

Rethinking Poverty and Social Exclusion Responses in Post-Conflict Nepal: Child-Sensitive Social Protection

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Abstract

Nepal's extraordinary political transition to peace and democracy has raised great expectations of social change. The complex situation of pervasive poverty and social exclusion exacerbated by Nepal's physical environment, as well as the post-conflict economic stagnation, call for new policy interventions. Based on political, economic and social arguments, the paper makes the case for strengthening social protection with the specific proposal of introducing a child grant—a cash transfer from the government to families with children—which is presented as a possible "building block" in the country's social protection system. It is also argued that a grant could be more effective at addressing both child well-being and the broader challenges of poverty and inequality if it were universal and unconditional. The paper draws on primary data collected through surveys and focus group discussions, combined with secondary sources and the authors' involvement in some of the policy processes. It thus also represents a case study on the "theory and practice" of developing child-sensitive social protection in a post-conflict environment.

Keywords: social policy, social protection, poverty, child poverty, child well-being, social exclusion, child benefit, child grant, post-conflict, peace dividend, Least Developed Country, Nepal

Introduction

Nepal has been going through a watershed period since the end of a ten-year violent conflict that claimed more than 14,000 lives.¹ A political movement—Jana Andolan II²—led to peace negotiations and ultimately a Comprehensive Peace Accord in November 2006. Elections to a Constituent Assembly in April 2008 resulted in the formation of the first coalition government, led by the Communist Party of Nepal (CPN-Maoist), which had received the largest share of votes. These processes raised hope for sustainable peace, multi-party democracy, and a “new” Nepal—a more socially just and economically vibrant society. This was a strategic moment to introduce social change. Nevertheless, maintaining an inclusive peace process and addressing the underlying causes of conflict and underdevelopment remain a challenge.

There is a broad consensus among academics, politicians and policy makers in Nepal that poverty, inequality and social exclusion were at the root of the conflict.³ Income poverty affects the majority of families in Nepal, and is compounded by deeply-engrained processes of social exclusion related to gender, caste and ethnicity and other identity parameters. The country’s physical environment, with its stark differences in terrain, resources and access to facilities, and its vulnerability to natural disasters, further exacerbates poverty and inequality. This results in very divergent outcomes for health, education, housing, access to water and sanitation, and other areas of well-being. Compounding this, post-conflict trauma affects the entire country. Moreover, the current global economic crisis and food price inflation are likely to hit Nepal in the form of decelerating growth and livelihood opportunities.

Nepal’s 12.5 million children and youth under 18 make up almost half of the country’s population; 3.5 million are under 5 years of age. Within the discourse on poverty and social exclusion in Nepal, the situation of children has not featured explicitly, and child poverty was not explored as a distinct category of deprivation until very recently. However, data show that as many as 69 percent of children under 18 years of age experience at least one form of severe deprivation from basic needs or services (UNICEF ROSA, forthcoming).

One objective of this paper is to examine policy options that could strategically address child poverty and deprivation in Nepal, reduce social and income differences, and break the cycle of intergenerational poverty. The paper presents arguments for effective, child-sensitive social protection in an environment

¹ Violence started in 1996 as the “People’s War” for the seizure of state power and continued as protracted, persistent conflict for ten years.

² The 1990 Jana Andolan was a democratic revolution which reintroduced democracy to Nepal. The year 1990 marked also the beginning of the constitutional monarchy. Jana Andolan II was the movement in April 2006 which led to the reinstatement of constitutional monarchy and the beginning of peace negotiations.

³ See, for example, Government of Nepal (2007, 111), which deliberates on caste and gender discrimination and provides an overview of human development differentials, for instance between the aggregate number and rates for members of the Dalit community and other excluded groups.

characterized by poverty, social exclusion, a post-conflict situation, and stalled economic growth. The case is made for a particular form of social transfer—namely a universal, unconditional child benefit—i.e., a cash payment from the government made to households with children of a certain age group—as an appropriate tool, and as a building block towards a system of social protection.

The paper draws on primary data collected through surveys and focus group discussions, combined with secondary data and the authors' advisory and research involvement in some of the processes. It thus also represents a case study on the "theory and practice" of developing child-sensitive social protection in a post-conflict environment.

Situation Analysis: Political, Economic and Social Development Aspects of Nepal

Landlocked between two of the fastest growing economies in the world, India and China, Nepal remains a least developed country (LDC)⁴—one of the poorest in Asia with a GDP per capita of US\$386, and 31 percent of the population under the poverty line (ADB 2008, 9).⁵ The poverty line is rupees 641/month, the equivalent of some 14 kg of rice. Life expectancy is 63 years, and Nepal ranks 142 out of 177 countries on the UNDP's Human Development Index.

By all available indicators, Nepal is characterized by high levels of inequality. The lowest income quintile has only a 6 percent share in consumption, compared to almost 55 percent for the wealthiest quintile. According to the Gini coefficient, Nepal has the highest inequality in Asia, although it ranks midfield on a global level (*The Economist* n.a. 2007). Table 1 illustrates the divide between rich and poor, as compared to situations in other South Asian countries.

⁴ LDC status is defined by the United Nations ECOSOC and determined by the Committee on Development Policy; there are currently 50 LDCs globally.

⁵ An observed decline in poverty during the conflict years (from 42 percent to 31 percent) is attributed to the role of remittances generated by migrants.

Table 1. Human development and income inequality in South Asia, 2006

Country	HDI Rank	Share of income or consumption (%) by poorest 20%	Share of income or consumption (%) by richest 20%	Inequality measure (ratio of richest 20% to poorest 20%)	Inequality measure (Gini index)
Sri Lanka	99	7.0	48.0	6.9	33.2
Maldives	100
India	128	8.1	45.3	5.6	36.8
Bhutan	133
Pakistan	136	9.3	40.3	4.3	30.6
Bangladesh	140	8.6	42.7	5.0	33.4
Nepal	142	6.0	54.6	9.1	47.2

Source: online Human Development Index statistical database, based on UNDP 2008

This highly uneven income distribution combines with significant inequalities in other human development aspects that are essential for the well-being of children and families, such as health, education, and access to clean drinking water and dignified sanitation facilities, where not only income but also access and quality of basic social services and behavior patterns play an important role in determining social development outcomes.

Social development outcomes are poor across the country, and this can be largely ascribed to processes of social exclusion. The "legacy of interconnected caste, ethnic and gender-based exclusions" (Bennett 2005, 3-4) determine individual and group access to assets, capabilities and choices. In Nepal, social exclusion takes place at the level of interactions among individuals within the household/family, and in economic activity and livelihoods. It plays out in the community, in local institutions and at the national level (Bennett 2005). Excluded groups include women, Dalits (who call themselves the "oppressed" within the caste system), Janajatis (indigenous nationalities), Madhesis (people from the southern lowlands, or Terai, bordering India) and Muslim communities. People from remote regions, the disabled, street children and orphans, and children from displaced and conflict-affected families are also classified as excluded groups by the Government (Subba 2008).

These excluded groups suffer from multiple and compounded disadvantages. They have unequal rights and have long been denied a voice in the political process. In daily life this finds tangible expression. Over 200 forms of common caste-based discrimination include enforced demeaning tasks such as removing carcasses of dead cattle, and the refusal of access to water sources (Bennett 2005; DFID and World Bank 2006). Many upper-caste people, including doctors, still avoid body

contact with Dalits. Dalit children tend to experience discrimination and feel inhibition in schools, which partly explains their high drop-out rate, and Dalit youth are hesitant to apply for employment in non-traditional occupations (Acharya 2007).

Women from all ethnic groups and castes are disadvantaged. A recent study found that women have an "inclusion score" of 39 percent, compared to 60 percent for men, because women in all social and economic groups are subject to discrimination. Even women in social groups that score as "advantaged"⁶ in the survey rate as "highly excluded" (Bennett and Parajuli 2008). A recent assessment by the National Planning Commission shows that discriminatory traditional practices reinforce women's unequal status within the family and society. For instance, under the *chaupadi* system, a harmful traditional notion of ritual purity requires menstruating girls and women to be confined to animal sheds or far from their dwelling; this can be for up to five days each month, conveying a sense of inferiority and causing girl students to repeatedly miss school. In some parts of the country, the dowry system contributes to reinforcing inequalities between boys and girls. Parents are reluctant to invest in their daughters' education beyond the fifth grade as daughters not only leave the family after marriage, but also, the more educated a girl is, the more expensive the dowry will need to be to attract an equally or better educated husband (NPC, NEPAN and ODI 2007).

Political analysts, the government, the academic literature and UNICEF analysis suggest that these multiple levels of exclusion and disempowerment are a key reason for Nepal's underperformance in reaching the Millennium Development Goals (MDGs) (Köhler 2006; Kabeer 2006). Although there has been significant progress in some areas, particularly on the incidence of absolute poverty, girls' education, child mortality and disease (tuberculosis), the disaggregated values of these indicators by social group, gender and geographic regions show a very different picture (Subba 2008).⁷ For instance, while poverty levels declined by 11 percentage points between 1996 and 2004, dropping to 31 percent, this figure remains higher in the Mid-Western region and the Far-Western region (45 and 41 percent, respectively) (Government of Nepal 2004). For some excluded ethnic groups, the poverty rate is almost double the national average. The poorest regions and those hardest hit by the violent conflict have a poverty incidence almost 20 percent higher than the region surrounding the capital. The average infant mortality rate among Dalit groups is 1.5 times the national average (Table 2). Children from Dalit groups are 1.6 times less likely to be attending primary school than the rest of the population (Kabeer 2006). Dalits, Muslims and disadvantaged Janajatis have the poorest health outcomes, and immunization coverage is lowest among Muslim and Dalit children. In contrast, high-caste Brahmans and Chhetris as well as Newars

⁶ The advantaged groups include the Chhetri and Newar castes.

⁷ Focused efforts from the government and donors have increased the number of girls in primary education. Programs such as immunization and vitamin A have been successful in reducing the child mortality rate by 7.9 percent per annum. With 90 percent service coverage and 85 percent treatment success rate, TB-related deaths have been reduced to 5,000 annually from 16,000 in ten years.

(the original residents of the Kathmandu Valley area) have the best health indicators for women and also the lowest infant mortality rates (Bennett 2005). While child marriage is widespread across social groups, statistics show a strong correlation between women's age at marriage and caste/ethnicity. A study carried out by the Social Inclusion Research Fund found that 79.4 percent of women from the Terai Dalits were married before the age of 18 compared to 52 percent of hill high-caste women (Kumar Sah 2007).

Statistical data provide quantitative and comparable evidence on poverty and social exclusion in Nepal, but the qualitative, on-the-ground experience of child poverty offers a complementary and visceral, even if anecdotal, level of insight. The authors have visited many villages in Nepal. One is struck by the dank huts, often merely mud shelters. Daylight cannot enter through the small windows and electricity is rare. There are few sources of water for drinking or for hand washing, let alone for household chores and bathing. If a family is fortunate, there will be a small well or hand pump close to their home. The traditional metal water jars that children and women carry weigh as much as 15 kg when filled, and it is often an uphill trek from the water fountain on a mountainside. In the winter, temperatures drop to below 0 degrees C by night. If a family owns livestock, they may sleep side-by-side with the animal for warmth and protection. Many children look unkempt and unwashed, their clothes in poor and dirty condition. Mothers are at their wits' end, worn out by the daily toil, lack of nutritious food, pregnancies in rapid succession, and a lack of any time to themselves, and they are correspondingly impatient with their young children. Girls are responsible for younger siblings, carrying them on their hips from a very young age, even as they gather fodder or firewood or bring crops to the home, a headstrap slung across the forehead supporting a heavy basket. Many village children suffer from chronic wasting due a dearth of nutrition in their meals, and poor hygiene. In the worst-off regions of Nepal they suffer acute malnutrition, and lie motionless in their parents' arms when they are presented at health posts for help.

These difficult circumstances of poverty, exclusion and discrimination play out on a systematic and daily basis, and it is interesting to note that the issue is acknowledged in the Government Three Year Interim Plan (Table 2). The Plan document shows that there is consensus in the public domain that high and rising inequality, social exclusion, physical and social isolation and marginalization of certain groups fueled the decade-long armed conflict.⁸

⁸ Inequality issues feature prominently in the conflict narrative, combined with regional disparities and social exclusion. Nepal was a feudal and centralized state for centuries and feudal values remain powerful.

Table 2. Comparative situation of Dalits versus national averages, Nepal

Indicator	National Average	Dalit Average
Under-5 mortality rate/1,000	68	90
Infant mortality rate/1,000	55	68
Reproduction rate/woman	3.1	3.9
Literacy	men – 81%, women – 55%	men – 60%, women – 35%
Poverty – lowest wealth quintile	20.20%	31.70%

Source: Demographic and Health Survey 2006, in Government of Nepal (2007)

The conflict intensified poverty and the social exclusion experienced by children. Impacts ranged from forced recruitment into the armed groups to violent death. Reports by Nepali NGOs estimate that over the conflict decade, approximately 450 children were killed directly by the parties at war, more than 600 were injured, and more than 40,000 displaced (Human Rights Watch 2007). Many families were displaced into urban areas where they lacked resources and a steady income. As a result, their children were deprived of education, health care and a supportive environment while growing up. The incidence of child labor—which, according to piecemeal evidence, was high even before the conflict—increased during the conflict period (UNICEF 2006). According to a 2005 report by the Nepali Coalition for Children as Zones of Peace, operating through Child Workers in Nepal (CWIN), more than 100,000 children have been deprived of the basic right to education during the conflict since more than 300 schools were shut down and more than 30 were damaged. Institutions were often used to hold political events or turned into base camps. Some children were taken out of school to help at home, as older members of the family migrated away from their villages to avoid recruitment by the Maoists or harassment by the security forces (UNICEF 2006).

Conditions were particularly difficult for internally displaced people in the highly affected Mid-Western areas of Nepal, where almost 60 percent of the children suffered from malnutrition (Terre des Hommes Nepal 2005). However, while the data on malnutrition in Nepal are alarming—almost half the children in Nepal suffer from stunting and 13 percent from wasting—there is no comprehensive assessment of the impact of the conflict on child health and nutrition outcomes.

In the meantime, while violations and abuse against children have decreased, challenges remain to affirming child rights and strengthening child protection, as well as to redressing material and non-material deprivations that affect child well-being (OHCHR 2007). As a first step to addressing this issue, in January 2007 THE government ratified the two optional protocols to the Convention on the Rights of the Child—relating to children and armed conflict and to the sale of children and child prostitution.

The political transition that began in 2006 has presented the public, and policy makers, with a “strategic moment.” The election of the 601-member Constituent

Assembly (CA) in April 2008⁹ and the subsequent formation of a new government provide a unique opportunity to radically reshape the country's social and economic policies. The composition of the CA is formally representative of Nepal's population and the most inclusive parliament, in terms of gender, caste and ethnic groups, in Nepal's history. Some of the key demands of the historically marginalized Madhesis have been accommodated, allowing them to participate in the political process and to perform well in the elections. The unexpected electoral success of the Communist Party of Nepal-Maoist (CPN-M) was interpreted by some analysts as reflecting a quest for change in those parts of the population which responded positively to the CPN-M's vision of a New Nepal as well as to the fact that they offered a more socially inclusive candidate list than other political parties (Dixit 2008).

The coalition government incorporated some of these aspirations for change into a Common Minimum Program, which, *inter alia*, emphasizes the need for expanding social protection to address the situation of the most poor and marginalized. The fiscal budget 2008/09 also reflected an ambitious vision for a comprehensive system of social protection, as it includes a large number of new or revamped social protection schemes, designed to deliver social transfers to the historically marginalized and socially excluded and lowest income groups—the low-caste groups, women who are widowed or single, people living with disabilities, or people speaking minority languages. It has brought down the qualifying age for the social pension from 75 to 65 years for men and 60 years for women and disadvantaged groups.¹⁰

It is against this complex and evolving background that UNICEF has been advocating for the government to introduce a universal child benefit. It was initially conceived as a peace dividend—a quick impact measure reaching all social and economic strata with a view to creating social cohesion, providing immediate economic relief, and initiating economic recovery immediately after the conflict. It was then over time conceptualized as a building block towards creating a comprehensive universal social protection system in the country.

Cash Transfer Objectives and Typologies¹¹

The literature on social protection cash transfers, especially from developed countries, illustrates that they can function as an important poverty alleviation measure. However, the literature often neglects the fact that cash transfers, as any other social protection measure, can serve multiple objectives besides poverty reduction. Among these, inclusive economic growth, social cohesion and solidarity

⁹ The CA is now tasked with writing a Constitution geared to address the social inclusion, federalist and decentralization aspirations developed during the conflict and in election programs.

¹⁰ For an analysis of the 2008/2009 fiscal budget, see UNICEF ROSA 2008.

¹¹ While important, issues of financing will not be discussed in the present paper. Financing options include restructuring the budget, increasing tax efficiency, introducing new taxes, borrowing through government bonds, or using international grants and loans. The choice of financing source depends on a number of macroeconomic and fiscal variables, and also on long-term expected growth and distribution outcomes of the social protection system.

are particularly important. Cash transfers serve to buffer households and individuals from risks and shocks, and can support transitions from social exclusion to social and political reintegration; from unemployment to employment (e.g., through temporary public work schemes) and more stable, decent work; from employment to retirement/disability (e.g., through old-age pensions) and between various forms of employment (e.g., vocational training programs). Moreover, in a post-conflict environment, where a large number of people experience dire income poverty and deprivation, such transfers can serve as a quick-impact measure to restart the economy, and at the same time help transform the society towards supporting the social rights of the poor and marginalized and enhancing social equity.

In this sense, therefore, cash transfers can work as “building blocks” towards creating a comprehensive social protection system. The success of a cash transfer program will very much depend on its content, scale and delivery format and the extent to which it is commensurate with the social and institutional infrastructure of the country and citizens’ expectations of the role of the state. Moreover, if not well-designed and delivered, cash transfers can exacerbate a situation of poverty and deprivation or cause discontent and unrest.

There is a range of cash transfer formats, and the central design issues include universal versus targeted coverage, conditional versus unconditional disbursement, and contributory versus tax-funded financing. Each has advantages and disadvantages that need to be reviewed against the particular policy environment and social protection objectives.

Geographic targeting by location or categorical targeting by gender or age are subforms of universal benefits, whereby the benefits are provided to everyone within a certain category (the elderly, children, people with disabilities, girl children, etc.) The only genuinely universal programs are basic services provided free of cost. The arguments in favor of narrower targeting, by income levels for example, hinge largely on the fact that the same amount of funding is shared among fewer recipients and hence has higher per person benefit levels compared to a broader, universal approach, and may therefore be more effective in addressing poverty depth. The argument for universal coverage lies primarily in the social and political domain; in a post-conflict situation, where social cohesion and solidarity can be equally important to poverty reduction, this may be regarded as the overarching purpose. In low-income economies with a predominantly informal sector, universal approaches are also seen to be less costly and easier to administer since means-testing poses methodological challenges and a majority of a population may be eligible, making targeted benefits nearly universal anyway. These arguments are reviewed below in more detail in the Nepal context.

Unconditional cash transfers are regular payments provided to individuals or households with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerabilities (Samson 2008). Conditional cash transfers are provided to individuals or households in exchange for active compliance with prescribed behaviors, with a view to explicitly promoting the development of human capital.

Conditions typically revolve around requirements such as school attendance, health-seeking behaviors, or nutritional improvement.

Conditional and unconditional social transfers have been implemented in various contexts and both have been successful, depending on a number of key prerequisites. Conditional transfers need to build on an accessible supply of social services such as schools or health posts, the capacity of public authorities to monitor compliance with the conditions, and the capacity of rights-holders to claim their rights. Thus, program designs need to pay careful attention to the local context and social institutions and norms. For instance, applying a condition in a situation of severe social discrimination against some groups can easily undermine the purpose of the program if it reinforces stigma and marginalization. Similarly, means-testing within a narrowly targeted approach, in a context where there is inadequate capacity to apply the means test or where there is significant scope for dependency-based corruption, could result in a disproportionate share of benefits being captured by the more powerful segments of the population and thus undermine the poverty reduction purpose of the transfer.

Implementing conditional and targeted cash transfers requires perfect information and also very good monitoring and evaluation systems. Community-based verification processes have been introduced in many schemes, however they often run into capacity and resource challenges.

These are the technical arguments. There are a number of economic, social and political considerations that can also be put forward in advocating for a universal and unconditional cash transfer for children, and these are discussed below with particular reference to the situation in Nepal.

The Case for a Universal Child Benefit in Nepal

The complex and multilayered situations of pervasive overall poverty, social exclusion, child poverty, and the post-conflict and economically stagnant environment in Nepal call for social protection measures, in addition to many other policy interventions focusing on decent work, inclusive social services delivery, and a peace and reconciliation process. In this paper, the focus is on social protection and a particular approach that could directly address objectives around child well-being as well as the broader challenges of poverty and social exclusion.

In developing the proposal for a cash transfer in Nepal, a number of policy and design challenges emerged, and they were discussed by the researchers with government officials and potential donors. They principally revolved around the two design issues of universality versus targeting and conditional versus unconditional modality. Since these are issues under global discussion, a reflection on the dialogue and the rationale in Nepal may be of interest to a broader audience.

The argument for a universal child benefit is premised normatively on the idea that social protection is rooted in and guided by the principle of fundamental universal human rights. Secondly, a universal approach is seen as integral to the political-symbolic angle in the particular post-conflict situation in Nepal as a "peace

dividend.” Finally, since material poverty remains the highest among the youngest age groups and can also affect those who are not in the lowest income quintiles, a universal child grant is seen as the most direct route to tackling this challenge.

The Rights-Based Argument: Ensuring One’s Entitlements

Social protection is first and foremost a basic human right and involves an obligation for the state to allocate resources and provide at least basic socio-economic protection. Children, like adults, have a right to social protection as enshrined in the Universal Declaration of Human Rights (Article 22) and the United Nations Convention on the Rights of the Child (Article 26). In order to secure the right of the child to survival and development, social protection needs to be addressed as well. Children need to be guaranteed social safety as a prerequisite to the full realization of their rights to nutrition, health, and education, as well as their civil rights. Children are particularly vulnerable, and the effects of deprivations from food and nutrition, stimulation and education, and health can be irreversible.

Positioning social protection as a child’s right emphasizes the obligation of the state to ensure programs which specifically address social risks affecting children, and to allocate adequate resources for this purpose. Thus, if grounded in a rights-based approach, cash transfers as part of a comprehensive social protection system can effectively address poverty and vulnerability of the socially excluded, and maximize their benefits for children’s well-being.¹² It is a non-divisive, inclusive approach—as all share the same rights; it is also catalytic in the long run by building capacity to resist poverty rather than simply addressing the symptoms of poverty and distress.

In reference to forms of cash transfers, this perspective recognizes that the right to social protection cannot in itself be conditioned on behavior change and there are no children who deserve a right more than the others. Rather, a cash transfer for children in this perspective is both a right in itself as a means of ensuring social protection for the child and also an enabler for the realization of his/her other rights. That is, a child benefit can also serve as a catalyst for the realization of essential rights by enabling the family and the child to access basic services, get the child registered, etc.—not necessarily as part of a condition imposed on the family but rather as part of creating a facilitative environment. In a society characterized by multiple layers of exclusion, a universal approach can be a step towards overcoming exclusions as all citizens share the same entitlement—reinforcing the notion that all are equal. Doing this at the level of children is possibly the most acceptable.

¹² UNICEF Nepal plans to advise the Constituent Assembly elections on addressing child rights, including the right to social protection, as a new constitution is developed. This is part of a UNICEF-led strategy to work with the political parties of Nepal that has started in pre-election Nepal and has resulted in a “Joint Declaration of Commitment to Children” which also includes the parties’ pledge to ensure that social protection policies and legislation for children are guaranteed by the new constitution.

The Economic Argument: Addressing Material Poverty

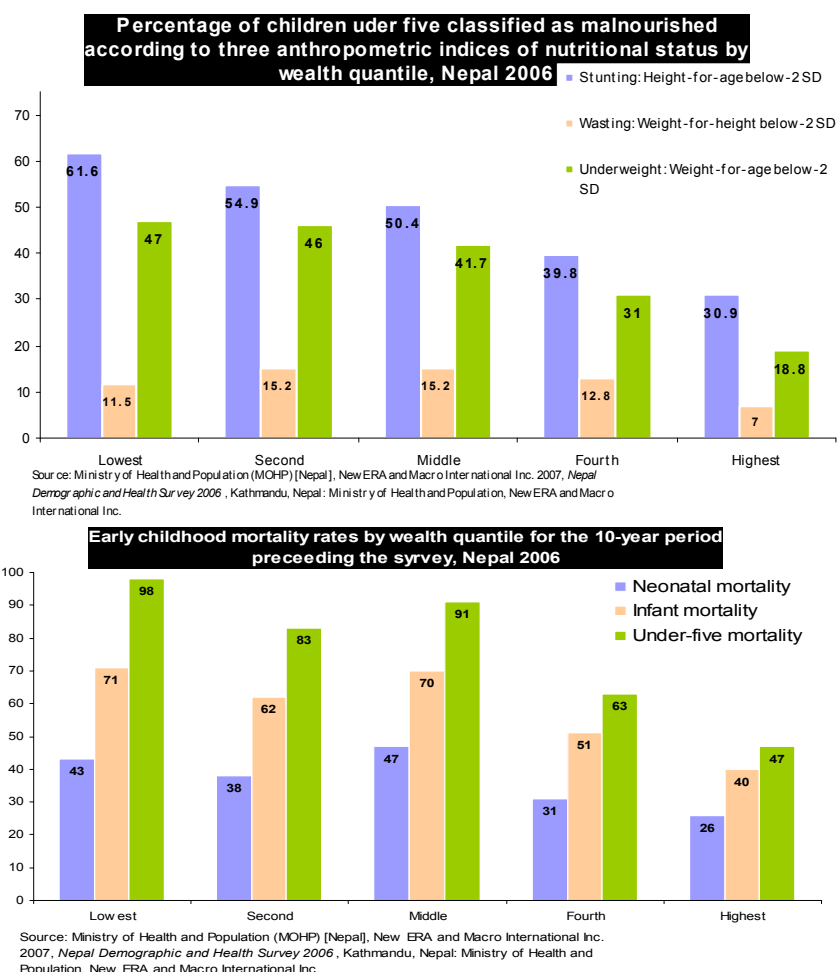
It is well-recognized that child poverty may result from multiple factors related to families' poverty and disadvantage, as well as from inadequate support by government. According to ILO data, there are approximately 1.7 million child laborers in Nepal (UNICEF Nepal 2006).¹³ "Parental poverty and illiteracy; social and economic circumstances; lack of awareness; lack of access to basic and meaningful quality education and skills, and high rates of adult unemployment and under-employment" are the main factors cited by ILO that push families to send their children to work instead of to school (ILO 2008). Also, child mortality, lack of schooling and child labor are associated with low socio-economic status. As extensively proven in other countries, social protection programs can have a positive effect in addressing child poverty by improving families' income and redistributing resources that can increase the use of services by low-income individuals.

According to UNICEF Nepal (2006), households with children under 18 years of age experienced higher levels of income poverty—29 percent in 2003/04—compared to all households. Moreover, children (under 18 years of age) experienced higher levels of income poverty—35.9 percent in 2003/04, compared to 30.8 percent in the overall population (New Era, forthcoming). Poverty levels have been decreasing over the past decade but risk rising again as a result of the global economic crisis.

In terms of deprivation, which measures households' access to basic social services, a forthcoming study suggests that more than two-thirds of children under 18 years of age experienced at least one form of deprivation of basic needs or services, such as either persistent poverty on the basis of consumption, or "absolute poverty" as measured by deprivation of at least two needs or access to basic services (New Era, forthcoming).

The child material and deprivation data provide compelling evidence for the need to address child poverty and disparities holistically rather than in a targeted manner. According to recent evidence by DFID (Samson 2008), material poverty and deprivation tend to be concentrated among younger children. Moreover, child development outcomes, especially in the younger age group, are quite comparable across income quintiles, except the highest ones (Figures 1 and 2 below), pointing to a pervasiveness of poverty which cannot be balanced out by a targeted program focused on the poorest or the lowest income quintile.

¹³ 1.7 million children are considered economically active (i.e., providing labor for the production of economic goods and services).

Figures 1 and 2. Child malnutrition and child mortality by income quintile

Source: Demographic and Health Survey Nepal 2006

Population projections show that over the next 20-25 years, the yet-to-be born cohorts of 0-4 year-olds will remain the largest group. A large share of public investments into services or transfers is necessary to ensure their care, health, early childhood development, and protection. Income support is also needed to help them overcome material poverty and deprivation, which affect young children more than other groups as their contact with public service providers is intermediated through their parents, community, etc. A child benefit can support families in their role of developing their children's capabilities to be able to cope with adversity and shock, and can help break the reproduction of material disadvantage and deprivation. Income support in the form of a cash transfer to a specified age group—for example the 0-5 age group—is one way to help achieve this important goal. In large, poverty-prone families, added income would mean potentially removing obstacles that prevent them from enrolling their children in early childhood development centers or in schools. However, for cash transfers to provide maximum benefits in Nepal, there is also a need to raise awareness about

availability of services such as basic health care and basic education and for concomitant government investments in human resources, infrastructure and social services, and to ensure that services are accessible, of high and reliable quality, and inclusive and non-discriminatory.

With respect to the impact of a universal child benefit on material poverty, the size of the benefit plays a role. The proposal developed for Nepal was between 100 to 200 rupees per child per month. This is in reference to three factors: the poverty line of 640 rupees; benefit levels of the universal social pension which were at 200 rupees in 2007; and, at the macro level, the scale of funding available for a universal child grant.¹⁴

It is interesting to compare evidence from other regions on the impact of child benefits. According to a recent study, 20 out of 21 OECD countries have child benefits, and in the 13 of these countries which feature universal benefits, poverty levels have decreased by as much as 50 percent; they include Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Luxemburg, Netherlands, New Zealand, Norway, Sweden, and the United Kingdom (Columbia University, n.d.). In Hungary and Poland, it was estimated that poverty rates for children would have been respectively 85 percent and 33 percent higher in the mid-1990s—in the wake of major political and economic reforms—if family allowance schemes did not exist.

In addition, the cumulative effect of such cash transfers can help reinvigorate the rural economy by injecting cash into families and communities and stimulating consumption. Social protection can indirectly promote and enhance economic growth and lessen income inequality. Backed by broader social protection schemes, households would be enabled to take more risks, unleash their entrepreneurial skills, seize employment opportunities and enhance productivity. Social protection can thus also be seen as an “investment” into income generation and human capital. Moreover, in response to the economic crisis, some developed countries are augmenting child benefits as a component in a larger fiscal stimulus package. They recognize that cash transfers can help smooth consumption, prevent a fall into poverty, and also avoid long-term effects on labor productivity from malnutrition, retarded growth, and the like resulting from reduced consumption of nutritious food.

In the long term, a universal child benefit may trigger a positive chain reaction that starts with improvements in food security and nutrition, thereby improving health and education outcomes, which in turn would enable households to develop human capital.

The Symbolic-Political Argument: Building Social Cohesion

In Nepal, an additional impulse for social protection comes from the current political transition. The child benefit could be seen as a signal that the new government is serious about social justice and inclusion. A payment that reaches every household

¹⁴ See Pal et al. (2007) for a discussion and for time series of various scenarios and benefit sizes.

with children could be a real “peace dividend” and demonstrate a unifying, post-conflict move towards social cohesion, in addition to reinforcing a rights-based culture.

There is an argument that a universal approach does not prioritize the socially excluded and those living in greatest poverty.¹⁵ An argument for a targeted scheme that concentrates all available resources on the groups that most need support may be made on the grounds of morality and efficiency. It is therefore important to stress that a universal benefit needs to be part of a social compact in which higher income groups finance—through taxation and other forms of redistribution—the universal benefits. Few at this point would contest the right to universal education or healthcare, nor the decision of the government to universalize these services, which for many decades were considered the privilege of a few. From the point of view of long-run sustainability, there are innovative means of funding cash transfer schemes in a way that, while the richer sections of society benefit, they are also net contributors into the system through progressive forms of taxation. Moreover, because targeting in Nepal may become politically and socially divisive, as local politics and social pressures tend to influence the decision on where and how the benefits should be allocated, a universal benefit is more likely to be pro-poor.

From an operational point of view, the effectiveness of targeting has emerged as a key challenge for social protection measures in Nepal, both because the extent of the informal economy renders means-testing difficult, and also in view of the volatile political and security situation.¹⁶ In reality, given the very modest amounts proposed for the grant per child, the benefit is expected to be self-targeting as only those who need it would make the effort to collect it. However, much policy work, including by UNICEF itself, is of an “affirmative action” nature—directing programmatic and project resources strategically to economically and socially disadvantaged groups. As argued above, a large proportion of Nepal’s population has been and still is excluded from political, economic and social processes. Government, UN and bilateral donors are therefore putting great emphasis on reaching the socially excluded and the economically marginalized.

The Case for an Unconditional Transfer

The question of whether a form of conditionality can be built into the benefit is again widely debated. In the Latin American cash grant discourse, an adamant case has been made, and evidence brought to bear, for tying the delivery of any social transfer to particular, desirable behaviors around family or child health or education. In Nepal, the multilateral banks have been in favor of some form of conditionality associated with the child benefit. These institutions traditionally support conditional cash transfer schemes, partly because of their nature as lending agencies reporting to shareholders on the use of their capital.

¹⁵ Based on UNICEF discussions with various stakeholders.

¹⁶ This issue is frequently discussed in the extensive literature on the subject.

A counterargument is that in Nepal, schools and health posts are not everywhere easily accessible and do not consistently provide good quality, inclusive services, particularly in rural and physically remote areas. Conditions around health care or school attendance could then inadvertently become punitive.

A convergence position might opt for “soft” conditions—such as for a child benefit to require birth registration, or participation in health campaigns such as immunization drives or the Vitamin A campaign. Such conditions could simultaneously push government bodies to strengthen service provision and ensure birth registration.

Talking to the Beneficiaries

One innovation introduced into the fine-tuning of the child benefit proposal was to interact with potential beneficiaries. This was to ensure that the case for universal and unconditional benefits was not merely a “technocratic” or drawing-board argument. In March-April 2008 UNICEF conducted a survey in cooperation with the World Food Program (WFP) utilizing the WFP food security monitoring system to explore people’s views on a potential universal child benefit, beneficiary preferences and spending priorities.

A total of 600 households were surveyed in six districts (100 households per district) that could be later divided into three clusters corresponding to the three ecological zones of Nepal—Terai, Hill and Mountain. Within each district, four Village Development Committees (VDCs) were selected according to geographic location and distance from VDC headquarters (both rural and urban), population (variety of social groups, i.e., castes and ethnicities), and socio-economic status measured by the UNDP HDI level and the UNICEF technique of mapping disadvantaged groups. Five wards in each VDC and five households within each ward were selected randomly. In addition, as described above, UNICEF conducted ten focus group discussions in the same districts using the community network of its program on decentralized action for children and women (DACAW). The focus groups included men and women of different socio-economic backgrounds and ethnic and caste groups.

Universality versus Targeting

When given a list of options of potential targeted groups, the respondents to the household questionnaire indicated at least one, mainly “the poorest households.” Targeting by ethnic or social group was the least preferred option. However, the surveyors’ perception was that the issue of targeting versus universality is too complex to be addressed by the questionnaire and required facilitation in focus group discussions.

Participants in the focus groups almost unanimously preferred a universal scheme, which they considered more just and less divisive. All ten focus groups seemed to have a consensus that targeting could be problematic, fostering divisions within the community or being perceived as unjust. One participant asked “who are the poor in a sea of poor?” Others made a case that cash transfers should be made available to all children in Nepal, building on the universal principle of child rights. In most focus groups, following animated debates, when the participants were

asked to vote, the majority voted for universality. Representatives of the Women's Federation in the Saptari district—one of the districts in the Eastern Terai with the highest concentration of marginalized communities—were unanimously in favor of a universal approach. "If receiving a child benefit is a right than everyone should get it," according to the majority of both Madhesi and Hill women surveyed. The group of women saw targeting as potentially divisive and difficult to implement, and saw the fact of being a woman and having to raise children in the challenging circumstances of their community as a unifying element. In another focus group in the Kathmandu valley, with "higher" caste (Chhetri) but economically disadvantaged women, participants engaged in a discussion on whether the child benefit should be given to Dalit children only, as suggested by one of them, or only poor children—a group which may include other castes and exclude some of the Dalits, as argued by the others. UNICEF staff working in the Terai have also highlighted the challenge of selecting beneficiaries for a given intervention and the resentment often generated within the community when only one group is targeted.

The surveyed households' priorities (both men and women) were education, food and health. However, those in the focus groups indicated that the likelihood of the child benefit being spent on children would be higher if the cash is directed to mothers exclusively. There appears to be a preference for making the transfers conditional upon birth registration. Social mobilizers and local authorities interviewed in focus groups said that when women are well-informed on the purpose of a particular scheme, and empowered to use it according to their preference, they make the right choices.

However, the preference for channeling the child benefit to mothers was not matched by the survey's assessment of the mothers' ability to access or manage the benefit, due to their position within the household. Indeed, the survey showed that mothers had limited involvement in general household purchases including of food, as well as limited mobility.

The focus group discussions also highlighted the importance of adequate information reaching all households on the purpose of the scheme. If the government decided to implement the universal child benefit, an effective communication campaign would be crucial in order to make clear that universality does not mean "business as usual" but rather ensures that no one is left out, especially the most disadvantaged. The message would need to stress that the universal child benefit represents the first step of a system that may take many years to develop, which will address the broader issue of vulnerability in its many forms: a proper social protection system.

The larger survey also addressed distribution mechanisms. UNICEF proposed to make use of the existing government social assistance system rather than creating a competing parallel one, so as to reduce start-up costs and also strengthen local capacity. A modality under consideration was to utilize the cash transfer systems of banks and microcredit institutions which are also the conduit for migrants' remittances.

The survey did not allow a clear-cut conclusion to be drawn on whether the existing disbursement system used for social pensions would be the best mechanism to distribute the child benefit. However, the focus groups revealed a general level of satisfaction with the system. The main concerns were with regard to the issue of eligibility, which for many respondents should be expanded to include more widows and more disabled. The fact of having to collect the allowance at the VDC headquarters did not seem to pose a problem.

Another design challenge is the institutional arrangements around the child benefit, as there is the risk of political capture. If an enhanced social protection system were introduced with a child benefit as its cornerstone, it could become labeled as an initiative of a particular ministry or of the current government as a whole, and fall hostage to an overhaul of policies and strategies when the next government enters. One solution could be to ensure that the child benefit—or any other elements in a social protection scheme—be introduced in a parliamentary process, and depoliticized to the maximum extent possible with a public discussion on which ministry or institution would best qualify to house such a scheme. It would be ideal if the Constituent Assembly would examine the child benefit proposal and perhaps provide it with a constitutional underpinning.

Conclusions

This paper is part of an ongoing effort to support and track the development of a comprehensive social protection system in Nepal as a contribution to peace building, social inclusion and economic development. One important lesson learned in the process is that the development of a social protection strategy—or more narrowly of a child benefit—is contextual and needs to incorporate direct and participatory interaction with those who are meant to benefit. It is a matter of rights-holders' choice of policies and instruments. No matter what combination of measures ultimately takes off, it will be important to avoid paternalistic attitudes that impose solutions rather than offer choices. The final shape of a social protection system in Nepal should be the result of economic, political and social dialogue, and should reflect people's preferences, particular needs and environmental circumstances. Also, contextualized design measures would need to ensure that beneficiaries are protected from stigmatization or humiliation when seeking their entitlement. A social protection tool that is meant to empower has to respond to the beneficiaries and rights-holders' own choices. At the same time, the process can be a vehicle to expose and address the extent of child poverty and disparities in Nepal.

In sum, Nepal still has a way to go until a universal child benefit can become a constitutionally guaranteed right, but the process to examine this option is well underway.

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