



The contribution of Nepal's Child Grant to social inclusion in the Karnali region

Country Briefing

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Key messages

- In the first three years of implementation, Nepal's Child Grant has had only small effects on some indicators of social inclusion, most notably access to a more diversified diet.
- The low transfer level (equivalent to thirteen per cent of the poverty line or the cost of one chicken) is a critical limiting factor in achieving improved social inclusion outcomes through the Child Grant.
- Poor implementation, such as irregular and partial payment of the Child Grant, hampers effectiveness of the programme and limits potential impacts on social inclusion. This could be overcome by the introduction of grievance mechanisms and better monitoring processes.
- Social protection measures must be accompanied by active labour market and economic policies as well changes in governance structures to achieve sustainable impacts.
- Social protection is unlikely to foster positive state–society relations in the absence of an enabling environment that upholds citizens' rights and promotes accountability and transparency of local leaders.



Increasing attention has recently been given to the role social protection instruments can play beyond the economic sphere, highlighting the importance of understanding and tackling the multidimensional nature of poverty. This research used a social exclusion lens to analyse the effects of Nepal’s Child Grant.

Poverty in Nepal is widespread and multidimensional. Social exclusion is particularly prevalent in remote regions, where social identity plays a larger role in determining economic status than in urban areas (DFID, 2013). Exclusion results in lower survival rates, worse health and limited educational and economic opportunities (ADB, 2010). Further, excluded groups have less access to ownership, poorer mobility and lower social status (ibid.). A region with particularly high levels of deprivation is Karnali, where geography is a major driver of exclusion (Bennett, 2005; Gurung and Kollmair, 2005). Further, traditions and customs based on the caste system still dominate everyday life (IOD Parc et al., 2013; UNDP, 2009; World Bank, 2006). The region has large numbers of excluded groups; for example, Kalikot has the largest Dalit population in Nepal. Households in Karnali show worse outcomes on most socioeconomic indicators and worse access to services than in the rest of the country.

Box 1: Nepal’s Child Grant

The Child Grant is a cash transfer for mothers with children under the age of five, aimed at improving the nutrition of children. It offers a payment of NRs 200 (\$2) per child per month.

It is universal in Karnali and targeted at Dalit households in the rest of the country. In 2012/13, it covered 551,916 children in Nepal (approximately 21.5% of the population of children aged less than five), with 90,349 of these from Karnali.

Social protection has become an increasingly prominent public policy tool in Nepal over the past two decades and has a wide range of objectives, from increasing income and food security to overcoming social exclusion and assisting with the process of political healing (Koehler, 2011). One of

these interventions is the Child Grant, launched by the government of Nepal in 2009.

Figure 1: The location of Karnali region



Research objectives and methodology

This study examined the impacts of the Child Grant on five dimensions of social exclusion: i) household consumption and food security; ii) access to and utilisation of basic services; iii) labour market and economic opportunities; iv) social relations and participation in local communities; and v) perceptions of local and central government.

The objective was to assess not only the effects of the Child Grant but also its effectiveness in promoting ‘transformative’ outcomes. The research was guided by the social exclusion framework, which emphasises the importance of assessing impacts of interventions on various dimensions of wellbeing and the extent they tackle drivers of poverty and vulnerability (Babajanian and Hagen-Zanker, 2012). In assessing the effects of the Child Grant, the study generated evidence on the context-related economic, social and institutional factors that mediated its impact.

The study used mixed methods and was conducted in Karnali region in 2012/13, using a quasi-experimental impact evaluation (Propensity Score Matching (PSM)). The quantitative survey covered 2,040 households in all 5 districts of the region and a quarter of Village Development Committees (VDCs). The quantitative survey was complemented by the qualitative fieldwork, which included 27 focus group discussions (FGDs), 30 in-

depth interviews (IDIs) and 23 key informant interviews (KIIs).

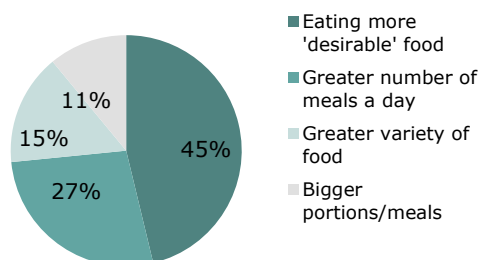
Research findings

Overall, the study found few impacts on the five dimensions of social exclusion, as discussed in detail below. The qualitative analysis shows some areas where limited progress appears to have been made. The PSM impact analysis finds no significant impacts.

Household consumption and food security

The Child Grant has not had a significant impact on household expenditure, and households do not consider their levels of consumption to have changed considerably. It has facilitated purchase of food and other small items, such as clothing. It should be noted that not all households spend the Child Grant on many different items; the low value of the transfer means most households would have spent the transfer on only one of them. Hence, the transfer has contributed to the household budget, but not substantially. Further, the grant has enabled some beneficiaries to buy more food (especially food not produced locally) and more nutritious food, but not to the extent that it has changed overall levels of food security. The former finding is noteworthy, given that the objective of the grant is improving nutrition.

Figure 2: How have your food habits changed?



The Child Grant has not had a greater impact on household consumption, owing to its low value. At NRs 200 per child per month, it is not sufficient to sustain household expenses for more than a few

days, especially given the high living costs in Karnali. Further limiting impact is the fact that, in practice, households often receive a much lower transfer than the amount they are entitled to. Only 63% of households have received the full transfer; on average, they receive only 82% of the amount they are eligible for.

Access to and utilisation of basic services

For access to and utilisation of services, we again see the Child Grant has not had a measurable impact. There is no statistically significant impact on access to and utilisation of education or health. Two-thirds of respondents said they were already managing education expenditure without the Child Grant. Qualitative interviews indicated that the grant played a supporting role for some households in financing some small expenditure, such as on notebooks or school lunches or minor health expenditures. Enhancing affordability may not necessarily improve access to services, as institutional bottlenecks resulting in poor quality of services represent a major barrier.

Labour market and economic opportunities

The Child Grant has not had a significant impact in terms of enabling greater access to economic opportunities, including in agriculture and business. The qualitative analysis revealed a small number of cases where the grant was used to purchase or repair small agricultural tools or to buy small animals, and it has contributed to the cost of running a business in a very small number of cases. There is some evidence of the Child Grant enabling access to informal loans, particularly for women.

There are a number of reasons for the limited extent of change in terms of economic opportunities, including the low value of the transfer and the irregular and unpredictable nature of payments, which dis-incentivises savings and investments. Further, the geographic and economic context and structures severely limit potential employment and investment opportunities. Karnali is a remote area with few economic opportunities and poor infrastructure and market access – structural and physical barriers the Child Grant clearly cannot overcome.

Social relations and participation in local communities

In terms of social relations, a small number of beneficiaries have spent the grant on social events and festivities. The qualitative analysis revealed that the process of applying for and collecting the transfer had facilitated interaction and dialogue between different community members. However, this does not appear to have changed women's overall activities; nor does it seem to have affected relations between different social groups.

Perceptions of local and central government

A total of 93% of beneficiaries feel the introduction of the Child Grant is an indication the government cares about their socioeconomic situation; for 85%, it has improved their opinion of the government of Nepal. However, we should keep in mind that, with most households in our sample receiving at least three other social protection transfers, often using the same delivery mechanism, it is difficult for respondents to isolate their perceptions of this particular transfer. As such, there is no significant difference between beneficiaries and non-beneficiaries in overall perceptions of either level of government.

The qualitative interviews reveal a mixed picture on perceptions of both levels of government. On the one hand, beneficiaries of the programme are grateful to the central government for the programme. A number of beneficiaries appreciate the fact that the Child Grant is a universal transfer in Karnali. On the other hand, the way the programme has been designed and implemented – including the low value of the benefit and irregular and partial allocation – has actually undermined state–society relations. Qualitative interviews generally revealed more positive perceptions of central government. Beneficiaries cited poor implementation of the Child Grant as a reason for negative perceptions of local government, but it is not clear if problems with the Child Grant worsened perceptions or whether perceptions of beneficiaries have always been worse than those of non-beneficiaries.

The qualitative assessment demonstrates that the overall environment of poor governance affects implementation of the Child Grant and leads to negative perceptions among local residents of the local leaders involved in benefit delivery. The beneficiary testimonies suggest the governance environment in Karnali reinforces rent seeking and mismanagement on the part of local authorities and restricts the access of ordinary residents to resources and entitlements. This implies social protection transfers may not foster positive state–society relations in the absence of an enabling environment that upholds citizens' rights and promotes accountability and transparency of local leaders.

Box 2: Case study – Thapana

Thapana lives in Sunhoo VDC in Dolpa. She is 30 years old and illiterate. She has been receiving the Child Grant at NRs 1,800 per year for the past two years. Her main livelihood is agriculture, but her family is relatively well off. *'This amount is equivalent to a two-day wage in the village,'* she said. The grant is inadequate for additional food for a child, however, given the rocketing price of commodities in the district.

Nevertheless, she is happy with what she has been receiving. She buys her children new clothes and uses the money for household expenses. She says, *'Something is better than nothing.'* Like many other villagers, she also spends the money on other household needs, not particularly on food.

Neither the VDC secretary nor other villagers had told her the actual grant amount, which is supposed to be Rs 2,400 a year. She would have asked for the remaining allotted money if she had known. Her youngest child is four years old, which means she will be getting the funds till next year only. She has never received the full amount but she has never complained to the government. She thinks it is government officials who have duped ignorant villagers. *'I wish nobody would eat up from our share of what the government has allocated,'* she said.

Policy recommendations

This research has suggested that the impact of the Child Grant is limited by both design and implementation inefficiencies. In terms of design, the current size of the benefit is not sufficient to achieve substantial impacts. **For more substantial impacts, the level of the grant would need to be increased and pegged to local prices, given large price differences with the rest of the country.** While this would make budgeting unpredictable, it would ensure greater impact of the transfer. Extending the Child Grant to all children under the age of five is another way to potentially achieve greater impact. We recognise that the government of Nepal may be reluctant to increase the grant's value or to extend it to more children of the household out of concern that this will encourage people to have more children. However, there is a balance to be found between increasing the level of support and increasing the number of possible beneficiaries per household in order to make the programme more effective but, simultaneously, still acceptable to government.

The research has highlighted that weak implementation of the Child Grant hampers effectiveness of the programme and limits potential impacts on social inclusion. Beneficiaries are not receiving the full amount and are receiving the transfer irregularly and not on time; processes are opaque, there are irregularities in the application and payment mechanism, corruption is prevalent and there is often a lack of grievance mechanisms and monitoring. Hence, it is clear that more work needs to be done to improve the effectiveness of programme implementation. **First and foremost, this includes better monitoring processes at all levels along the way and strengthening those that have already been put in place.**

The analysis has shown that – owing to structural constraints, such as limited economic opportunities and inefficient and low-quality basic services – access to cash is not sufficient to increase social inclusion. For instance, in the health sector, institutional bottlenecks severely limit access to health. **Social protection measures must be accompanied by active labour market and economic policies as well changes in governance**

structures. In short, constraints to economic opportunities and access to basic services in Karnali region need to be tackled through broader policies.

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This country briefing is part of a wider research project that assessed the effectiveness and relevance of social protection and labour programmes in promoting social inclusion in South Asia. The research was undertaken in collaboration with partner organisations in four countries, examining BRAC's life skills education and livelihoods trainings for young women in Afghanistan, the Chars Livelihoods Programme and the Vulnerable Group Development Programme in Bangladesh, India's National Health Insurance Programme (RSBY) in Maharashtra and Uttar Pradesh and the Child Grant in the Karnali region of Nepal. Reports and briefings for each country and a paper providing cross-country analysis and drawing out lessons of relevance for regional and international policy can be found at: www.odi.org/sp-inclusion.

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