsidy to the poorest patients.

“IN THE FIRST PHASE, THE GOVERNMENT COULD BEAR ALL THE TREATMENT COSTS WHILE REGULAR PREMIUMS ARE CHARGED TO PEOPLE ACCORDING TO THEIR ABILITY TO PAY, WITH OPTIONS OFFERED FOR VARIED BENEFIT PACKAGES.”

It is likely that a system of co-payments would be involved. In Japan, for instance, patients have to pay 30 percent of the medical fee themselves, and the national health insurance system pays 70 percent. Co-payments help to ensure that patients don’t misuse the system. However patients can buy secondary insurance coverage for the 30 percent co-payment as well as for services not provided through the national health system, such as a private hospital room. Existing private health insurance could thus co-exist with universal health insurance, at least initially, and the existing free, public hospitals and health posts could remain publicly funded.

Dr. Gyawali has an MBBS from the Institute of Medicine in Kathmandu, Nepal and is a PhD student at the Department of Clinical Oncology and Chemotherapy, Nagoya University Hospital, Nagoya, Japan.
Service Delivery and Data Collection are Key Challenges

Currently around 2.1 million individuals benefit directly from social security schemes. But a proper management information system needs to be put in place for making social assistance more effective, says Shankar Nepal

A round 2.1 million individuals benefit directly from Government’s social security schemes. In fiscal year 2069-2070 the government allocated Rs. 10.5 billion for the ministry to implement social security schemes, up from Rs. 8.5 billion the year before. The social security budget had been increasing annually as the Government continues to expand the coverage every year.

The misuse of social security allowance is another issue for us. Three years ago we started to distribute social security allowances in district headquarters and municipalities through commercial banks, and the provision of opening individual bank accounts for the beneficiaries was made mandatory from last year. We are yet to expand this system at the Village Development Committees (VDCs) level. Before rolling out bank transfers in those areas we want to ensure that it will not add beneficiaries’ inconvenience—that they can access banks without extended travel time and cost. And some beneficiaries are physically

The government invests a lot in public education; yet, the results are below expectation. Kiran Panday

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A PILOT PROGRAMME FOR BRANCHLESS BANKING HAS ALREADY BEEN LAUNCHED IN BANKE, SURKHET, AND BAGLUNG DISTRICTS. TWO MORE DISTRICTS, KANCHANPUR AND DADELDHURA, ARE ALSO STARTING PILOT PROJECTS.

A pilot programme for branchless banking has already been launched in Banke, Surkhet, and Baglung districts. Two more districts, Kanchanpur and Dadeldhura, are also starting pilot projects. This should contribute to a better system.

In addition, the ministry’s facilitating structures like Social Security Coordination Committees will be reactivated, and the ministry will mobilize Ward Citizen Forums (WCFs) in the villages to assist the ministry in selecting development projects at the local level until local elections are held. We will also have a public hearing mechanism to promote transparency. As a part of the regular monitoring process we call all local bodies to submit the details of beneficiaries to the ministry regularly and to make these details public through district development committees’ websites. The ministry has access to all DDC sites and this allows us to track records related with social security allowance when required. Additionally, we have arranged to publish the details of allowances received, and to keep records at libraries and disseminate them at public functions. Within the limitations, we have done our best to make the social security allowance distribution process easier and more transparent.

Registration
Registration of vital events like births, marriages and migration are important for providing social security schemes. But not all beneficiaries have registered. A separate beneficiary IDs should be the basis for social security allowance distribution. This would ease the monitoring process. There needs to be a centralized monitoring system where all data would be kept in the digital format at the ministry. The ministry currently however asks the district development committees, municipalities and village development committees to collect details of social security recipients and to allot the money accordingly.

Allowance distribution could be managed through single-door system once the system further evolves. But our main concern at present is to check the misuse of social security allowances.

(As told to Development Advocate Nepal by Shankar Nepal, Former Chief, Social Security Department, Ministry of Federal Affairs and Local Development. He is now posted with Population and Vital Event Registration Section of the ministry)
The Government of Nepal runs various cash-based safety nets programmes for the protection of vulnerable groups. The major nationwide programmes in Nepal are categorical cash transfers to the elderly, single women, the disabled, endangered ethnicities, and children administered by the Ministry of Federal Affairs and Local Development (MOFALD) and categorical scholarships administered by the Ministry of Education (MOE).

Nearly all record-keeping and cash transfers are done manually. In the case of MOFALD, Village Development Committee (VDC) secretaries physically carry the cash from the District Development Committees (DDCs) and deliver it to the beneficiaries. In urban areas with relatively good coverage of banks, MOFALD has begun delivering cash into beneficiaries’ bank accounts. In the case of MOE scholarships, school management committees collect cash from the district education offices and deliver it to students.

In the absence of a comprehensive electronic database of beneficiaries and an electronic payment system, these transfers are prone to leakages. Against this backdrop, a new Human Development Social Protection Pilot (HDSPP) project on electronic cash transfer has been developed, which builds on an ongoing scholarship programme administered by the MoE. The HDSPP project has been initiated in two far-western districts, Kanchanpur and Dadeldhura and is implemented by MOFALD, and co-financed by the UN Capital Development Fund (UNCDF) and the World Bank. It is a part of the Government’s larger Local Governance and Community Development Programme (LGCDP).

The pilot is testing poverty-targeted cash transfers and payments via branchless banking, both facilitated by a robust management information system (MIS). One major component of the pilot is to improve the effectiveness and efficiency of cash transfer payments, moving from manual to electronic distribution of payments. Moving all the payments onto a regularly updated electronic platform along with the usage of branchless banking services has the potential of improving service delivery as well as reducing overall fiduciary risks and leakage in the system, since payments will be made directly into beneficiaries’ accounts. As the payments are made into savings accounts, it provides beneficiaries with access to the modern financial system and prospect for future financial inclusion.

**MOVING ALL THE PAYMENTS ONTO A REGULARLY UPDATED ELECTRONIC PLATFORM ALONG WITH THE USAGE OF BRANCHLESS BANKING SERVICES HAS THE POTENTIAL OF IMPROVING SERVICE DELIVERY.**

**Identifying the poor**

The current cash transfers in Nepal are categorically targeted to certain demographic groups. The impact on poverty of these transfers appears to be very modest. According to the Nepal Living Standard Survey III, in the absence of the cash transfers and scholarships, the poverty head count would increase by 0.5 percent points, from 25.2 percent to 25.7 percent. This is not surprising given the small size of

Testing Branchless Banking to Deliver Cash Transfers

Nepal’s two major cash transfer programmes have been prone to abuse and leakage in the absence of a comprehensive electronic database of beneficiaries and an electronic payment system. A new pilot programme for electronic cash transfer, is testing poverty-targeted cash transfers and payments via branchless banking, write JYOTI PANDEY and PRAGYAN JOSHI.
the benefits and categorical targeting of transfers which means that many of the non-poor receive these benefits. One could anticipate the impact on poverty would be higher if these transfers were targeted to the poor.

There is a nascent debate on whether these transfers should be targeted to the poor instead of demographic categories. Which method of targeting the poor is best suited for Nepal is a key part of the targeting discussion. The HDSPP pilots two different targeting methodologies for identifying the poor: A Proxy Means Test (PMT) and a Multidimensional Poverty Index (MPI). The former seeks to target households with the lowest per-capita consumption while the latter targets households that are deprived in one or more of the three dimensions (education, standard of living, and social exclusion).

Preliminary analysis from the baseline survey of HDSPP suggests that communities welcome poverty targeting, and that Proxy Means Test ranking of households is closer to community and self-rankings than Multidimensional Poverty Index methodology. While it seems unlikely that the government will make a radical switch to poverty targeting in the near future for the existing schemes, the pilot is expected to help move the debate forward.

The pilot project started with a household registration survey in all 39 VDCs of the two selected districts, Kanchanpur and Dadeldhura. The household survey collected information on demographic and socioeconomic characteristics; vital events registration (birth, death, marriage, divorce, and migration); school attendance of children between the ages of 5 and 15; and access to social protection programmes particularly, pension and cash transfers including scholarships. The data from the household registration has been uploaded into a management information system (MIS) designed for MOFALD. Households have also been provided with a registration slip to enable them to track their vital events and citizenship-related documents that have been stored in the MIS. The registration process also prompted households who had not previously registered their vital events to do so, resulting in some cases up to 80 birth registrations taking place in one day alone in a VDC. The database has also been beneficial for populating the district profile and household profile reports.

Based on the poverty information collected, each household in the two pilot districts has been ranked according to their poverty score. Using this information, the pilot will provide scholarships to approximately 24,000 children from the poorest households. To reduce overall inclusion and exclusion errors, the list of eligible beneficiary households was announced to communities at a public event, and households were provided a space to file grievances through a newly established grievance handling mechanism, handled at the VDC level. Relatively few grievances were filed. Some were from households

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A beneficiary registers for a pilot programme.  © World Bank
missing from the survey and some from households who felt they were wrongly excluded from the list of eligible in which case their details were re-verified.

Delivering the cash via branchless banking

Each eligible child will receive an annual grant of Rs. 1290 to be given in three tranches, for two academic years, conditioned on continued school enrollment. The scholarship will be deposited into a bank account opened in the name of the child’s mother or guardian. Through a competitive bidding process, Siddhartha Bank was selected as the pilot payment service provider. Siddhartha Bank is currently in the process of enrolling beneficiaries and opening bank accounts. During enrolment, the bank will collect the beneficiaries’ fingerprint data to secure payments. Each beneficiary will be provided with a smart card and a savings account to improve overall access to financial services and offer future financial options for the beneficiaries.

Siddhartha Bank has selected and trained 31 payment agents across the two districts, where possible, ensuring that there is at least one agent in each VDC. These agents are local retailers—vendors with enough cash flow to maintain the flow of funds to beneficiaries. Beneficiaries can draw money from these agents by using a point of sale device, which will scan their fingerprints and their cards which contain their photos, to verify their identity.

An additional benefit of this new system is that Siddhartha Bank is also providing services to non-beneficiaries. Interested customers can open bank accounts and make use of the new agent network, and therefore branchless banking will become available to the communities as a whole.

Positive lessons

Through the project, government cash transfers are being delivered via private banks in rural areas for the first time. The delivery of cash via branchless banking is expected to make the payments more timely, accurate and efficient. Furthermore, the project seeks to offer new and improved access to appropriate, sustainable financial services including, savings and money transfers among other services in remote areas where they had not previously been available.

The MIS will be a valuable legacy of the project. It provides MOFALD with a platform to manage data on vital events and cash transfers and to monitor payments. The Ministry is already using the system in 12 other districts to enter data on vital events and cash transfer beneficiaries. In the future, the Ministry plans to update this database as vital events are recorded. At the moment, the Ministry and the two pilot DDCs have online access to the MIS. An offline version, MIS-lite, has been developed for use in VDCs without internet access.

Following the completion of the pilot, it will be interesting to assess whether beneficiaries are satisfied with the branchless banking service. Furthermore, the positive lessons to be drawn from the pilot offer a platform for strengthening the government’s existing cash transfers.

Ms. Pandey is a Junior Professional Associate with the World Bank and Ms. Joshi is Programme Analyst with UNCDF, Nepal.
Problems Plague an Employment Scheme for the Poor

The Karnali Employment Programme is a government initiative to financially support the poor households who have no employment opportunities at the local level. The programme aims at providing ‘Ek ghar ek rojgar’ (one family, one employment) for 100 days to the people from five districts of the Karnali region. Last year the Karnali Employment Programme (KEP) generated barely 10 days of employment per beneficiary, against the target of 100 days. KEP was conceived in 2006 as a One-Household, One-Employment Programme and was renamed the Karnali Employment Programme (KEP) in the following year. The Ministry of Federal Affairs and Local Development (MoFALD) operates KEP in 134 Village Development Committees (VDCs) in all five districts in Karnali. These five are also the least-developed districts of the country. In the last seven years KEP has funded labour costs for projects including toilet construction, road expansion, micro-hydroelectric plants, farming, and small irrigation projects among others. According to Shyam Shrestha, a section officer at the Karnali Development Unit of MoFALD, “The programme only funds the human resources, not the construction materials.”

KEP aimed to provide a minimum of 100 days work a year to one member of every household that did not have an employment or income source. In 2007 it was expected to produce Rs. 5,000 of extra income for each beneficiary household. The figures for the last two years have been 10.5 days of employment and, due to inflation, Rs. 2,600 in income. Records at the KEP Unit show that a total of 61,058 families from the five districts benefited from the programme last year, at a cost of Rs. 207 million. The budget should be about Rs. one billion to accomplish the programme’s goals, according to officials. Poor management has been a problem, according to Yub Raj Subedi, Chief of the unit. He says that the programme was targeted to families unable to produce food for at least three months of the year and to families where a member has a disability, is a conflict victim or is member of the Dalit community. “However the DDCs that have authority to implement the programme have failed to select only the poor,” he said. He said that every kind of household irrespective of their financial status has gotten an opportunity for employment, and that in recent years many people have submitted false documents to obtain jobs for more than one family member.

Outright corruption in KEP does not appear to be a problem, says Subedi. The budget for a district is sent directly to the DDC office, which distributes the money equally to all VDCs in the district. User groups are formed in the VDCs to select the projects for employment under the programme. KEP’s internal review does show, however, that some funds have been used for other purposes, such as teacher recruitment, health post staffing, and hiring equipment for road construction.

In light of the disappointing results from KEP, the ministry is preparing to formulate new guidelines for the project. Reforms will include needs assessment to identify beneficiary families and issuance of ID cards to them. Strict enforcement of the targeting rules will be emphasized, and third-party monitoring will be added. The ministry plans to provide equipment in some cases to facilitate agricultural and infrastructure development as well.

By Binod Ghimire
A Day in the Life of a Health Worker in Rural Nepal
Dev Datta Mahato is an Auxiliary Health Worker (AHW) of Kalinchowk Sub-Health Post, based in Bagamba-3 of Dolakha. A native of Dhanusha district, he has been serving in this rural part of Nepal for past two years. He wakes up early in the morning, prepares his meal and goes to the sub-health post where patients are often waiting for him. “It makes me really happy to serve these people for whom seeing a doctor on daily basis is impossible,” says Mahato. “I need to be prepared for all sorts of cases.” He offers first care before referring patients to hospitals.

AHWs are the chiefs of sub-health posts. In the 90s, the Government introduced a policy of establishing one health centre in each Village Development Committee in the form of sub-health posts. These health institutions provide only some basic health services including the distribution of free medicine and minor health check-up.

There are over 2,000 sub-health posts where AHWs are positioned. They also work in other institutions including health posts, primary health care centres and hospitals among others.

(Mahato was recently transferred to Duwarkot Sub-Health Post in Dhanusa district.)
What is your party’s view on how the state should deliver social protection in Nepal?
Nepal is in a transitional stage, which means there are lots of social, economic, and gender inequalities in the country. The state should do two things: first, it should try to bring about rapid economic growth so that the total pie is enlarged, and second, it should expand social protection coverage to the large section of people that are deprived of basic needs.

Is the current level of social protection adequate or do you think more should be done?
No it is not adequate. In fact social protection schemes began late in Nepal, and the social protection measures are scattered and are too basic, looking after the needs of only people like the elderly, people with disabilities, marginalised ethnic groups, and weaker sections of society who are below the poverty line.

In the election manifesto your party proposed an integrated social protection fund. Can you elaborate how this would work and who would be covered?
Yes, we have proposed a better-funded integrated social protection system so that the state has a constitutional and legal authority and duty to provide social protection to the needy. By needy people we mean the elderly population, people with disabilities and those below the poverty line and some marginalized people and communities. The fund will help in catering to the demands of these people. We need a central fund so that the state can provide adequate protection for needy people.

Your party has proposed to increase the senior citizen allowances by two times from the current Rs 500 to Rs 1500 in the next 15 years. Is this sustainable?
As I mentioned earlier, we first have to increase the wealth of the society. For this to happen we need to promote double-digit growth in the economy for at least the next two decades. As society’s wealth increases we should also increase the social protection measures.

INTERVIEW

Dr. Baburam Bhattarai, former prime minister and senior leader in the UCPN (Maoist) party, was finance minister in 2008-09. He was widely praised in that role for expanding the tax net, increasing revenue collection and expanding social protection programme. Development Advocate Nepal spoke to Dr. Bhattarai recently. In the interview he stressed education and health as fundamental rights key to long-term social welfare.

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r. Baburam Bhattarai, former prime minister and senior leader in the UCPN (Maoist) party, was finance minister in 2008-09. He was widely praised in that role for expanding the tax net, increasing revenue collection and expanding social protection programme. Development Advocate Nepal spoke to Dr. Bhattarai recently. In the interview he stressed education and health as fundamental rights key to long-term social welfare.
The idea behind social protection is to provide a cushion to those who need it, so that the playing field is levelled. But if you look at the government since the 1990s they have promoted a two-tier system in health and education. This promotes inequality between the rich and poor. What can be done to address that issue?

This is a faulty policy followed by the government to have two types of education and health systems. This needs to be corrected. Basic education at least up to the higher secondary level should be provided free of cost to all. The private sector should have a role only in higher education. In the health sector, basic health care should be provided to every citizen as a matter of right, and only specialized services should be left to the private sector. The two-tier system followed in health and education is totally wrong.

Education and health are fundamental rights of the people. So once you provide education and health insurance, people can find employment for themselves and create wealth for themselves. This should be provided as a matter of right and not as charity.

What’s your view on the introduction of universal health insurance in Nepal?

I support the plan. In fact I had instructed the Health Ministry to work on this. I think some principles have been worked out and some preliminary work has been done. I am in favour of moving ahead.

When you were in the government you had introduced a policy to levy 1 percent tax on private schools so that the revenue can be spent on public schools. Why didn’t that work?

As far as I remember the proposal was not 1 percent but 3 or 5 percent. But there were many people who lobbied hard for the government to fail and later got it reduced to one percent. But even this 1 percent was not paid by the private schools. That needs to be enforced. When I became the Prime Minister I did not have the chance to present a full budget. If I had had the opportunity I would have definitely imposed a higher tax on the private schools and spent the funds generated from that tax on public schools.

At the moment the social security schemes are spread across different ministries and departments. Do you think forming a central department or ministry is a way to go about it?

This is a very relevant question. In fact this was the idea behind forming an integrated social security fund. We could indeed have a separate ministry or give the existing Ministry of Women, Children and Social Welfare more teeth. In addition, we should try to learn from the best practices elsewhere and develop a model of economic social development that best suits our country.
Dr. Ram Sharan Mahat is the Finance Minister, a senior leader of the Nepali Congress party. An economist by training, he started his career in government after the 1991 election as Economic Advisor to the Prime Minister and subsequently as Deputy Chairperson of the National Planning Commission. As a six-time Finance Minister and one-time Foreign Minister, Dr. Mahat has had an unprecedented role in shaping and influencing Nepal’s economic policies. He is often credited for Nepal’s first wave of liberalization in the 1990s.

He has also worked for the UN. In 1989 Dr. Mahat was appointed coordinator for UNDP Afghanistan’s cross-border programme based in Islamabad. Development Advocate Nepal spoke to Dr. Mahat on his and his party’s views on social protection challenges in Nepal. He says that the state has the responsibility to care for the needs of its citizens, but insists that increased expenditure has to be linked to growth.

**‘Distribution is not possible without growth’**

How would you describe the current state of social security provisions offered by the Nepali state? Are they effective?

Nepal is among the poorest and least-developed countries – our income level is among the lowest in South-Asia. Given the state of our economy I think that social security schemes in Nepal have progressed rather well. The social security budget is quite significant at around Rs. 12 billion. This includes the old age pension schemes, pension for widows and people with disabilities, and stipends for girls’ education and for Dalit children. In addition to cash transfers we have other schemes that provide free medical services to the elderly and to Dalits. Education is free up to the secondary level. Basic health services are also free. In the Karnali region we have an employment scheme. So there are many dimensions of social protection offered by the Nepali state, but they are still inadequate.

In the 2013 election manifesto, your party outlined plans to provide housing and education to the landless, poor, senior citizens, and people from disadvantaged communities. Can you elaborate?

Many schemes that target housing and education are being implemented. Scholarships are in place for Dalit children and girls’ education, and the old age pension is being uniformly implemented. For the rest, depending on the budget availability, we will take additional measures. Everything is determined by the availability of resources to finance expanded programmes. It will take time to implement all of the promises we have made, and the state’s capacity needs to be built up to more effectively deliver even the existing schemes.
The idea behind social protection schemes is to provide a cushion to the people who need it. But if you look at the successive governments in Nepal since the 1990s, they have all wittingly or unwittingly promoted a two-tier system in health and education. That has contributed to a gap in the quality of services delivered by public and private institutions.

Yes that’s right. There is duality in health and education, but it is not that the government is not allocating sufficient budget. Almost 20 percent of our budget goes to education. If you take that into account, the government’s investment in education has not been very efficient.

Despite the high priority given to education and the heavy investment in it by the state, people still prefer to send their children to private institutions, which are more expensive. If you look at the result of School Leaving Certificate, most students who pass with distinction studied at private schools. As a result private education is more attractive. The same is true for health services. If you look at the government allocation in health, the budget has been increasing significantly. Yet the quality of service isn’t at par with the investment made. These are areas that need significant improvement.

So how do you address the gaps? There is no alternative to good and strong governance. Government should have the ability to implement the policies it announces. Its regulatory function must be strong. That is where the problem lies: there is inefficient utilization of public investment. Take for instance the old age pension. Despite the huge investment, it is still not known whether the money actually reaches the target group. The administration of the programme is poor. Whatever scheme you provide or whatever modality you go for, you must have good and strong governance that is capable of delivering services. This must be improved.

WHATEVER SCHEME YOU PROVIDE OR WHATEVER MODALITY YOU GO FOR, YOU MUST HAVE GOOD AND STRONG GOVERNANCE THAT IS CAPABLE OF DELIVERING SERVICES.
In order to improve the quality of services delivered by publicly funded schools, we promoted the concept of community schools. Community-run schools are, hopefully, a solution to bridge gaps in the education sector. And the private sector has a role to play too. Without the private sector offering education there would be huge exodus of students to foreign countries.

At the same time there needs to be a strong government that provides oversight. Much has been said about the politicization of government-funded school teachers. But there is no denying that the disparity between private and public services needs to be narrowed down.

As you pointed out the abuse of social security schemes is a significant concern. There have been suggestions that the government should opt for electronic transfers to avoid misuse. The World Bank and UNCDF are currently supporting a pilot transfer programme using branchless banking. Do you think that’s the way to go?

Yes [electronic transfer] is necessary. But the big question is whether we can reach all target groups using electronic transfers. There are various leakages and loopholes in the system. So we must also focus on strengthening the present administration to improve service delivery.

There are some who maintain that instead of investing in infrastructure of government schools, which cost a lot, the country should provide a cash voucher to each student so that they can go to private schools and get quality education.

Yes that is a good solution. We must look into that proposition seriously. Perhaps this can be introduced in phases or on a pilot basis. As I said before, the per capita expenditure in public education is higher than per capita expenditure in private schools, but the outcome from government schools is poor. So a cash voucher scheme is one possible solution.

Will your government look into this?
I cannot say that right now, but the proposal is worth considering.

What about introducing a universal health insurance?
At the moment it would not be possible to introduce the scheme because we have already created a huge public infrastructure for health services.

One thing that seems obvious when you look at Nepal’s social security system is that programmes are spread across different ministries and departments. There is no central department that consolidates the role of the state in providing social security.

Depending on the nature of the services that social security provides, different ministries are involved. It would be good to have a single ministry administering all the social security schemes, but practically speaking it would be very difficult for any single ministry to handle all of them.

Many countries combine social assistance with social insurance that includes co-payments to offer a comprehensive social safety net. What model do you think would suit Nepal?
Use of co-payments represents commitments from both sides, and there is more chance of success in this model. However the implementation is difficult, as most people cannot pay cash. It is difficult to suggest a single model. Depending on the nature of services we must devise proper solutions.

There are people who oppose the whole idea of social security because to them it takes away much-needed funds from real investment in infrastructure. Do you think this is a valid argument?
Well, the argument is always there. We are poor, but we are a democratic society, and we must care for the needs and aspirations of the deprived and marginalized population. And this requires state’s involvement.

Can social protection guarantees be reflected in the new constitution?
The last CA endorsed about three dozen fundamental rights, including free education and health care. We are good at making promises, but
for their successful implementation the state requires capacity building. The government should increase its income-generating capacity first before providing any new schemes. The liberalization of the economy in the early 1990s helped the country grow financially. A booming economy would mean that the government could also increase its revenue, and that would allow introduction of new and improved services. You have to double the national income if you want to double the social protection expenditures. For this to happen you must have more economic activity and investment.

**So what reforms can we expect in social protection in next few years?**

I cannot say right now – there are all sorts of ideas out there. The government’s investment and the taxpayers’ money must be better utilized. To ensure a better use of the taxpayers’ money you need to have innovative skills to minimize resource wastage and corruption. But for this to happen the quality of governance must improve.

**TO ENSURE A BETTER USE OF THE TAXPAYERS’ MONEY YOU NEED TO HAVE INNOVATIVE SKILLS TO MINIMIZE RESOURCE WASTAGE AND CORRUPTION.**

**Perhaps this can be linked to Nepal’s commitment to graduate from the Least Developed Countries status by 2022. Do you think this is possible?**

What I mean to say is you cannot afford to ignore the growth side of the economy. Just talking about distribution is not sufficient. Increased distribution is not possible without growth. So it is high time that we give our attention to economic growth, to the creation of a business friendly and investment friendly environment, and to putting an end to wastage of resources. The economic agenda must be the primary agenda, so we all must concentrate our energy on economic development.

**Do you think graduation by 2022 is possible?**

Yes it is possible. But we need commitment from all sides.
Social Protection Creates a Sense of Well-being

How would you describe the current social security schemes offered by the Nepali state?

Our party initiated social security schemes in the country with old-age allowances, which were gradually expanded to cover widows and people with disabilities. Lately we have also created a social security fund where one percent tax is deducted from the contributor’s salary and he or she gets a card to access services. The fund would provide someone who leaves his/her job an income equivalent to the foregone salary. The income gradually decreases and is given until another job is found or for up to six months. We have also created a social security fund where one percent tax is deducted from the contributor’s salary and he or she gets a card to access services. The fund would provide someone who leaves his/her job an income equivalent to the foregone salary. The income gradually decreases and is given until another job is found or for up to six months. We have also created a social security fund where one percent tax is deducted from the contributor’s salary and he or she gets a card to access services. The fund would provide someone who leaves his/her job an income equivalent to the foregone salary. The income gradually decreases and is given until another job is found or for up to six months. We have also created a social security fund where one percent tax is deducted from the contributor’s salary and he or she gets a card to access services. The fund would provide someone who leaves his/her job an income equivalent to the foregone salary. The income gradually decreases and is given until another job is found or for up to six months. We have also created a social security fund where one percent tax is deducted from the contributor’s salary and he or she gets a card to access services. The fund would provide someone who leaves his/her job an income equivalent to the foregone salary. The income gradually decreases and is given until another job is found or for up to six months.

I also initiated Janata Awas Karyakram (People’s Housing Programme) for Dalits and landless people in Siraha, Saptari and Kapilvastu districts. The funds for these schemes are increasing every year. The government under our party’s leadership also offered scholarships for girls and Dalit children studying in government schools. Girls are now getting Rs. 700 every year for scholarship, and Dalit children under five are getting Rs 200 for nutrition allowance on a monthly basis. We want to see all these social security schemes come under one umbrella with implementation through various line ministries.

Nepal’s social security schemes are spread across different ministries and departments. How can we bring them together?

A separate department has been formed to look into social protection, with the joint-secretary as the chief. Its jurisdiction will cover national ID cards, poverty ID cards and other schemes. This needs to be housed in the PMO. Or we could even establish a separate ministry for social security.

“AS A SOCIALIST, I STRONGLY BELIEVED THAT LAND SHOULD BE RE-DISTRIBUTED. BUT ONCE I BECAME PART OF THE GOVERNMENT, I REALIZED THAT WE HAVE NO RIGHT TO DISTRIBUTE WHAT WE CAN’T CREATE.”

Surendra Pandey, a member of the CPN-UML politburo, is a former Finance Minister. Before starting his political career as an underground communist cadre, Pandey earned a BA in Economics and a B.Com and served as a bank accountant. During his political career Pandey has worked in various capacities in different parts of country, from the southern plains to the Karnali zone.

With the restoration of democracy, Pandey completed an MA in Sociology and served as a member of the Upper Chamber of Nepalese Parliament, the National Assembly, from 1998 to 2003. During his tenure as the Finance Minister in the Madhav Nepal-led government, Pandey was credited with starting many new social protection schemes including the People’s Housing Programme and grants for Dalit children and children of the Karnali region. Development Advocate Nepal caught up with Pandey to discuss social security protection schemes in Nepal and ways to ensure their effectiveness.
What is the overall position of your party on social protection?

Our party claims the ownership of the social security programme in Nepal, since our government started the majority of these schemes. Even other major parties have praised us for our commitment to social protection. If I were to become the finance minister again I would increase the old-age allowance to Rs 1,500. I believe that we should provide people with the means for a decent living. At present the government invests Rs. 12 billion for old-age and other allowances. The expenditure will rise if we increase the allowance. Now to balance that, what we can do is to provide Rs. 1,000 for those who are above 70 and Rs. 1,500 to those who are above 80 years of age.

Is it possible to ensure housing facilities to 500,000 people within five years as your party has promised in the election manifesto?

We have started providing housing, and so far 14,000 houses have been built. At least 70,000 people are living in safe houses already. Also 4,000 houses for Chepangs have been built – 1,800 in Chitwan alone. We can definitely provide houses to all Chepang families. This can then be further expanded to other marginalized groups within the next five years. And from my experience, if the government commits to the programme then it is possible to build 500,000 houses.

CPN (UML) has promised free education up to the intermediate level for all. But the public school system in this country does not generally provide quality education.

There will be differences but we should not forget that receiving an education is important regardless of what schools people attend, private.

Mr. Surendra Pandey

Kiran Panday

“EDUCATION UP TO HIGHER SECONDARY LEVEL HAS TO BE FREE, AS EDUCATION HELPS EMPLOYABILITY. UNIVERSAL HEALTH INSURANCE ALSO NEEDS TO BE STARTED. PILOT PROGRAMMES ARE ALREADY UNDERWAY IN FIVE DISTRICTS.”
or public. First we need to educate people. A large part of the Nepali population still lives in poverty. At least they will have access to education. That will give them a better chance at social mobility.

**Can the government bear the increasing cost of social protection?**

Obviously the government cannot, so we need a co-payment system. Take health insurance for instance. Health insurance does not mean that all the diseases will be covered. Why would a foreigner come to Nepal or India for treatment if their insurance in their home country covered all their costs? So we need to understand that insurance does not cover all your health bills.

> **IN THE NEXT FIVE TO TEN YEARS WE NEED TO STOP TRANSACTIONS INVOLVING CASH EXCEPT FOR SMALL DENOMINATIONS. THIS WOULD DISCOURAGE PEOPLE FROM USING CASH AND ENCOURAGE THEM TO GO THROUGH THE BANKING CHANNEL.**

Some of the main problems in social security seem to be distribution of funds and having them reach the right beneficiaries. Is there room for improvement?

This is a common problem in Nepal. We need to develop a strong distribution mechanism to regulate this sector. We can ask the banks to distribute or take electronic modes of transfer, but money transfer through banks has its own problems. Elderly people cannot always come to the bank to fetch the money, for instance. Hopefully improvements will come.

**So is this why the government is also promoting branchless banking?**

I don’t think branchless banking is associated with the old age pension delivery issue. Branchless banking...
is more of a simplification of the banking process, more linked to governance than social security. There are loopholes in our system. I have some thoughts on how to improve all governance.

Can you elaborate?
In the next five to ten years we need to stop transactions involving cash except for small denominations. In the United States the maximum cash denomination is USD 100. Now once, we have a proper banking system in place, we could stop printing bills that are more than Rs 100. This would discourage people from using cash and encourage them to go through the banking channel. The first thing we could do is to prohibit people from carrying cash beyond a maximum amount. Second we should conduct real estate transactions, especially for land, through an online medium. Here people can use a digital signature and conduct transactions from home.

For those who cannot afford to conduct transactions from home we can establish a proper agency to assist them. This system would also prevent corruption and under-billing problems as people, not computers, demand bribes. The other thing we should do is to begin taking tax payments online. For example, when you make a transaction using a debit or credit card, the Value Added Tax is automatically routed to the government account. There is an urgent need for national ID cards too. All transactions involving vehicle registration and sales should be conducted online. Once these concepts materialize we can fight against corruption and establish good governance. This will improve service delivery to a large extent.

There are people who oppose the whole idea of social security because it takes away much needed cash from real investment in infrastructure. Do you think this is a valid argument?

Some people in Nepal tend to think that only investment in big projects brings real development. In some cases it is true, but it usually also invites corruption on a larger scale. That may be why schemes that work on distributing money directly to the people face acute opposition from those who, perhaps, benefit from the corruption in big projects. Yes, capital formation is difficult, but it is more important that these funds increase a sense of well-being, reduce social tension, and provide relief to people in dire needs.
Corporate Social Responsibility and Social Protection

Governments as well as the private sector have the primary responsibility of affording social protection to all citizens. Many countries, including those in South Asia, have used a variety of instruments, programmes, policies, and funding mechanisms to achieve this goal. ANIRUDDHA BONNERJEE and SUMONA GHOSH explore the nexus between corporate social responsibility and social protection and conclude that enterprises and corporations have an important role to play in policy and legislation with respect to social protection.
Throughout the industrialized world and in many developing countries, there has been a sharp escalation in the social roles corporations are expected to play. Companies are facing new demands to engage in public-private partnerships and are under growing pressure to be accountable not only to shareholders, but also to stakeholders such as employees, consumers, suppliers, local communities, policymakers, and society-at-large. Business ethics are becoming an important concern for investors and other stakeholders and are beginning to feature in strategic public profiles of corporations. This paper sheds light on the relationship between the extension of social protection and social security with Corporate Social Responsibility (CSR), in particular, the various entry points for the extension of social protection in South Asia: (a) through voluntary provisions of a corporation of coverage beyond legal requirements to all employees, their families and possibly their surrounding community; (b) through the enrichment of inclusive and participatory social dialogue relating to the involvement of employees in the sustenance of such efforts; and also (c) through the formation of market responses to the social protection needs of the vulnerable people.

There are many definitions of CSR, and it is certainly not a new concept. For the purposes of this paper CSR is defined strategically: it explicitly recognizes that all business activity affects society and the ecology in a variety of ways, and, in turn, could be affected by these changes. Hence CSR encompasses not only what corporations or businesses do with their profits but also how they strategically manage the economic, social and environmental impacts of their activities as well as their key relationships in the workplace, the marketplace, the supply-chain, the community, and the public policy realm.

Synopsis of Indian Experience
The Indian experience in this regard shows that existing CSR processes on the provision of social protection as well as reporting have not found adequate traction despite recent legislation.
Preliminary data emanating from desk and field research on 208 companies\(^2\) suggests the need for a much deeper look at the interaction between CSR and social policy. Scarcely 35 percent of the firms studied listed CSR, with most disclosing or having no CSR activities (see figure 1). The Indian case reflects not only the South Asian experience but could very well be symptomatic of a global malaise: A recent ILO study found only a small minority of S&P100 companies engaged in the provision of social protection with standardized and transparent reporting.\(^3\)

The Indian Companies Bill, 2011 encourages all companies to engage voluntarily in CSR while making it mandatory for those earning above a threshold in net profits\(^4\) to spend no less than 2 percent in CSR activities approved by top management, including an independent director. It further directs CSR activities into diverse areas: setting up of welfare funds for employees, eradication of poverty, promotion of education, gender empowerment, improvement of maternal health, reduction of child mortality, combating HIV, promotion of environmental sustainability, employment enhancement skills training or education, social business projects, and contribution to government funds.

Government authorities have proposed a draft set of CSR rules under section 135 of the Companies Act. The nascent legislation does not provide a framework for incentivised inclusive involvement of all stakeholders nor does it provide a coherent monitoring and evaluation framework to ensure compliance. Most critically it lacks clarity on the role and nature of the public sector in promoting CSR and fails to address the severe capacity limitations in implementing a functional regulatory and legal structure. Not surprisingly it does not adequately account for the complex interplay between business decisions, objectives, incentives, and drivers of change towards CSR.

However the situation also provides an opportunity, as some well-known corporations in India such as the Birla Group, CISCO, the TATA group, Indian Oil Corporation, Hindustan Unilever Limited, TCS, IBM, Infosys, WIPRO, ITC, Britannia, ONCG, Bajaj, MRF, and GlaxoSmithKline Pharmaceuticals are engaged in the provision of health, education, environmental protection activities and basic amenities as CSR.\(^5\) These findings are also confirmed by ongoing research suggesting that corporations, as part of their CSR

\(^2\) The top 500 private sector companies were selected from the BT 500 list of companies published by Business Today (India Today Group). After excluding companies with declining or negative profits, the remaining sample size was 208.


\(^4\) Over Rs. 50 million in net profits, or having over Rs. 5 billion net worth, or above Rs. 10 billion as turnover (Bill No 121 of 2011: The Indian Companies Bill, 2011).

efforts, are focusing on education, health, and the environment in addition to rural improvement and the provision of employment based services (see figure 2).

An interesting observation is that poverty eradication activities do not figure as prominently. This is not surprising given that it is typically seen within the purview of the public sector. These exceptional cases could form the basis for curating and expanding CSR initiatives for social protection in South Asia: It is well known that coverage is exceedingly low in South Asian countries in general and very heavily skewed in favor of the non-poor, suggesting glaring coverage gaps among the middle and lower income groups (see figure 3).

Although India is regarded as an economic powerhouse, an overwhelming majority of the workforce is in the informal sector, many are migrants, illiterate and lack access to basic amenities and markets. Under these circumstances it becomes even more imperative to develop ethical business codes of conduct through participatory social dialogue. Despite the growth of multi-national enterprises and globalization, many businesses in South Asia are typically family driven hierarchical structures. The understanding of CSR is confused with philanthropic support, donations to local charity projects, and similar activities. Although noble, this form of CSR may not be the most efficient use of scarce resources and can be interpreted as bribery or malfeasance. A fruitful policy shift should deem these activities as complimentary or in addition to the CSR policy instead of dominating it.

These findings are worrisome because conceptually there is little difference between the motivations of the private sector and the state in the extension of social protection: the long-term goal for both is to promote human development and economic growth and foster stable marketplaces and value-added supply chains by reducing systemic or idiosyncratic risk at individual, household, community, state, and national levels. Sustainable corporate and economic growth or development rest on the twin premises of ecological prudence as well as an

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affirmative and inclusive promotion of universal human rights to work, the right to a basic education, the right to have access to food, hygienic water and sanitation, basic healthcare facilities, and a voice in social justice.\(^7\)

**Potential Entry Points**
CSR is not meant to substitute for state provision of social protection, but it can plug important gaps in coverage and play a pivotal role in the promotion of social wellbeing at the grass-roots level. International experience as well as emerging global platforms for CSR\(^8\) highlight the urgent need for knowledge sharing and international cooperation, as the issues are complex and diverse but critical for sustainable development. There are several entry points for CSR that could be transformative for Social Protection in South Asia.

**Entry points in the corporate value chain**
Social protection and CSR must be seen as long-term investments in society and human capital. An interesting development in corporate strategy across the world has been the increasing movement towards the notion of “value-chain” as opposed to “supply-chain”.\(^9\) The three major intersecting points between CSR and social protection in the corporate value chain are human resources and employment, procurement, and production (see figure 4).

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\(^8\) E.g., United Nations Global Compact (http://www.unglobalcompact.org).

Human resources are often a company’s most visible and identifiable resource and therefore form an important group for targeting CSR activities and the promotion of an inclusive social dialogue (e.g., work-place health and safety, old age and disability, social security for families, community, etc.) If such activities are synergized with a public legal and regulatory structure, there is considerable scope to expand social protection coverage rapidly within countries. Major advantages are that such an expansion of coverage could be designed for filling coverage gaps spatially or for providing progressive benefits encompassing voluntary contributions from the firms in addition to statutory obligations. Equally importantly such activities will also promote social dialogue and provide an impetus to employees for inclusive participation in the socioeconomic affairs of their communities.

A more complex but equally compelling area for CSR activities is through the supply-chain or procurement-chain. The complexity arises because businesses have to provide incentives and encourage suppliers, who are often external, to extend the CSR framework. Joint-codes of conduct and other instruments can play an important role in facilitating the adoption of CSR frameworks along the supply chain. However the lack of a public legislative framework and difficulties in oversight are major challenges that must be addressed. Consequently, this important area for expanding social protection through CSR remains unexplored in terms of research and implementation but offers a huge potential to incorporate CSR activities directly linked to social protection to a wide swathe of society.

“TO AVOID REPLICATION AND WASTAGE OF RESOURCES, CORPORATE CSR POLICY AND PUBLIC SECTOR SOCIAL POLICY HAVE TO BE CAREFULLY ALIGNED.”

Women make their way to the health camp in Samundratar of Nuwakot organized by Kathmandu Medical College. The banner on the gate reads: Uterine Prolapse is a concern of all. © Manish Gautam
Finally CSR activities can also extend social protection in the production process through the creation of goods and services that cater to the social protection needs of local families and communities who are most often caught up in a vicious trap where deprivation of access to basic goods and services such as food, water and sanitation, shelter, education, health, and electricity combine with the lack of income and assets to create a horrendous situation of multi-dimensional poverty and exclusion. The largest markets in South Asia in terms of size and potential buying power are in rural areas. Thus it makes social as well as economic sense to create goods and services that can serve them through differential product lines. Consumers can then internalize the consequences of corporate processes through their purchases.

Entry points through public policy
Most governments in the region now have mandatory entry points for larger corporations with respect to CSR as well as through taxation and other transfers (e.g., social security) that can complement state funds for the provision of social protection. Taxation policy can play an important role in this context, but in the case of South Asia the large informal sector and capacity limitations of the public sector create a situation where the Tax/GDP ratio fluctuates around only 10 percent of GDP, among the lowest in the world. There is considerable scope for public policy to attain greater buoyancy, increase the tax-base, and consider a more progressive tax structure. Increasing fiscal space is therefore a necessity as it affects both businesses as well as millions of families.

Another crucial concern relates to corporate governance issues, both in the private sector and the public sector. Compliance is invariably easier if businesses and the private sector can see their taxes and statutory contributions being put to a beneficial and productive use, rather than as political handout under the guise of welfare. Infrastructure expansion, especially to remote areas, has been vital in improving access for both businesses and households and also allowed new and innovative means of social protection interventions (such as e-transfers). To avoid replication and wastage of resources, corporate CSR policy and public sector social policy have to be carefully aligned to ensure that the complex interplay between CSR and SP generates positive socioeconomic outcomes.

Conclusion
Business involvement in social protection rests on the sanguine expectation of a win-win symbiotic cycle: for businesses, employees, their families and the community. Current thinking of CSR in South Asia is deeply influenced by emerging concerns from governments, civil society, and businesses themselves within a context of rapid globalization, increased competition, the changing roles and balances between business, industry and the government, as well as renewed global consensus about social equity, shared responsibility and inclusive growth. Existing capacity, political imperatives, contingencies, legislation, administration, and the prevailing culture and attitudes towards social responsibility, corporate governance, and poverty are therefore likely to be key driving factors shaping CSR in South Asia.

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Based on World Development Indicators, 2013. World Bank, Washington, DC.
Weak fiscal space, limited capacity, fragmented, reactionary, or politically motivated initiatives, poor targeting, and design flaws continue to challenge the expansion of social protection in the SAR – home to nearly one-sixth of the world’s population but more than half of its poor and hungry. Given the sheer size of the population as well as its spatial dispersion, there is considerable scope for the private sector to strengthen and deepen the social protection space in South Asia. The private sector in most South Asian countries has witnessed considerable and profound changes while facing diverse government regimes (coalition democracies, monarchies, and dictatorships), political turmoil and the uncertain affects of globalization. Its contribution in terms of economic growth and social welfare has been largely ignored and needs to be better harnessed and curated.

In any development context, rich or poor, both the private and public sector bear a joint responsibility towards environmental protection and the promotion of socio-economic justice, especially towards disadvantaged groups such as women and children, ethnicities, and religious minorities. With increasing globalization juxtaposed with a situation where a vast majority of an increasingly migrant workforce is in the informal sector and environmental concerns have yet to take center stage in policy making, the scenario suggests a need to implement proactive or affirmative action policies whereby the development space is deepened and strengthened through innovative and creative public and private sector collaborations, partnerships, and interactions through voluntary as well as mandatory entry points.

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Despite significant success in reducing maternal and child mortality in recent years, nutritional status of mothers and children in Nepal remains poor. MANISH GAUTAM reports on a USAID supported intervention.

Nan Devi Ghatane, 22, a Dalit from Mustang, a mountainous district best known for its rugged Himalayan peaks, was married at age 16 and got pregnant two years later. She gave birth to a son who died after just a week. Ghatane’s second child was a girl, Smrity. When Smrity was 18 months old, Nan Devi was already feeding her local food like *jaulo* and *dhido*, which usually don’t provide the complete nutrition needed by an infant.

Smrity needed a diverse diet to ensure healthy physical and mental growth and to safeguard against malnutrition. Good health, cognitive development, and productivity cannot be achieved without good nutrition. Poorly nourished children cannot grow and develop properly, resist infections, or achieve their full potential. Malnourished adults are less capable

20-year old Ranju feeds her son after receiving orientation on child nutrition from Suaahara.

“GOOD HEALTH, COGNITIVE DEVELOPMENT, AND PRODUCTIVITY CANNOT BE ACHIEVED WITHOUT GOOD NUTRITION.”
of performing work and are severely disadvantaged in terms of their social and economic security.

In winter, there is an added scarcity of food in Mustang, and in the absence of a regular nutritional diet at an early age, Smrity was highly susceptible to under-nutrition.

Smrity, however, was lucky. Nan Devi happened to attend a two-day interaction session organised by the USAID-funded integrated nutrition project Suaahara, where she learned about the importance of nutrition, sanitation, and hygiene for mothers and children. Nan Devi also learned the skills to grow and maintain pumpkins, coriander, fenugreek, and green leafy vegetables, and understood the importance of vitamins, iron, and minerals for pregnant and lactating women. Additional topics included animal husbandry and the importance of protein for maternal and child health. Nan Devi also received seeds for her vegetable garden, five young chicks, and greenhouse plastic to help maintain her garden in cold weather. She immediately began putting her skills to cultivate vegetables into use and incorporated nutritious foods into her daughter's and her own diet.

Today Smrity is a healthy child.

However not all children in Nepal are as fortunate.

In recent years, Nepal has been able to significantly reduce its maternal

HIGHLIGHTS

- 22 percent increase in the prevalence of exclusive breastfeeding of children under 6 months (Baseline status: 46 percent and year two status: 68 percent)
- 11 percent increase in the prevalence of children 6-23 months receiving a minimum acceptable diet (Baseline status: 36 percent and year-two status: 47 percent)
and child mortality rates and has garnered much appreciation worldwide. However, the nutritional status of both mothers and children in the country remains poor. Common nutritional complications in children include stunting, wasting, anaemia, and lower than normal weight. Data shows that 41 percent of children under five are stunted, while 29 percent are underweight. This data presents a grim picture.

In 2010, world leaders agreed to improve the nutritional status of children and mothers and announced a new movement known as the Scaling Up Nutrition (SUN) Movement. SUN supports integrated interventions that have the greatest impact on reducing mortality, disease, and irreversible harm in the first one thousand days of a child’s life, starting at conception. Nepal signaled its commitment to join the SUN Movement on May 5, 2011. The Government of Nepal then initiated a Multi-Sector Nutrition Plan (2013/17) that focuses on the thousand-day period from the start of a woman’s pregnancy until her child’s second birthday. Evidence suggests that malnourished mothers have a higher risk of giving birth to underweight children.

The Suaahara project works alongside the Government of Nepal to achieve the goals set by the Multi-Sector Nutrition Plan in 25 vulnerable districts. It reaches over 250,000 households and coordinates intensively at the national level with the National Planning Commission, various ministries, donors, and NGOs to create a strengthened coordination and policy environment. It is the chair for the Nepal Nutrition Group, which is made up of key development partners, and is a key technical member of various government-led working groups.

“To tackle the issue of under-nutrition in Nepal, it is crucial to integrate nutrition into other development efforts such as food security, clean water, better hygiene and sanitation, and improved health services. The National Planning Commission-led Multi-Sector Nutrition Plan focuses on that, and Suaahara supports this effort of integration across sectors,” says Peter Oyloe, Chief of Party, Suaahara Programme.

Ensuring that all mothers and children have a proper nutritional status understandably also requires
a multi-faceted approach. The case of Serumane Tole of Magapurwa VDC in Dolakha district shows the success of interventions that address overlapping issues of nutrition, and health and sanitation.

The area was earlier rife with foul odours due to open defecation, which is a common practice in many rural areas in Nepal. Habits acquired in childhood are very hard to change, and the idea of everyone defecating in the same place can seem very foreign to those who have little experience with toilets.

"Open defecation is directly correlated with child health. The germs contained in faeces make their way onto children’s fingers and into their food and water, causing risk not only of diarrhea but also of malabsorption of nutrition in the longer term,” says Oyloe.

Suahahara also works to create open-defecation-free areas, and the idea was translated into action in Serumane Tole when 81-year-old Kasirupa Nepal was the first to build a toilet in her house. It was not because Kasirupa feared rain or snakebites, but most importantly, she says she didn’t like the vile odour around her house. She now also recognizes that her family is at a much lower risk of diseases transmitted through human faeces. Her daughter and grand-daughter have also started to use the latrine.

Through various interactions, the programme educates immediate family members, like husbands and mothers-in-law, who generally have significant decision-making power in the family when it comes to health, nutrition, and family planning. This has a positive impact in creating a supportive environment for mothers and children.

The programme strives to teach simple, vital behavioural changes that will lead to a lifetime of good health for mothers and their children, as it did in the case of Nan Devi and her family. In just two years USAID has improved the food security and nutrition of families in more than 74,000 households and equipped over 370,000 Nepali women and men with the right knowledge and tools to ensure the healthiest possible start to life for the next generation.
India is an important development partner for Nepal, supporting the country through generous assistance in infrastructural development including roads, bridges, hydroelectric projects and hospitals. John Narayan Parajuli of Development Advocate Nepal caught up with Indian Ambassador to Nepal Ranjit Rae to discuss India’s assistance, prospects for cooperation with other development partners, and the future trajectory of Indian aid. Ambassador Rae is a seasoned diplomat who has served as ambassador to Vietnam and Hungary and as First Secretary of the Indian Permanent Mission to the UN in New York. He has served in the United Nations Mission in Kosovo and in the Department of Peace Keeping Operations in New York, and also as the Press Secretary to the President of India. Ambassador Rae says that India does not perceive itself as a donor: “we look at it more as a partnership for mutual benefit. Development in Nepal also benefits India in various ways.” He has become more optimistic about hydroelectric development recently. “Some large Indian private companies are engaged in serious negotiations to finalize power development agreements,” he says.

How do you see Nepal’s current development and what can Nepal learn from India?
Current developments are very positive. The successful CA election was exemplary for the huge turnout of voters. That is something Nepal can be really proud of. This also demonstrates that the people of Nepal are very keen that the constitution is finalized so that the country can focus on economic development. So I find the recent developments very positive, and I also feel very optimistic about the political leaders’ commitment to finalize a new constitution within one year. With this the country will be on its path to peace, prosperity and security.

Is there anything to learn from India’s development?
That is something for Nepal to decide. We wrote our constitution some 64 years back, and India is proud that its constitution enshrined democracy in the country and guarantees the rights of the people. And it is not static: it is a dynamic document that evolves and keeps changing to match the pace of the country and its people. So the applicability and relevance of the experience to Nepal is something that Nepal has to decide. I would like to say that India stands ready and committed to assist Nepal in whatever ways she chooses.

India has been a key development partner for a long time. How has the engagement of India in Nepal evolved?
Well I would certainly say that our engagement has deepened over the years. The number of areas of cooperation has increased, and our development partnership has strengthened. Earlier the India Aid Mission focused on infrastructure projects such as roads and airports at the request of the Government of Nepal.

Today roughly IRS four billion (Rs 6.4 billion) comes to Nepal as aid every year. The focus now is on two key areas, education and health. Institutions like Tribhuvan University,
the BPKIHS in Dharan, Bir Hospital Trauma Centre, Manmohan Memorial Polytechnic and others operate with Indian assistance. India has also cooperated on water resources, particularly flood control, since this is something that affects both countries. We have big programmes for embankment construction on rivers like the Lal Bakaiya and the Bagmati, among others. In addition India has assisted in the development of infrastructure. We have a big project for the renovation of the Hulaki Raj Marg – 1,400 kilometers of roads in the Tarai. This also includes major infrastructure projects like laying optical fiber throughout the country. So the cooperation extends to education, health, water resources and power exchange agreements.

India is a net exporter of power to Nepal. The transmission lines can evacuate power to Nepal and vice-versa. Nepal has a huge potential in hydropower, but is yet to be developed. We are working hard to find a win-win situation for both the countries. Many new transmission lines and roads are coming under our two lines of credit totaling USD 350 million.

But the partnership in hydropower has not really taken off, as one would hope. Yes, it’s a pity. You see the water getting into the ocean, and we are not utilizing it to generate power. I don’t want to get into the history of this, but I personally feel that this sector provides a huge opportunity for Nepal.

“Indian cooperation extends to education, health, water resources and power exchange agreement. India is a net exporter of power to Nepal.”
and India. Nepal will have enough water resources for its own use and development and could easily export surplus power to India, since we are also a power deficient country. As our Prime Minister has said on many occasions, there is no way we can sustain on economic growth rate of 8 to 10 percent annually if we don’t have enough energy resources. Also hydropower is clean power, with very limited environmental impact.

In the recent months and years I have become more optimistic because we have some Indian private companies engaged in serious power negotiations to finalize power development agreements. Of course we also have the famous Mahakali treaty that includes development of the multipurpose Pancheshwar project. It is a priority for both countries, and we are working very hard, sincerely and honestly, to ensure that the joint project authority is established as soon as possible. Work is in progress, but I would want the pace to be a little faster.

What informs your decisions in choosing priority areas in Nepal?
Principally our assistance programmes are driven by Nepal’s priorities, within our ability to assist. The Indian economy has grown stronger, and that has resulted in significant growth in the total assistance from our country to Nepal. Of course once the hydropower projects come online there will be a paradigm shift in terms of the nature of development partnership.

India is an emerging power. Do you perceive yourself as a development partner or a donor? What should India’s role be?
We have been perceived as donors, but principally it is not that one country gives and the other receives. I don’t think that is the way we look at the situation. It is more of a partnership for mutual benefit. Development in Nepal also benefits India in various ways. We are neighbours, and the water issue is obviously important to both countries. With health institutions like BP Koiralain Dharan there are lots of Indians who come for their treatments like cataract surgery. So overall if there is stability and prosperity in Nepal, especially with open borders between the two countries, it is of immense benefit to India as well.

India has recently announced a foreign aid agency, the Development Partnership Administration. Is this an indication of change or is it just a streamlining of what you have already been doing?
It is certainly a very clear indication of what we want, not only to streamline but also to systematize and organize ourselves so that our development
cooperation or partnership projects and programmes are more efficient and cost-effective. So far we have done things on an ad-hoc basis. Each division of each ministry handled projects independently. The idea now is to streamline ongoing partnership programmes. We also want to provide more detailed underpinnings for programmes we undertake. Most of our cooperation programmes are in the fields of education, health and infrastructure, not only in Nepal but also in Bhutan, Afghanistan and Bangladesh. So you can see that there are some common themes running through these programmes. Eventually I hope that the Development Partnership Administration will develop into an institution that will oversee the entire range of our assistance programmes.

If you look at India’s engagement in Nepal, it is mostly with the government. We don’t see much collaboration with other development partners. Might that change?
Yes, certainly. We are quite new to this, so our engagement has been mostly with the government and not much with other development partners. Currently we work directly with government, both the central government and the DDCs and VDCs. In order to improve the efficiency of our programmes we now have undertaken lots of small development projects and have a standard Memorandum of Understanding with the government. What we do is we sign a tripartite agreement with the VDCs that implement these small projects. We have tried to improve the efficiency and speed of these projects. But I agree with you that most of our interactions are with the government either at the central level or district level. We don’t have any formal mechanisms for coordination and cooperation with donors. But we do meet from time to time and exchange views. It is useful to know what others are doing and benefit from their experiences, as they have played this role for much longer.

How does the Indian government see the role of UN and UNDP in general?
Very positively: UNDP has played a very important role. I know that from India and I also know it from my own experience when I was posted in the Indian Permanent Mission in New York. The advantage of the UN is it brings best practices from other countries and regions and tries to share its knowledge, for instance in Nepal. Also I know that UNDP plays a coordinating role in many countries. So we look at UNDP’s role and the entire UN system and its specialized agencies very positively.

On a final note, where do you see Nepal in 20 years from now? Do you have any predictions?
It is something that Nepalese people should decide. All I can say is that we very much hope there will be peace, stability and prosperity. We hope that Nepal will graduate from a LDC to a middle-income country.
Dr. Baburam Pokhrel is the founder and chairperson of VS Niketan School. He is former president of the Private and Boarding Schools Organization Nepal (PABSON), an umbrella organization of private schools across the country, and a member of the Constituent Assembly. Development Advocate Nepal spoke to Dr. Pokhrel about the current state of education and prospects for reform. Excerpts:

How do you assess the present level of education in the country?

Our present education policy is like a ship that has lost its compass: we don’t have any direction nor have we been able to figure out the mission. Despite significant changes in the political and education dynamics, the Education Act that was endorsed by the Panchayat in 2028 BS is still functional. It is necessary to formulate a national education policy based on our needs and priorities. It is also necessary to develop a curricula based on consensus about what kind of education we want to deliver to our children and what kind of human resources we want to produce for the future.

There are about eight million students in Nepal, and around 1.5 million of them attend private schools. The government has been spending over Rs. 60 billion for 6.5 million public school students. But when we look at the outcome, it is pathetic. Of every 100 students enrolled in grade one, half leave the school system before they complete primary education. The numbers further decrease to 13 percent by grade 10, and just 30 percent of those pass the School Leaving Certificate (SLC) examination. The overall academic environment is very poor.

What has led to this situation?

The main weaknesses of the public schools are poor infrastructure, weak academic environment, high political influence, and lack of accountability on the part of teachers. Public schools lack basic educational materials, and the textbooks are not reaching schools on time. Teaching and learning is not child-centered, and the school atmosphere is not child-friendly. Many public school teachers are close to political parties – that’s why they are not subjected to any kind of discipline, resulting in the deterioration of the quality of public schools every year. If we analyse SLC results, the pass percentage of these schools is hovering around 30 percent while the rate is over 90 percent in private schools. Ninety-nine percent of students earning distinction marks are from private schools. But pass percentage is not the sole indicator to determine the quality of education. The education that we offer should be applicable to life, but sadly it is highly theoretical with no room for enhancing practical skills. The education policy that guides our academic system and curriculum needs to change.

What is your take on the two-tier education system in the country?

It is not the education but the management that is different. Both private and public schools have been teaching the same curriculum, and there is the same evaluation and monitoring system. However, the quality of teachers in the two types of institutions is different. Those in private schools are comparatively better than most of those in public schools.
Outstanding Public Schools

With the right management, even government-funded schools can compete with modern day private boarding schools and can even beat them.

Poor management, irregular and inept teachers, traditional teaching style, high absenteeism among students and low success rates characterize the general perception when it comes to public schools. However, there are some public schools in the country that are far ahead of the majority of private schools, both in teaching and in management. Like the popular private schools, the best public schools are oversubscribed. Every year a large number of students take entrance exams for a limited number of seats at these schools. With improved pedagogy, committed teachers and sound management in place, such schools are changing the general perception of public education.

Exemplary schools like Gyanodaya Secondary School based in Bafal and Tarun Secondary School, Balaju have proved that government-funded schools can compete with modern day private boarding schools and can even beat them. Gyanodaya had just 180 seats for new students from grade one to eight in the current academic session, but over 500 students applied. Similarly, over 800 students applied for the 200 seats from grade one to seven in Tarun School.

Both schools teach in English and offer Early Childhood Development classes for pre-primary students. Over 600 students are currently enrolled in the pre-primary classes alone from the two schools. Their special attention to weak students, emphasis on co-curricular activities and focus on the practical aspects of study have also attracted attention.

Om Krishna Shrestha, vice-principal of Tarun School, said the share of students who transfer from private schools to his school is significant and is increasing every year. “It is the result of teamwork among teachers, their dedication, and their commitment to their profession,” he claims.

While the average success rate of students taking the School Leaving Certificate (SLC) exams in community schools has been around 30 to 40 percent over the last decade, more than 90 percent of Gyanodaya and Tarun students pass, with one-third of them securing distinction marks. The SLC result is taken as an important tool to measure the success rate of schools. The Department of Education has awarded Gyanodaya School and Tarun School the National Education Award four times each. The Award is given annually to two schools, one public and the other private, based on their management, SLC results, number of students and consistency in delivering quality education.

Dhananjaya Sharma, immediate past Principal of the Gyanodaya School, is credited with the tremendous achievement of the school. He believes that there is no reason why public schools cannot deliver as competently as private schools. He says that teachers in public schools get higher salary than those in private schools, that 95 percent of them have had teaching training, and that the education is almost free for everyone. “The only things needed are commitment and honesty in teachers and good leadership,” he said, adding that the most important role in improving the school lies in the hands of the headmaster.

Someone with decades of experience in the academic sector and now a legislator representing the education sector, what do you think could bridge the gap?

First a new education act and policy should be formulated that addresses the demands of the changing times. About five percent of children are still deprived of the opportunity to study, and they should be brought into the school system immediately. Those who are out of school are mostly from Muslim, indigenous, and marginalised communities, and their right to education must be ensured.

Similarly, there is a need to set up a proper monitoring mechanism to gauge how much attention a teacher is giving to his or her students and to establish a system of rewards and penalties. In addition, there should be a public-private partnership to boost the quality of the public schools.

The Department of Education had formulated a plan to handover the management of public schools to private schools operators as a pilot project. Why the delay?

We are ready to cooperate with the Government. There are two ways we can support public schools: one, we can help in infrastructure development, through building construction, setting up libraries, and supporting the establishment of labs. Two, private school managers are also ready to take over management of public schools. About 100 private schools operators are preparing to support the operations of an equal number of public schools as a pilot project, starting from the next academic year. We are demanding a waiver of the one percent service tax and a subsidy for buying vehicles for private schools, in return for our support.
Kamala Nepali and her co-workers in Kapilvastu owned no land and had no regular source of income and lived in constant fear of being caught in a cross-fire during the conflict. They used to rely on the sale of firewood collected from the public forest. Today they are successful micro entrepreneurs who make judicious use of natural resources in their vicinity in order to make a decent living.

“We were landless people living along the East-West highway inside a jungle. We used to collect wood from the jungle and sell it in the market nearby. Initially we were brought here to construct the road. The construction company completed the job and left, but we stayed here. We started working as day-labourers and also started collecting wood. After the armed conflict began in 1996, both sides targeted us: the government security forces called us jungle encroachers and Maoist supporters, and the Maoist cadres who took shelter in our community treated us as government informants. Every day we lived in fear, worried that our children would become targets of the conflict. We felt powerless because we had no land and no regular jobs.

In 2007, the Micro-Enterprise Development Programme (MEDEP) approached our settlement, aiming to improve the livelihoods of conflict-affected and conflict-vulnerable families through the creation of micro enterprises. In mid-2007, MEDEP offered Entrepreneurship Development Training (Start and Improve Your Business – SIYB) to 33 potential entrepreneurs. We selected babiyo grass rope-making since the raw material was easily available and there was a sizeable market demand. Twenty of us who chose to start making babiyo rope also received skills training and 15 rope-making machines from MEDEP.

MEDEP also helped to build a Common Facility Centre (CFC) where these machines were installed, and all 20 of us (19 women and one man) started working there. MEDEP also supported us in marketing our products by linking us with local and district-level retailers and wholesalers in Kapilvastu and neighbouring districts. We started to supply our goods as far as Dang, Arghakhachi, Rupandehi and even across the border to India. In a very short time we saw an incredible rise in our incomes.

Now all 20 of us are self employed in our own village. This has helped change our identity from poor and landless to micro entrepreneurs, and the behaviour of government agencies towards us has also changed. We quit collecting wood from the jungle and made our daily routine of harvesting raw material, babiyo grass, and producing and marketing our rope.

Now we have a permanent building for the CFC with 15 machines. We also received support in building a child care centre where 15 children get care while we work in the CFC.

In 2013, each of the entrepreneurs in our group earned Rs. 145,000, and the total annual transaction of the group was Rs. 2,900,000.”

(As told to Indra Dhoj Kshetri, Communication and Documentation Specialist and Krishna Chaudhary, Monitoring and Evaluation Officer of MEDEP/UNDP.)

MEDEP is a flagship programme of UNDP and the Government of Nepal and is funded by Australian Aid.)
Previous edition of Development Advocate Nepal

The purpose of this publication is to create a platform for discussion on development issues and challenges – a place to showcase successes and innovations and also a place to highlight problems while drawing lessons from all over the world.

From a UN and UNDP point of view, we are here to assist the people and the Government of Nepal as they build a better future for the country. It may be a cliché, but it is true that one of our core strengths is our convening power. What better way to offer that service than by attempting to bring together knowledge and policy advice generated by different organizations on a range of development challenges that Nepal faces through this platform?

The first edition of Development Advocate Nepal looked at Nepal’s achievements so far in meeting the MDGs and at the challenges it faces in bridging the gaps, while considering the agenda beyond 2015 and what it could mean for the country. The first edition is packed with stories about efforts to reduce poverty, improve living conditions, and consolidate peace, along with personal and institutional narratives of transformation.

The Millennium Development Goals (MDGs) articulated at the dawn of the millennium provide a powerful framework to promote efforts to improve living conditions around the world and to focus international assistance and national systems towards meeting these goals. Now that the MDG deadline nears, it is time to examine the progress made so far and progress that could be made by 2015.
our next issue will be on the theme of “COMPLETEING NEPAL’S TRANSITION”

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