

Universal Social Protection

Universal old-age and
disability pensions,
and other universal
allowances in

Nepal



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1. What does the system look like?

➤ Structure of the overall system

The Government of Nepal runs a varied portfolio of social protection programs consisting of social insurance, cash and in-kind social assistance programs, and various labor market programs. The fiscal cost of the current portfolio of SP programs in Nepal reaches 2.5 percent of GDP (2011-12). The lion's share (about 1.5 percent) of this spending is on public sector pensions. Programs that can be classified as social assistance programs, usually intended to assist the poor and the vulnerable, amount to about 0.9 percent of GDP altogether.

The social security allowance (SSA) (or, social pension) is the largest of the social assistance programs in Nepal. Old-age pension, single woman's pension, the child grant, disability and endangered ethnicity allowance reach about 2.2 million individual beneficiaries, with the benefit amounts ranging from Rs. 200 (USD2.00) per month per child for the child grant to Rs. 1,000 (USD10.00) per month for the elderly benefit. In FY 2015-2016, the total amount for the cash transfer schemes was approximately USD 150 million or 0.7 percent of the total GDP. These allowances are not explicitly targeted to the poor, they are intended for those who are considered socially and/or economically vulnerable.

➤ Coverage and benefits

SSA: Not eligible if receiving a pension from the government/army/police

SSA Type	Description	Benefit Amount ¹	Coverage budgeted for (FY 2015-16)	Year implemented
Senior Citizen Allowance	Allowance for all dalits ² and Karnali residents over the age of 60; all others over the age of 70	Rs. 1000/month	1,046,273	Jul-95
Single women Allowance	Allowance for single women 60 years or older; widows of all age	Rs. 500/month	659,336	1996-97
Full Disability Allowance	Allowance for those who cannot go about daily life even with help from others with red ID cards from the District office of Women and Children.	Rs. 1000/month	30,860	1996-97
Partial Disability Allowance	Allowance for those who can go about daily life with help from others	Rs. 300/month	31,324	
Endangered Ethnicity Allowance	Allowance for those that belong to one of 10 endangered ethnic groups	Rs. 1000/month	23,346	2009
Child Protection Grant (nutrition grant)	Grant for children under 5 in Karnali and poor Dalit children under 5 everywhere	Rs. 200/month	469,362	Sep-09

In FY 2015-2016, approximately 2.2 million beneficiaries were reached through the SSA.

¹ The government recently doubled the SSA budget from NPR16 to NPR32 million to be effective FY2016-2017. However, the details on the exact amount for the benefit levels for the 5 schemes are currently being worked out.

² Dalits have historically faced exclusion and deprivation along multiple dimensions, and are therefore the most disadvantaged ethnic group in Nepal.

➤ **Financing and Institutional Arrangements**

These transfers are fully financed by government’s own budget. In FY 2015-2016, SSA as percentage of the GDP was approximately 0.7 percent and approximately 2.01% of the total budget.

Department of Civil Registration (DOCR) under the Ministry of Federal Affairs and Local Development (MOFALD) is the agency charged with the responsibility of administering the social security allowances (SSAs) in Nepal. MOFALD recently stepped up its institutional commitment to strengthen its capacity to manage SSA by creating a new DOCR. Headed by a Director-General at the rank of joint secretary, the DOCR enjoys a degree of autonomy although it still remains subject to oversight and general control by MOFALD.

The delivery of SSAs currently relies mostly on manual methods of record-keeping. Beneficiaries enrol or renew their enrolment once a year at a nearby Village Development Committee (VDC) office. The VDC forwards the beneficiary roster to the District Development Committee (DDC), which then collates the VDC rosters into a document that indicates the number of beneficiaries for each category of SSAs (e.g., old-age, single women, etc.) and sends it to MOFALD. Although DOCR possesses a management information system (MIS) that is capable of managing the entire business process of SSA delivery, the MIS currently does not capture beneficiary records except in about 25 of the country’s 75 districts where MOFALD/DOCR manually digitized the existing beneficiary records. For payments, DOCR relies on hand delivery of the benefits in cash through VDC secretaries. The payments take place three times a year and a survey of a small sample of beneficiaries has

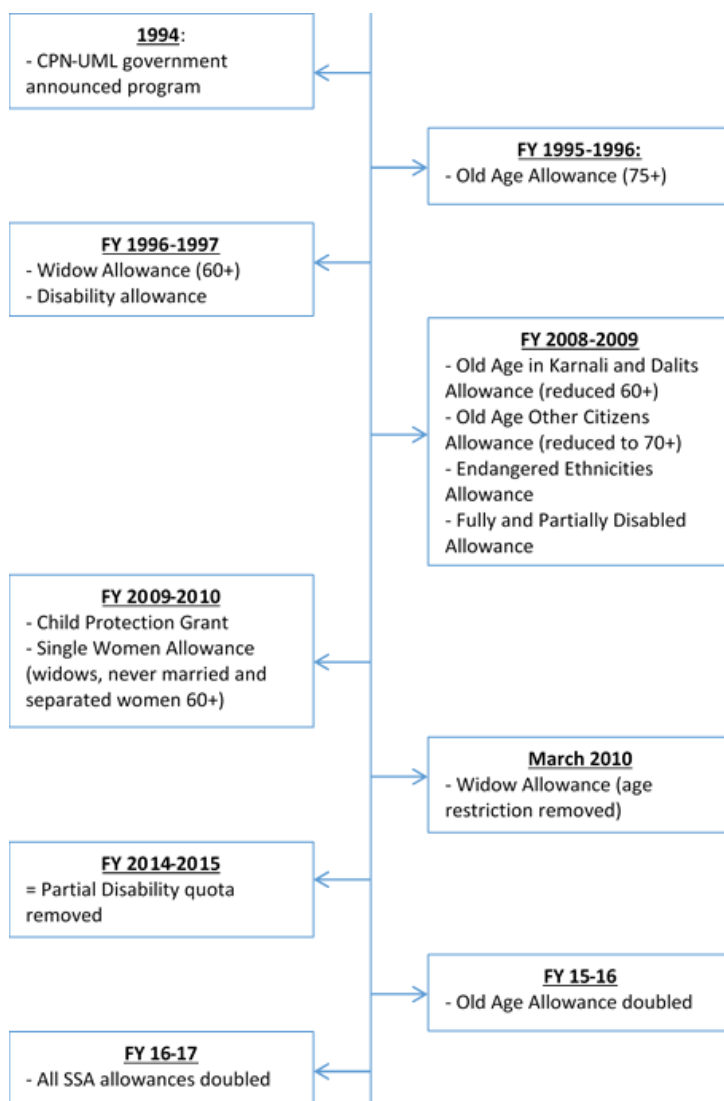
indicated frequent delays in payments.³

MOFALD/DOCR are planning to shift to electronic record management with the MIS and benefit payments via bank accounts.

2. How was this achieved?

➤ **Timeline**

The following figure summarizes the timeline on how key policies for the social pension in Nepal has been achieved.



³ *Assessment of Social Security Allowance Program in Nepal*, Government of Nepal, National Planning Commission (May 2012).

➤ **Political economy, stakeholders involved in the process (include a diagram/graph if relevant), what was the main driving force behind the policy change?**

The current day social security allowance program began in 1994. The Communist Party of Nepal-Unified Marxist-Leninist (CPN- UML) government announced a new scheme in which senior citizens over the age of 75 would be given a monthly allowance of NRs. 100. While this program was first piloted in five districts, it was rolled out nationwide during FY 95-96 by the Home Ministry. In the next fiscal year, the Nepali Congress came to power and added two new schemes—monthly allowance of NRs. 100 to widows over the age of 60 and disabled citizens. From the same year onwards, the Ministry of Local Development (MLD) took charge of the management of the allowance program.

In 2008, the Maoist government introduced major changes to the program. They modified existing schemes and introduced new schemes which are listed below:

- They adjusted the eligibility for senior citizen allowance from 60 to 70 years for all non-dalit citizens and 60 years for Dalits and senior citizens in Karnali districts, a set of five poor districts in the far western area of Nepal;
- The benefit amount for both old-age and widow allowances was increased to NRs 500 per month;
- Members of ten “endangered” ethnicities would receive an allowance of NRs 1,000 per month; and,
- The disability allowance was split into the fully disabled and partially disabled allowances. Fully disabled beneficiaries would receive NRs. 1000 per month while partially disabled beneficiaries would receive NRs. 300 per month. A quota was specified per district for the number of partially disabled beneficiaries who could enroll in the program



Photo by: Soyesh Lakhey

From September 2009 onwards, the Maoist government added a new scheme called child protection grant or child grant which would provide Dalit children and children in Karnali under the age of five a monthly allowance of NRs. 200. The Maoist government also expanded the category of widow allowance to include all single women over 60, i.e., those who were widows, never married and legally separated from their husbands. In March 2010, the Supreme Court ruled that widows of any age should be eligible for the benefit and this further expanded the coverage of widow allowance. More recently, in FY 14-15, the quota for partially disabled applicants has been removed and in FY 15-16, old age allowance was doubled to Rs. 1000/month, which included Rs. 500 for medical expenses.

Both the initial introduction of the SSAs and their subsequent changes/expansions tended to be announced as part of the government's annual budget speech/process. While the increases in the benefit levels have been in the right direction from the social protection perspective, these decisions tended to follow political considerations and have never been based on evidence-based considerations of their effectiveness.



Photo by: Kundan Dhakwa

3. What are the main results in terms of impact on people's lives?

Analysis of the most recent Nepal Living Standards Survey (NLSS) (2011) show that:⁴

- For both old-age pensions, 35 percent and for widow pensions, 46 percent of eligible beneficiaries are not receiving benefits;
- Leakage of benefits to ineligible beneficiaries appears to be a relatively minor issue and there is no conclusive evidence of overlaps between old-age and widow pensions;
- Cash transfer programs seem to have a very low impact on poverty.⁵ In the absence of these transfers, the poverty headcount is estimated to increase by

⁴ *Improving Social Protection for the Vulnerable in Nepal: A Review of Social Assistance Programs and Expenditures*, World Bank (2014).

⁵ The analysis of the impact of cash transfers on poverty was made using the Third Nepal Living Standards Survey (NLSS III) 2011 and used the section on "Transfers, Social Assistance and Other Income". The NLSS III used a sample size of 7200 HHs of which approximately 960 people were reported as receiving benefits. It is important to note that while the NLSS III data are nationally representative, the sample size is relatively small and there are also potential for under-reporting within household survey data.

only 0.4 percentage points, from 25.2 to 25.6 percent.

The analysis of the impact of cash transfers on poverty is based on earlier data and does not reflect the recent changes, namely doubling the benefits, the Government of Nepal have made on the SSA program. Furthermore, in a 2011 report published by Nepal Participatory Action Network and HelpAge International that surveyed a sample of 488 respondents show that the social impact of non-contributory pension appears to be significant. Majority of the survey respondents, approximately 80 percent, have been beneficiaries of the old-age allowance and a high proportion of them responded that the immediate changes they experienced include fulfilment of basic needs such as food, clothes and medicine. Increased self-reliance has enhanced the senior citizens psychological confidence for survival and increased their overall happiness.⁶

4. Key indicators

- *Number of persons covered*: 2.2 million individual beneficiaries

- *Adequacy of benefits*: Before the government doubled the value of the old-age pension from Rs. 500 to Rs. 1000 per month, the SSA cash transfers amounted to about 1.2 percent of an average poor household's consumption. Altogether, the cash transfers had negligible impact on household poverty, as the poverty headcount dropped from 25.6 percent to 25.2 percent.⁷

- *Sustainability of the system?* Given the increasing trend of social protection expenditure, fiscal sustainability is a major concern of the GoN. However, the analysis also indicates that the MOFALD cash transfers

⁶ *Effectiveness of Non-Contributory Social Pension in Nepal*, Nepal Participatory Action Network and HelpAge International (2011).

⁷ Ditto. The data source for this analysis was the 2011 Nepal Living Standard Survey.

and will not pose a major threat to the fiscal space for the next decade provided that there are no significant policy changes in the benefit amount or eligibility criteria.

5. Conclusion

A significant share of Nepal's population live just above the poverty line, and risks and deprivations from a variety of sources remain, including exclusions due to geographical, social, and historical factors as well as certain life cycle risks. Nepal is also vulnerable to climate change and natural disasters. All of these call for an effective social protection system to shield the poor and the vulnerable from the risks they face and reduce their vulnerability.⁸

The GoN's portfolio of the current SSA program has steadily increased since its inception in 1994 from providing cash grants to 75+ senior citizens to now include five schemes. The GoN has continued its commitment to the SSA, whereby, they have now doubled the total budget from NPR 16 billion to NPR 32 billion for FY 2016-2017.

This Universal Social Protection brief was produced by Robert J. Palacios of the World Bank Group. It was reviewed by Isabel Ortiz and Loveleen De of the ILO.

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⁸ *Improving Social Protection for the Vulnerable in Nepal: A Review of Social Assistance Programs and Expenditures*, World Bank (2014).

