

March 2013



Politics
& Governance

**Politics of a national
employment guarantee
scheme in Nepal:
An initial assessment of feasibility**

**Daniel Harris, Anna McCord
and Sony KC**



Country Evidence

Acknowledgements

The authors are grateful to Ben Powis of DFID Nepal for his support to this research and comments on an earlier draft of this paper, to his colleagues in DFID Nepal who contributed their time and to the Nepali civil servants, NGO staff and members of the SPTT who gave their time to inform this study. Thanks also to Bishnu Upreti and his colleagues in the NCCR who hosted the visit and supplied invaluable research support and insights as well as facilitating our work.

We thank Claire Dilliway, Roo Griffiths, Tam O' Neil and Pearl Samandari Massoudi for their help with the editing and layout of this publication.

We are also grateful to the UK Department for International Development (DFID) for their funding support; however, the views expressed do not necessarily reflect the UK Government's official policies.

The views expressed in this paper and all responsibility for the content of the study rests with the authors.

Limitations

In the course of the research informing this report, no primary research was carried out at district or local level to explore perceptions of PWPs in general, the KEP or the potential development of an EGS. This report remains reliant on Kathmandu-based informants, written documentation and the media. As such, the report includes no detailed analysis of political economy concerns at local level.

The report is further limited by the fact that representatives of the NPC were not available to meet with the authors during the research period, which coincided with a period of significant political negotiation that affected the availability of key senior informants.

Acronyms

ADB	Asian Development Bank
APO	Asian Productivity Organization
CPA	Comprehensive Peace Agreement
DDC	District Development Committee
DFID	Department for International Development
DoLIDaR	Department of Local Infrastructure Development and Agricultural Roads
DP	Development Partner
DRILP	Decentralized Rural Infrastructure and Livelihood Project
DRSP	District Roads Support Programme
DTO	District Technical Office
EG	Employment Guarantee
EGS	Employment Guarantee Scheme
EIIP	Employment-intensive Infrastructure Programme
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German International Cooperation)

Disclaimer: The views presented in this paper are those of the author(s) and do not necessarily represent the views of ODI or our partners.

This material has been funded by UK aid from the UK Government; however, the views expressed do not necessarily reflect the UK Government's official policies.



HDI	Human Development Index
IEG	Independent Evaluation Group (World Bank)
ILO	International Labour Organization
KIRDARC	Karnali Integrated Rural Development and Research Centre
KEP	Karnali Employment Programme
KRDU	Karnali Regional Development Unit
LDO	Local Development Officer
LSGA	Local Self Governance Act
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MoE	Ministry of Education
MoFALD	Ministry of Federal Affairs and Local Development
NGO	Non-governmental Organisation
NPC	National Planning Commission
NCCR	Nepal Centre for Contemporary Research
NSCSP	National Steering Committee on Social Protection
ODI	Overseas Development Institute
OFID	OPEC Fund for International Development
OPEC	Organization of the Petroleum-exporting Countries
PAF	Poverty Alleviation Fund
PWP	Public Works Programme
RAIDP	Rural Access Improvement and Decentralization Project
RAP	Rural Access Programme
RCIW	Rural Community Infrastructure Works
RRRSDP	Rural Reconstruction Rehabilitation Sector Development Project
SDC	Swiss Agency for Development Cooperation
SPF	Social Protection Framework (ILO)
SPTT	Social Protection Task Team
SSF	Social Security Fund
SSFB	Social Security Fund Board
SSFC	Social Security Fund Committee
SWAP	Sector-wide Approach
UK	United Kingdom
UN	United Nations
UNCDF	UN Capital Development Fund
UNDP	UN Development Programme
UNICEF	UN Children's Fund
US	United States
VDC	Village Development Committee
WFP	World Food Programme
WHMPRP	Western High Mountain Poverty Reduction Programme
WHO	World Health Organization

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Executive summary

This report explores the political economy of the development of a national employment guarantee scheme (EGS) in Nepal, making an initial assessment of the feasibility of the development and implementation of such a programme.

This question arose in a context where there is established donor support for public works programming aimed at poverty reduction, as well as an awareness of the potential for the development of an employment guarantee (EG) approach and some indications of government-led interest in such an initiative. There is also state-led innovation in EG programming in one region of the country.

This report comprises five sections. Section 1 introduces the research and Section 2 provides an overview of social protection and the EGS policy environment in Nepal, outlining the history of social protection development, the policy and institutional context and the main instruments currently in use, including the main public works programmes (PWPs). Section 3 explores the political economy of the events and programmes outlined in the previous section, with a particular focus on issues of programme proliferation, consolidation and donor–government relations. Section 4 explores questions relating to PWP performance in general and EGSs in particular, and the design and implementation challenges of providing social protection through such instruments in the Nepali context. Section 5 draws on this analysis to identify the two main approaches to EGS development open to the development partner (DP) community, suggesting a number of possible next steps.

The report considers the existing range of programmes offering both employment and social protection in Nepal, including a range of PWPs (including employment-intensive infrastructure programmes (EIIPs)) and also the regional Karnali Employment Programme (KEP). It explores both domestic and donor-related political economy considerations relating to the provision of social protection through an EG approach. The extent to which such a reorientation may be desirable and feasible is found to be linked to a variety of factors related to the political economy of reform and the geo-social distribution of poverty and labour in the country. Three key themes emerged from consultations and a selective review of the relevant literature: domestic drivers of programme proliferation; donors' own motivations; and the nature of donor–government relations.

In terms of domestic drivers, the key features of the prevailing political economy were found to include the nature of political competition and the prevalence of coalitional politics; the politicisation of bureaucracies and bureaucratic competition between and within ministries; and the prevailing context of political uncertainty. Among the donor community, issues relate to contrasting ideological and organisational preferences regarding instrument selection and design, concerns regarding fiduciary risk and the prevalence of incentives for information sharing rather than active coordination. The political economy context is also coloured by government preferences for direct aid rather than technical assistance, and, at local level, significant constraints in terms of both implementation capacity and accountability, resulting in part from the lack of local and constituent assembly elections and the limited presence of the state at local level, which inhibits coordination, accountability and rational resource allocation.

EGS development is also challenged by a range of geo-social factors, relating to significant variations in population density, accessibility, poverty concentration and depth of poverty, and complex caste, ethnic and labour migration patterns.

Given the preceding analysis, two main options, which are not mutually exclusive, are proposed in terms of progressing towards the development of an EGS in Nepal in the short term, taking into consideration the lack of immediate government demand for EGS implementation and lack of a functioning state at local level: i) the harmonisation of existing programming to improve efficiency in the short term and contribute to preparation for potential future EGS development; and ii) the development of a potential EGS model drawing on the KEP experience.

1 Introduction

This report explores the political economy of the development of a national employment guarantee scheme (EGS) in Nepal, making an initial assessment of the feasibility of the development and implementation of such a programme.

This question arose in a context where there is established donor support for public works programming aimed at poverty reduction, as well as an awareness of the potential for the development of an employment guarantee (EG) approach and some indications of government-led interest in such an initiative. There is also a state-led innovation in EG programming in one region of the country. This report thus explores the political economy considerations implied by a shift to the provision of social protection through an EG approach.

The research was based on an exploration of the existing range of programmes offering both employment and social protection in Nepal, including a range of public works programmes (PWPs), including employment-intensive infrastructure programmes (EIIPs) and also the regional Karnali Employment Programme (KEP). These programmes are considered in relation to the wider social protection landscape and the overall political context, taking into consideration both domestic political factors and donor partner perspectives.

In particular, this report examines the political economy considerations central to the reorientation of existing programming, including programmes offering short-term employment and a regional EG programme, into a national EGS. Proposals for such a reorientation aim to respond to the dual challenges of chronic poverty and poor infrastructure provision and arise in part from the UK Department for International Development's (DFID's) experience in financing the Rural Access Programme (RAP), which includes a public works employment component, in the Karnali region alongside the KEP. However, the extent to which such a reorientation is desirable or feasible may depend on a variety of factors related to the political economy of reform and the geo-social distribution of labour in the country.

We explore the key factors informing the feasibility of the proposed reform initiative, building on an analysis of the existing KEP, existing public works programming and the proposed implementation of a national EGS, as included in the recently completed Social Protection Framework (SPF).

1.1 Methodology

The research began with a literature review, which was followed by a two-week visit to Nepal in January of 2013, during which a series of key informant interviews were carried out in order to explore key stakeholders' perspectives on future social protection provision and the role of EGs within this. These included interviews with key government officials working directly or indirectly on social protection and employment creation initiatives (including the Ministry of Federal Affairs and Local Development (MoFALD) and the Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR)), development partners (DPs) active in these areas (including DFID, the World Bank, the Swiss Agency for Development Cooperation (SDC), the World Food Programme (WFP) and the International Labour Organization (ILO)) and relevant coordination bodies, including the Social Protection Task Team (SPTT), as well as relevant national and international non-governmental organisations (NGOs) and research agencies (including Oxfam, Save the Children, Karnali Integrated Rural Development and Research Centre (KIRDARC), Nepal Centre for Contemporary Research (NCCR) and The Asia Foundation).

The research was carried out with funding from DFID by two researchers from the Overseas Development Institute (ODI), one from the Politics and Governance Programme and one from the Social Protection Programme, and a researcher from the NCCR.

Three main issues were identified as central to the research question (gaining an understanding of the feasibility of developing a national EGS in Nepal), and formed the focus of the research process:

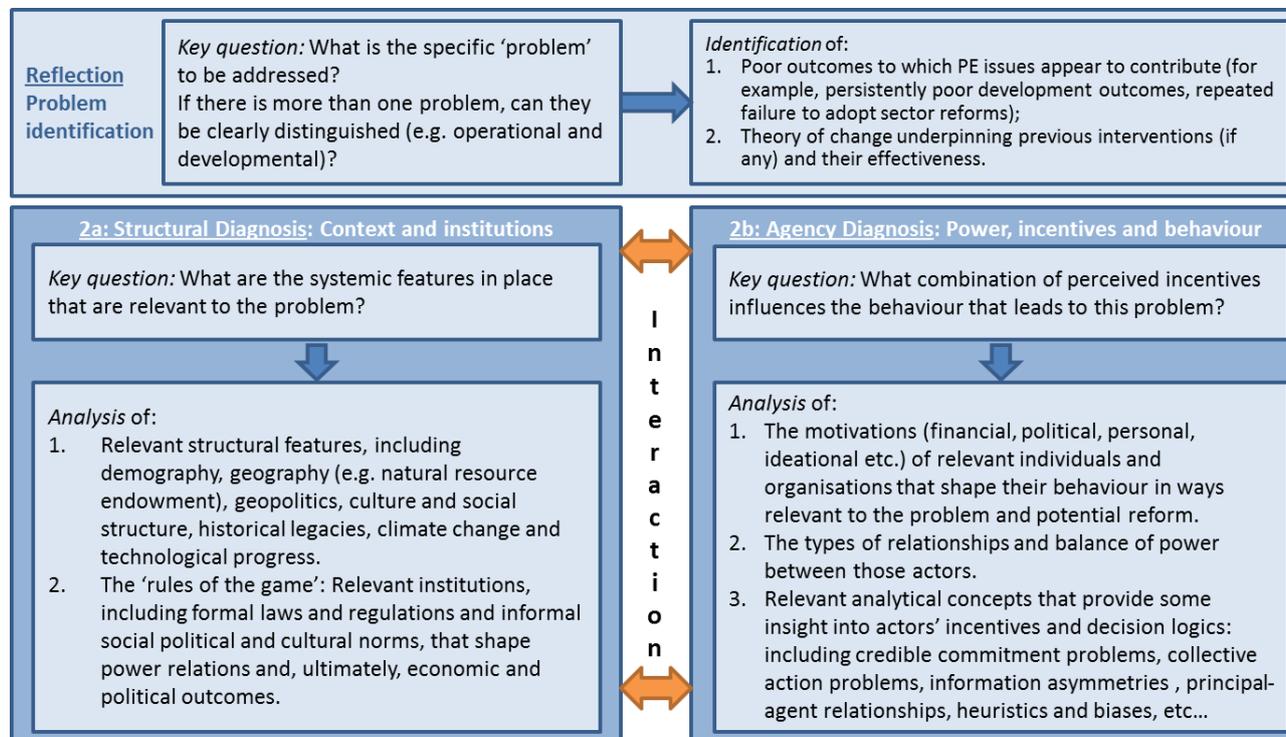
- 1 An exploration of existing PWPs (including, but not limited to, the KEP);
- 2 Analysis of the EGS concept as used by various actors in the Nepali social protection and labour market sector; and
- 3 Analysis of policy development and reform processes.

1.2 Political economy analysis

The approach adopted in this report is that of applied political economy analysis. By this, we mean our approach focuses on the interaction between structure and agency. In other words, this approach seeks to understand the way individuals and organisations behave, the decisions they make and the actions they take by linking them to relevant features of the context in which these actions take place. This approach emphasises the way both longer-term contextual features and institutions shape the incentives of particular

actors, the relationships between those actors and their relative power to pursue particular goals. However, it is also aware of the potential that actors may have to shape certain features of their environment (Figure 1).

Figure 1: Summary of political economy approach



Source: Harris (2013).

Like other political economy studies, we approach the issue in question with the view that the formal systems currently in place may be strongly influenced or even undermined by other factors. These factors in turn often have their roots in deeply embedded cultural norms that provide a set of informal, but nevertheless powerful, rules that help structure the choices available to key individuals and organisations. The precise way these norms are manifest and their implications for social protection programming are, of course, influenced by features of the contemporary Nepal, where the form of political competition, the scale of networks and the role external actors play may differ substantially from in the historical period.

In line with recent innovations in approaches to applied political economy analysis in the international development community, we structure the analysis around a particular policy or programmatic challenge in an effort to narrow the focus of the work and help maximise the capacity of the work to produce operationally relevant findings (Fritz et al., 2009). During the inception phase of the project, discussions with DFID Nepal staff covered a number of issues in the field of social protection, including those relating to existing public works programming as well as current experiences with and the potential future of employment guarantee schemes.

1.3 Structure of the report

Section 2 of this report provides an overview of social protection and the EGS policy environment in Nepal, outlining the history of social protection development, the policy and institutional context and the main instruments currently in use, including the main PWPs. Section 3 explores the political economy of the events and programmes outlined in the previous section, with a particular focus on issues of programme proliferation, consolidation and donor–government relations. Section 4 explores questions relating to PWP performance in general and EGSs in particular, and the challenges of providing social protection through such instruments. Section 5 draws on this analysis to identify the two main approaches to EGS development open to the DP community, suggesting a number of possible next steps.

2 Overview of social protection and the EGS policy discourse

This section provides a narrative overview of the social protection discourse, and influential political and policy developments influencing this over the past two decades. The timeline in Table 1 lists the main innovations in social protection policy and programming alongside key political events shaping the broader political context, which we discuss below.

Table 1: Timeline

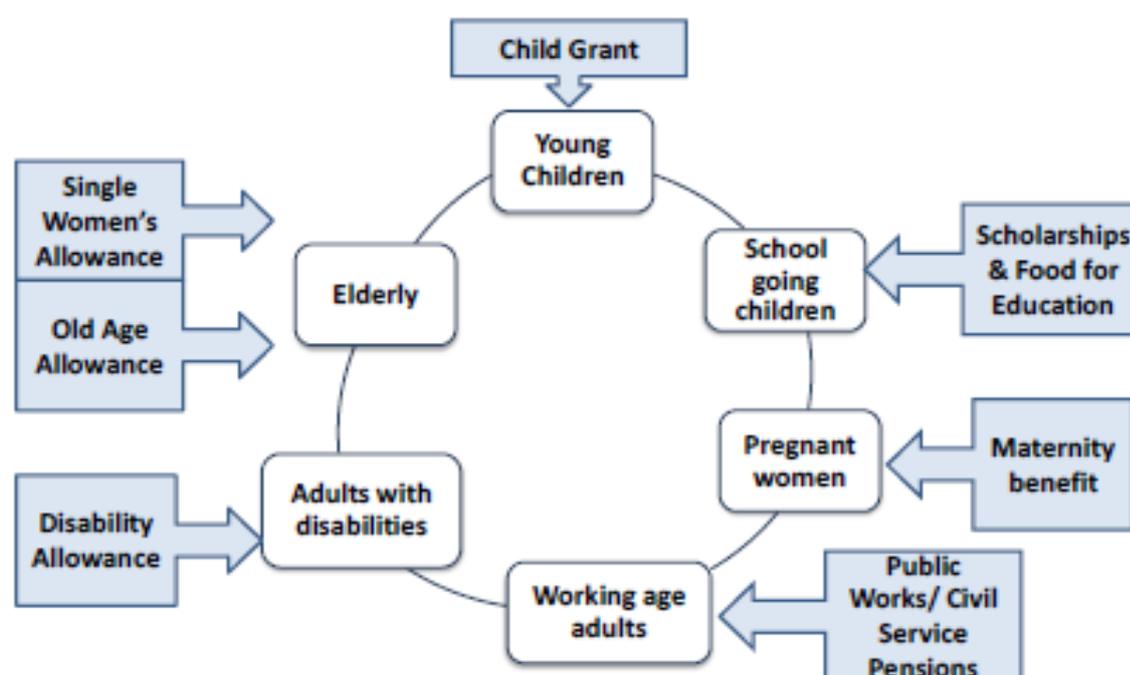
Event	Date
Protection and Welfare of Disabled Persons Act	1982
Retirement Fund Act	1985
Social Welfare Act	1992
Children Welfare Act	1992
Old Age Allowance (Senior Citizens' Allowance) introduced	1994
Rural Community Infrastructure Works introduced	1995
Widows' Allowance (Single Women's Allowance) introduced	1995
Disability Allowance introduced	1996
School Feeding Programme introduced	1996
Maoist insurgency	1996-2006
Last round of local-level elections	1997
Promulgation of the Local Self Governance Act (LSGA)	1999
Local government without elected representatives	July 2002
RAP initiated	2001
Poverty Alleviation Fund (PAF) launched	2002
Suspension of Parliament	February 2005
Seven Party Alliance and Communist Party of Nepal (Maoist) 12-point memorandum of understanding	November 2005
Mothers' Programme introduced (incentive payment for delivery in health centre)	2005
KEP introduced	2006
SPTT formed with key DPs	2006
Announcement of KEP in budget speech	July 2006
KEP launched	2006
Comprehensive Peace Accord (CPA) signed	November 2006
New Interim Constitution promulgated	2007
Constituent Assembly elections	2008

Establishment of federal republic	May 2008
Endangered Indigenous People's Allowance introduced	2009
Child Grant introduced	2009
National Steering Committee on Social Protection (NSCSP) formed (Ministry of Finance, Agriculture, Education, Labour and Transport Management, Health, Local Development)	2009
Expansion of KEP to additional districts	July 2011
Employment Guarantee Act (EGA) approved and sent to Parliament for endorsement	May 2012
Dissolution of Constituent Assembly	May 2012
Announcement of Employment Guarantee Act in budget speech	July 2012

2.1 Overview of provision

Social protection has existed in Nepal for many centuries in the form of informal provision against food insecurity through the *Dharma Bhakari*, a community-managed grain collection and storage system providing stocks for times of scarcity and also for the support of the most vulnerable community members. Formal provision was first established by the Rana regime in 1934 for those serving in the army; in 1948, this was expanded to cover all civil service employees in the form of a social security programme, which is still in operation. The formal system has been expanded significantly since the 1990s in terms of social assistance provision, with the introduction of multiple non-contributory transfers, starting with the Old Age Allowance in 1994. Figure 2 summarises the current system.

Figure 2: Social protection provision across the life cycle in Nepal



Source: World Bank (2011).

Expenditure on social protection has risen significantly, from a base of 0.5% of gross domestic product (GDP) during 2004-2007 to over 2% by 2009, reflecting the extension of provision and growth of instruments during this period, resulting in the second highest share of GDP allocated to social assistance in the region after India (2.7%) and above Bangladesh, Pakistan and Sri Lanka (World Bank, 2011). In fiscal year

2011/12, NRs 11.3 billion (approximately £100 million) was allocated to social protection provision (Koehler, 2011a), of which just less than 50% was allocated to civil service pensions and half to non-contributory assistance, with 29 ongoing social protection programmes (ibid.). The most recent inventory of provision shows seven cash transfer instruments for various vulnerable groups, twenty educational scholarship programmes providing support in cash and kind and four major PWPs. These are discussed in more detail below and listed in Appendix 1.

2.2 Institutional context

There is a significant overarching legal and policy framework for social protection in Nepal. The first Social Welfare Act in Nepal was passed in 1992, aiming to:

[...] provide humanistic livelihood to the weak and helpless individual, class and community and make them enable; in order to provide status and respect to the welfare oriented institutions and individuals and in order to develop a co-ordination between social welfare oriented institutions and organizations.'

This Act consolidated earlier initiatives, including the Children Welfare Act of the same year; the Protection and Welfare of Disabled Persons Act (1982); Senior Citizens' Working Policies; and the Retirement Fund Act of 1985 (Upreti et al., 2012). The CPA took this further and included a commitment to the provision of social protection, signalling a new relationship between the people and the state (Koehler, 2011a). Within the CPA, Section 18 Clause 3 requires provision of 'rights to employment and social security'. More recently, the Interim Constitution of Nepal (2007) highlighted employment and social security as key rights of citizens.

The SPTT, consisting of representatives of the key DPs working in the sector (including the World Bank, DFID, the Asian Development Bank (ADB), the UN Capital Development Fund (UNCDF), the World Health Organization (WHO), German International Cooperation (GIZ) and WFP) was formed in 2006 to promote programming coherence and harmonisation (Kidd and Calder, 2011). This group was reinstated in 2009, the same year as the NSCSP was formed to bring together representatives from the government sector involved in different aspects of social protection programming, including the Ministries of Finance, Agriculture, Education, Labour and Transport Management, Health and Local Development (Upreti et al., 2012). The NSCSP reviewed existing social protection in order to inform the development of a National Social Protection Framework for Nepal, which was designed with support from the SPTT and with technical inputs from ADB. ADB also provided inputs to strengthen institutional and decision-making capacity in the sector in order to promote the management and consolidation of a social protection system (ADB, 2011).

Despite ongoing donor support to coordination in the sector, limited coherence of activities across the various ministries and agencies continues to result in the implementation of parallel rather than integrated initiatives, with a current example being the simultaneous development of poverty identification cards by the PAF, health cards by the Ministry of Health, national ID cards by the Ministry of Home Affairs and the separate creation of a biometric voters' list by the Election Commission.

In 2009/10, the Ministry of Labour and Employment (formerly the Ministry of Labour and Transportation Management) set up the Social Security Fund (SSF) through the imposition of a 1% payroll tax. Originally the mandate of the Ministry of Finance, the Fund was passed to the Ministry of Labour and Transportation Management, whose draft bill stipulated that the tax would be used to finance six categories of provision: an old age allowance; medical, maternity, disability and unemployment benefits; and the needs of other vulnerable groups on an ad hoc basis. The dissolution of parliament means this bill has not yet been passed. The Social Security Fund Board (SSFB) oversees both the fund and social protection programming more generally, with a long-term vision of growing as an umbrella social protection organisation. The current prime minister's budget speech made the creation of the Board public (Ministry of Finance, 2009). Its initial objective was to extend maternity, workplace injury and sickness benefit schemes to the informal sector, but this process is still under development and employers have not implemented these benefits.

2.3 National political context

Ongoing policy development in this area is currently overshadowed by concerns regarding larger constitutional and democratic debates. The signing of the CPA in 2006 brought an end to the period of insurgency in Nepal. However, the period since then has been marked by the frequent transfer of government officials, linked to a politicisation of the civil service that has had an adverse impact on policy development and coordination, with five different governments ruling during the six years following the CPA

(Thapa, 2011). This political instability has resulted in a highly politicised policy environment, which has seen the development of many new programmes informed by particular electoral interests rather than by a vision of harmonised social protection provision. As such, neither programme coordination nor consolidation has been a major priority. This remains an ongoing challenge.

This situation has been exacerbated by the dissolution of the Constituent Assembly in May 2012, resulting from the failure to promulgate a new constitution within the stipulated time period following the CPA. This means Nepal currently lacks both a parliament and a constitution. The situation has been further complicated by failure to hold local government elections since 1997, meaning there has been an absence of elected officials at local level since 2002. Without an elected local government, local development officers (LDOs) from district development committees (DDCs), secretaries of village development committees (VDCs) and municipal executive officers have had to take on the responsibilities of elected representatives. In this way, the bureaucracy is running the local administration, with significant additional demands being placed on central and local officers in terms of the coordination and implementation of social protection provision (and other developmental activities) at local level. Given the capacity constraints facing these key actors, the result is poor coordination, monitoring and accountability at local level.

Notwithstanding this instability and democratic deficit at both local and central levels, the Maoist influence in government has brought to the fore issues relating to inclusion and supported the development of the social protection agenda (Upreti et al., 2012), although ongoing policy development in this area is currently overshadowed by concerns regarding larger constitutional and democratic debates.

2.4 Main social protection instruments

The main social protection instruments currently in usage in Nepal can be divided into two main categories: 1) transfers (in cash and in kind); and 2) labour market-based interventions (public works and employment programmes).

2.4.1 Transfer-based social protection

Transfer-based social protection in Nepal includes seven major cash transfer programmes, a mix of conditional and unconditional, and up to twenty scholarship programmes offering support both in cash and in kind.¹

Multiple cash transfer initiatives have been instituted since the introduction of the Old Age Allowance in 1994, for the support of specific population groups and to address particular development challenges, including the promotion of female education and maternity support and provision of financial support for the disabled (KC and Upreti, 2013). The incremental and interest group origins of much social protection programme development have resulted in a complex web of provision. This reflects the ethnic and regional divisions that remain central to politics in Nepal, as well as differing DP interests. The consequence is a patchwork of provision rather than provision based on a systematic and harmonised analysis of needs and rational allocation of resources.

The political origins of the major grants illustrates this pattern, with the Old Age Allowance introduced by former Prime Minister Manmohan Adhikari (United Marxist–Leninist) and the Single Women’s/Widows’ Allowance introduced the next year, initiated by the Nepali Congress. Similarly, the fact that the eligibility criteria for the Old Age Allowance differ in Karnali from the rest of the country reflects the power of the Karnali regional lobby, with the pension provided nationally for those above 70 while in the Karnali region a 60-year eligibility criterion for those from the Dalit community was negotiated. This Karnali exceptionalism is also noted in the provision of PWP employment, with national PWP investment heavily concentrated in an area with only 1% of the population. The Karnali Development Commission was initiated in 2010 to respond formally to the historical underdevelopment of the region.

2.4.2 Labour market interventions and social protection

Even before the end of the war, promotion of employment had become a priority political issue in order to address the challenges of underemployment and low-productivity employment, which result in high poverty levels among the working poor and a reliance on both domestic and international migration as survival strategies. Open unemployment in Nepal is extremely low, at approximately 2%; inasmuch as it does exist, it

¹ The precise number of scholarship programmes currently implemented has not been determined with certainty by the Ministry of Education (MoE) or DPs.

is an urban phenomenon and is concentrated among youth, calculated at 13% among 14-25 year olds (ILO, 2010b).

Employment was highlighted as a priority objective in the Tenth Plan (2002-2007), and the poverty reduction strategy paper of 2003 included employment generation as one of its four pillars. To this end, the government introduced a Labour Employment Policy in 2005 to promote employment through sustainable economic development by offering opportunities of productive and full employment for the entire workforce within Nepal. Specifically, it aimed to eliminate forced labour (including bonded labour), promote international labour standards in the formal and informal sectors and develop a social security system to include the informal sector, as well as stimulating demand for labour by promoting international investment (Pokharel, 2012).

There has been a renewed emphasis on employment issues in formal policy documents in the post-war period, with the current Three-year Plan (2010/11-2012/13) including the objective of reducing inequality and poverty by increasing decent employment through the expansion of inclusive, productive and targeted programmes (NPC, 2010). The current Three-year Plan has the target of creating 1.1 million additional jobs, and, to this end, in addition to the transfer-based social protection provision outlined above, the government has adopted a combination of strategies. These include both investment promotion and a range of active labour market policies to address the joint problems of underdevelopment, post-conflict reconstruction and underemployment. These entail the promotion of microfinance, entrepreneurship, skills development and microenterprise development, the improved dissemination of labour market information and the formalisation of labour migration through bilateral and regional agreements with destination countries.

However, recognising that this strategy will not generate higher employment in the short term, the government and donor community have made simultaneous investments in the provision of social protection for the working poor, including the creation of temporary employment opportunities through a number of PWPs based on EIIPs, including the KEP together with a range of complementary interventions to promote youth employment indirectly, including provision by the Maoist government of a programme to promote loans for income generation, managed by the Ministry of Finance.

The government has also been considering adopting further direct employment schemes including 'relief schemes' (Pokharel, 2012), and also a national employment guarantee scheme to complement existing provision. However, since the failure to draft the new constitution and the dissolution of the Constituent Assembly, which had been performing a parliamentary function, employment creation EG has not retained its priority policy status at central level. Disputes relating to the constitution have dominated the agenda and it is unlikely that significant developments in relation to the broader development agenda, and social protection provision and employment in particular, will take place until after these fundamental constitutional issues are resolved. This implies little action until at the earliest May 2013, after the election of the Constitutional Assembly.

2.5 Public works programmes

As noted above, a number of programmes currently being implemented in Nepal conform to the general concept of 'public works programming' (taken broadly to mean government- or donor-sponsored programmes entailing the creation of assets using labour-based approaches to compensate for failure of the market to deliver adequate employment). These programmes vary considerably in size, geographical spread and coverage in terms of penetration within districts and also with regard to their primary focus, with some aiming to create infrastructure as the major objective, some to create employment and others to contribute to social protection or food security outcomes; others attempt to address multiple objectives simultaneously. Table 2 sets out the major PWPs currently being implemented.

Table 2: Major PWP currently implemented in Nepal

Project	Programme type	Geographical coverage	Government agency responsible	Funding agency
Rural Community Infrastructure Works RCIW (1996-)	PWP for short-term consumption smoothing to address food security	21 districts (MoFALD 7, WFP 14)	MoFALD	Government/DFID/World Bank
Rural Access Programme RAP 1 initiated 2000 RAP 2 (2009-2013) RAP 3 (2013-2017)	EIIP – includes PWP for short-term consumption smoothing to address poverty	3 districts in west and 4 districts in east	DoLIDaR (MoFALD)	DFID/SDC
Poverty Alleviation Fund PAF (2004-)	EIIP – includes PWP for short-term consumption smoothing to address food security	25 districts (most deprived in Nepal)	Independent agency, Board chaired by prime minister and includes National Planning Commission (NPC)	World Bank
Karnali Employment Programme KEP (2006-)	EGS. Objective: income insurance; reality: short-term consumption smoothing	5 districts in Karnali	MoFALD	Government
District Roads Support Programme DRSP (1999-2013)	EIIP	4 districts in the east	DoLIDaR	SDC/World Bank
Decentralised Rural Infrastructure Livelihood Programme DRILP (Phase 2: 2012-2016)	EIIP	26 districts	DoLIDaR	ADB, OPEC, SDC, government, GIZ
Rural Reconstruction Rehabilitation Sector Development Project RRRSDP	EIIP	20 districts (plus 18 non-core)	MoFALD	Government/ADB/OFID
Rural Access Improvement and Decentralisation Project RAIDP (ends 2013)	EIIP	30 districts (rural roads), 28 districts (trail bridges)	MoFALD	World Bank

2.5.1 Description

These programmes share design similarities with respect to the construction of physical infrastructure, and provide employment on similar, although not identical, terms, with some discrepancies in wage levels and duration of employment (ranging from 13 to 150 days). The infrastructure created comprises mostly bridges, roads, trails and other social and economic infrastructure, but also includes community facilities, irrigation and flood mitigation interventions such as river training.

There are differences across PWPs in terms of what is meant by a programme being ‘in’ a given district, with levels of coverage varying considerably in terms of village-level penetration. The KEP, for example, has significantly more comprehensive reach in terms of the number of villages ‘covered’ per district than other programmes implemented in Karnali.

The WFP-supported Rural Community Infrastructure Works (RCIW) is the longest-standing programme, having been initiated in 1996 by MoFALD with support from GIZ, and continuing to function throughout the conflict, currently covering 21 food-insecure districts. Traditionally, it has used a food-for-work approach, providing basic household rations in return for labour, although more recently, innovations with cash for work have been introduced, with funding through cash and also, in a small number of experimental projects,

electronic payment systems. At present, MoFALD supports the RCIW in seven districts and WFP in fourteen, with MoFALD taking an overall coordination role. The priority within this programme is food security, with the objective being to create employment opportunities for food-secure households. Project implementation is carried out by the DDCs through specially created user committees at village level.

In addition to the RCIW, a number of other PWPs are currently being implemented under the aegis of MoFALD, albeit with a significant degree of design and operational autonomy. The most significant among these in terms of district coverage is the DRILP, implemented in 25 districts under the DoLIDAR section of MoFALD, which aims to reduce poverty in conflict-affected areas, with a focus on particular vulnerable populations, in particular Dalits, women and children. The first five-year phase of the DRILP was completed in October 2011, and the second phase (2012-2017) is currently underway, funded by ADB with technical support from SDC. SDC is also supporting the DRSP, together with the World Bank.

The other major PWPs currently being implemented are the PWP component of the World Bank-funded PAF, implemented by a programme management unit; the DFID-supported RAP, entering its third five-year phase in 2013; the RRRSDP, supported by the government of Nepal, ADB and the Organization of the Petroleum-exporting Countries (OPEC) Fund for International Development (OFID); and the World Bank-funded Rural Access Improvement and Decentralization Project (RAIDP), which ends in 2013.

While there is some DP collaboration across public works programming, for example with SDC providing technical assistance to WFP on some projects, there is little coordination or collaboration in programme planning or execution. Each is designed and implemented independently, with different operational, funding and monitoring mechanisms, although there are close linkages between the Rural Reconstruction Rehabilitation Sector Development Project (RRRSDP), the Decentralized Rural Infrastructure and Livelihood Project (DRILP) and the District Roads Support Programme (DRSP), which share common funders and implementing agencies.

2.5.2 Resources

Considerable donor and government resources are allocated to these programmes. The RAP is budgeted at \$14 million per annum, the DRILP at \$16 million and the KEP at \$3 million, with donors allocating considerable resources to the sector, including \$22 million per annum by SDC. Data on consolidated budget allocations to PWP activity using labour-based approaches are not readily calculable, as many PWP are components of larger projects with multiple poverty alleviation activities, as in the case of the PAF, or with multiple infrastructure construction components, not all of which entail employment-intensive activity. As such, it is not readily discernible what proportion of the budgets outlined above should correctly be considered as relating to PWP with employment and social protection, and what relates to more conventional construction activity. However, notwithstanding this limitation, it is clear that PWP activity is currently a significant area of donor expenditure, and that in this sector a small number of key donors, namely, DFID, the World Bank, SDC and ADB (albeit to a lesser extent than previously, given its shift away from social protection and towards asset creation) dominate the sector, each funding multiple interventions in the field. This provides a rich opportunity, though one that is not currently realised, for programme learning, innovation and consolidation, on both an inter- and intra-agency basis.

2.5.3 Objectives

Many of the PWPs are based on a broadly shared, although not explicitly articulated, theory of change founded on the assumption that labour-intensive asset creation provides a form of social protection to participants through temporary wage employment and also longer-term economic and livelihoods benefits arising from the assets created. In some programmes, a clear distinction is not made between social protection, employment creation and asset creation objectives. In this way, programming in this sector is similar to public works programming activities internationally (McCord, 2012).

However, some programmes, such as the RAP, explicitly prioritise asset construction, whereas within both the RCIW and the KEP the social protection function dominates the asset creation objective, with the provision of income to beneficiary households (in the form of cash or food) prioritised over the production of quality infrastructure. In some instances, the imperative of providing income has compromised the quality of the assets created, given the need to go ahead with programme activities in order to justify the transfer payment, even in the absence of appropriate selection, design and implementation of asset construction activity. In other instances, payment has reportedly at times been made without any assets actually being created, rendering it a *de facto* cash transfer programme. While this outcome was widely reported in relation to the KEP, the extent of this failure is not empirically attested.

Understanding the orientation of a PWP, in terms of the prioritisation of employment provision vs. asset creation, is important in understanding whether it is likely to perform a social protection function. Only if employment is provided on a regular, guaranteed and predictable basis (ongoing or seasonal) can it be considered to perform a social protection function in contexts of seasonal or chronic poverty, in terms of its impact on household consumption and development outcomes. On this understanding, no programmes currently implemented in Nepal actually confer conventional social protection provision. The KEP comes closest conceptually, given its objective of providing a set amount of employment each year to households without alternative income, although constraints to programme performance reduce its potential social protection impact: the limited amount of employment actually provided significantly reduces its consumption-smoothing and income insurance impact.

This variation in PWP design reflects the fact that, in Nepal, as elsewhere, the term ‘PWP’ covers a range of different kinds of programmes, which can vary significantly in terms of their social protection function. Box 1 sets out the main features of the four types of PWP.

Box 1: PWP typology

Type A: Consumption-smoothing PWPs

PWPs offering a single short-term episode of employment with a safety net or social protection objective – appropriate in contexts of acute labour market/livelihood disruption

Type B: Income insurance PWPs

Government employment programmes offering repeated or ongoing employment, which provides a form of income insurance by guaranteeing employment (EGSs) – appropriate in contexts of chronic or repeated labour market/livelihood disruption

Type C: PWPs increasing aggregate employment

Programmes promoting the labour intensification of infrastructure investment to create short-term employment opportunities and increase aggregate employment (EIIPs) – appropriate in contexts of acute labour market/livelihood disruption

Type D: PWPs promoting employability

Programmes enhancing employability by improving labour quality – appropriate where a significant number of unfilled job vacancies or opportunities for self-employment exist

In Nepal, Type C EIIPs, which prioritise asset creation while also aiming to create benefits for local communities as a secondary benefit, dominate. A smaller number of programmes aim to promote consumption smoothing on a one-off basis (Type A programmes). The KEP has some characteristics of an EGS in design, although implementation constraints render it closer to a Type A programme in reality. While there is discussion of the development of a Type B EGS, currently no EGS is implemented in the country.

Table 3 summarises the main design differences between the PWPs and EIIPs currently implemented in Nepal (Types A and C) and an EGS (Type B) programme.

Table 3: PWP/EIIP and EGS design differences

Design component	PWP/EIIP	EGS
Geographical coverage	Selected districts	All districts in operational area
	Selected villages	All villages in operational districts
	Supply driven	Demand driven
Access	Discretionary	Rights based
	Targeted/rationed	Universal
State responsibility	No state obligation to provide employment	State obligation to provide employment to all seeking it

Asset selection	Various depending on donor interest	Integration with strategic planning at village and district level
Planning cycle	Annual	Multi-year (pre-planned asset selection, approval and design creating shelf of projects to be implemented depending on demand)
Employment duration	Any	Sufficient to provide income insurance for agreed number of days (informed by range of potential factors, including relation to consumption gap, available budget, anticipated demand, level of wage)
Periodicity	One or more years in any one location	Ongoing/annual at community level to ensure repeated employment
Wage	Any, driven by market and/or food security considerations	Wage set in line with outcome goals
Compensation for state failure	No compensation if state does not provide sufficient employment to meet demand	Payment in lieu of wage if state fails to provide employment

From Table 3, it can be seen how current PWPs and EIIP design differs significantly from that which would be required to implement an EGS.

2.5.4 Social protection challenges in PWPs

In addition to the fact that some PWPs do not have social protection provision as their primary objective, it is also relevant to note that most PWPs currently implemented in Nepal do not target the most vulnerable, except in the crudest terms in the sense of geographical targeting to poorer districts (identified as such on the basis of Human Development Index (HDI) and Famine Early Warning Systems determinations).

Most programmes rely on the assumed 'self-targeting' by the poorest, given the provision of a low PWP wage (often a problematic and ineffective targeting tool (McCord, 2012)), and tend to offer employment on an *ad hoc*, first-come-first served or politically determined basis (in the absence of functioning local government to carry out and monitor more conventional poverty targeting). This further weakens the potential for PWP employment to function as a form of targeted social protection, as opposed to a generic transfer for local-level administration. The DRILP does place a greater emphasis on targeting marginalised and poor populations with employment, but where population density is low, the resultant low demand for PWP employment means employment is not rationed and is offered to all comers irrespective of socioeconomic status.

2.6 The Karnali Employment Programme

The KEP was initiated in 2006 and is implemented in the five districts of Karnali region (see Table 4), the most marginalised and underprivileged region in the country (Jumla, Mugu, Kalikot, Dolpa and Humla), according to a range of HDI and food security indicators (see, e.g., WFP, 2010). In 2011, it was extended into four additional adjoining low HDI districts (Jajarkot, Achham, Bajhang and Bajura).

The programme was first announced in the budget speech of July 2006, as one component of the PAF. It was developed by the government of Nepal in response to an active Karnali lobby (comprising activists and political leaders) that exerted pressure on the Cabinet to enact a range of pro-Karnali development interventions during the period when the conflict was coming to an end. It was part of a broader initiative to allocate resources to this particularly underdeveloped region, which had previously experienced relative underinvestment and limited central state support. Support to the region includes a number of Karnali-specific initiatives, including the introduction of region-specific criteria relating to age and caste/ethnicity to expand grant coverage in the region. The decision to allocate an initial budget of NRs 180 million to the KEP was announced in the 2006 budget speech with the aim of improving the livelihoods of people in the region.

In design, the KEP is similar to the other PWPs currently being implemented around the country, inasmuch as it is based on the creation of employment through a series of infrastructure projects designed and implemented at local level, each resulting in the construction of a physical asset. It is promoted with the slogan 'Ek ghar ek rojgar' ('One family one job') and has the objective of providing 100 days' employment to

each participating household, with employment targeted at households without any employed members. It is, however, unique among PWPs in Nepal in that it aims to provide a specified number of days' work to participating households on an ongoing yearly basis rather than providing a more limited period of employment on a one-off basis.

Despite the public objective of providing 100 days' work each year to eligible households in the region, the budget allocated to the KEP since its inception has not been commensurate with the provision of employment to all of the estimated 60,000 eligible 'unemployed' households in the region (comprising 95% of all households in Karnali) (KRDU, 2007). At the mean wage rate paid under the KEP (NRs 200), the KEP budget for 2009/10 was sufficient to create just over 1 million work days, which would translate into the provision of 18 days for each household (ILO, 2010a). As with many similar initiatives, coverage under the KEP was not intended to be universal in the initial phase of implementation.

Table 4 summarises the performance of the KEP to 2011.

Table 4: Overview of the KEP's performance by district

District	No. of projects completed	Average no. of days of employment per family	Budget spent (\$)
Mugu	133	15	425,700
Dolpa	135	12	307,400
Humla	106	11	362,000
Jumla	87	10	821,200
Kalikot	153	13.5	98,300

Source: Adapted from World Bank (2011), cited in KC and Upreti (2013).

This analysis is consistent with the findings of the ILO and government evaluations of the KEP, which indicate that, on average, the programme is delivering 13 days of employment to each participating household.

Several other PWPs are also being implemented in the Karnali region as part of broader programme interventions, including the PAF, which includes a PWP component, the Western High Mountain Poverty Reduction Programme (WHMPPR), the RCIDP, the Rural Development Programme, the RAIDP and the DRILP (NPC, 2012).

2.7 Employment guarantee schemes

There has been some interest among individual DPs over the past few years in the possibility of implementing some form of EGS nationally in Nepal, drawing on experience from the KEP and the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in India, and within government in the possible development of a relief-oriented employment programme (Pokherel, 2012), although neither initiative was formalised into a specific debate within the SPTT or NSCSP.

However, impetus for the development of a national EGS has increased within government, and the NPC has commissioned the drafting of an Employment Guarantee Bill. This initiative was publicly announced in the 2012 budget with the following objectives:

'To ensure at least 100 days of employment for unemployed by formulating Employment Guarantee Act, and if employment is not provided, provide at least 50 days unemployment allowance.' (Ministry of Finance, 2012)

The draft bill was presented to the cabinet by the Ministry of Labour and Employment for approval in 2012. However, it was not possible for the bill to move on to the next stage and be passed by parliament owing to the suspension of the Constituent Assembly.

Currently, no PWPs in Nepal conform to the terms of an EGS in practice. The KEP was designed with the explicit objective of functioning as an EGS, drawing closely on the Indian MGNREGS, in terms of its aim of providing 100 days of employment to one member of each eligible household. However, as described above, it was not given an adequate budget to provide employment to all eligible households, and, as discussed below, operational constraints relating to the political economy of service provision at local level have also compromised its performance, such that it does not function as an effective EGS within Karnali. However, these challenges do not imply that the development of such an initiative is not possible in Nepal, as the KEP was intended specifically as an instrument to redress historic underdevelopment in the region, rather than to provide the basis for a future national scheme.

The challenge of effectively delivering social protection through an EGS is one that is noted internationally, with the MGNREGS in India being the *only* programme internationally that both attempts and achieves (to a greater or lesser degree) the provision of employment on demand to poor households – although even within this celebrated programme, on average only 50 rather than 100 days of employment are actually provided each year, and the supply of EGS employment is not adequate to meet demand.

2.8 Current policy and institutional context for an EGS

Having reviewed the current provision of social protection and active labour market policies, and set out the policy and institutional context, it is clear that there is a gap in provision in Nepal in terms of the underemployed working-age poor, who currently are unable to find sufficient adequately remunerated employment without migration, and who, even when adopting migration as a coping strategy to address this deficit, remain chronically poor. This gap has been recognised both with respect to the medium-term policy requirements (addressing the determinants of structural unemployment) and in the short term through the promotion of employment-intensive infrastructure initiatives. Despite the proliferation of EIIP initiatives over the past decade, however, employment creation has remained on a somewhat ad hoc and small-scale basis, and the government has recognised that there is a need for a consolidated national initiative to address this challenge, potentially in the form of an EGS. However, the nature of such a potential programme remains undefined and the granting of a political mandate for its development is currently pending.

The next section explores the political economy of this situation, and discusses in detail a range of options for responding to the development of an EGS.

3 Proliferation, consolidation and donor–government relations

As detailed in Section 2 and in earlier work on social protection in Nepal, one of the most salient features of the social protection landscape for any proposed national EGS is the proliferation of public works programmes and projects. Here, we refer to both those PWPs that explicitly self-identify as social protection initiatives (such as the KEP and the RCIW) and those that *de facto* fulfil a related function, as in the several EIIPs implemented with social protection as a secondary objective to asset creation. Given this trend towards proliferation, a logical step in assessing the feasibility of a national EGS is to address the question of whether such a scheme ought to be considered as additional to existing initiatives or as the product, at least in part, of a consolidation of existing programmes and projects. This fundamental question underlies much of the discussion in consultations held in Kathmandu, albeit not always addressed explicitly. This section first lays out a case for consolidation based on key factors raised in consultations with donors and the government of Nepal, then considers the implications of a set of key features of the political economy context for such a consolidation. The latter addresses domestic features, DP motivations and aspects of the relationship between government and DPs.

3.1 The case for consolidation

The need to consolidate existing initiatives as a logical way towards the creation of a national EGS emerged strongly from consultations, particularly with the donor community. In particular, concerns regarding fiscal, administrative and technical resource constraints prompted a number of key informants to suggest that this was the way forward in the creation of a national EGS. Precisely what such a consolidation ought to include was not always specified (a point to which we return later), but the principle was largely readily endorsed as necessary to the future creation of an EGS. Here, we briefly lay out the case made for consolidation.

3.1.1 Fiscal space

Previous studies have established the apparent willingness of the government of Nepal to commit significant resources to the funding of social protection schemes in general. However, while the government has made notable improvements in terms of raising revenue, and foreign aid continues to increase, this expansion in the total quantity of funds available for government expenditure and previous commitments to funding social protection should not be taken together as evidence that funding for such schemes does not face constraints. Indeed, while the precise percentage of government expenditure that can (or should) be devoted to social protection remains a subject of some debate (not least because of a lack of definitional clarity regarding what qualifies as social protection expenditure), there is largely consensus that there are real limits to potential increases in the amount of public funds devoted to social protection.

Overall fiscal constraints include the following:

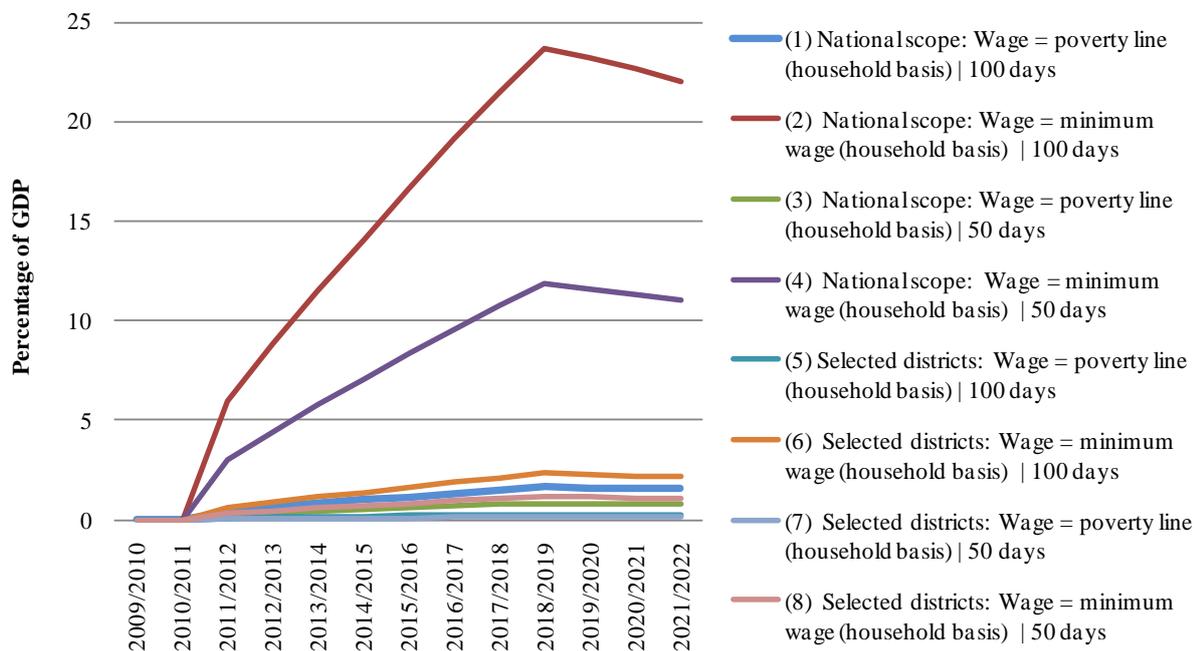
Perhaps the greatest factor influencing the design and other considerations for cash transfers, or for broader social protection systems, will be determined by the fiscal space of the Government [...] Despite increased revenues, however, overall fiscal deficit increased from 1.9% of GDP in FY2009 to 2.8% of GDP in FY2010, partly due to increased salary and wages of civil servants to keep up with inflation. The Nepalese civil servants are still poorly paid and so the pressure to increase salaries is likely to continue. Civil service pension bills are also expected to equal salaries in the next four years and despite an increase in social spending on health, education, social protection, water supply and sanitation, and local development, from 6% of GDP in FY2007 to 10% in FY2010, there is mounting pressure to continue to increase spending in these areas (World Bank, 2010b). The Government is thus faced with the dilemma of maintaining the fiscal deficit within desirable limits to maintain macroeconomic stability on the one hand, while on the other, it is faced with the pressure to increase public expenditure to meet the commitments made for poverty reduction (GoN, 2010b). The need to choose programs and projects prudently in the coming years is the greatest challenge for the Government of Nepal' (Jones et al., 2010)

In addition to concerns regarding the macroeconomic implications of funding social protection initiatives, our findings suggest there may be particular political considerations in the use of government funds for schemes, like an EGS, that are non-contributory. Recent debate regarding the development of the Social Security Fund through the imposition of a 1% payroll tax has attracted significant opposition from some quarters, not least formal sector workers, who would have preferred the use of such funds to be exclusively for the benefit of contributors.

Preliminary results from a recent ILO Rapid Cost Assessment of various components of the Social Protection Floor in Nepal suggest the potential cost of a national EGS is likely to be significant (ILO, 2012). Of eight scenarios of differing coverage design, four cost out an EGS with national coverage reaching all eligible households in the country (scenarios 1-4 in the ensuing figures and in the original) and four cost implementation targeted at the poorest districts.² Each scenario (national and targeted) is modelled with two wage levels (set at the poverty line and the minimum wage) and two different numbers of days of employment (100 and 50 days). Figures 3 and 4 present the cost of the various scenarios as a percentage of GDP and as a percentage of total government expenditure, respectively.

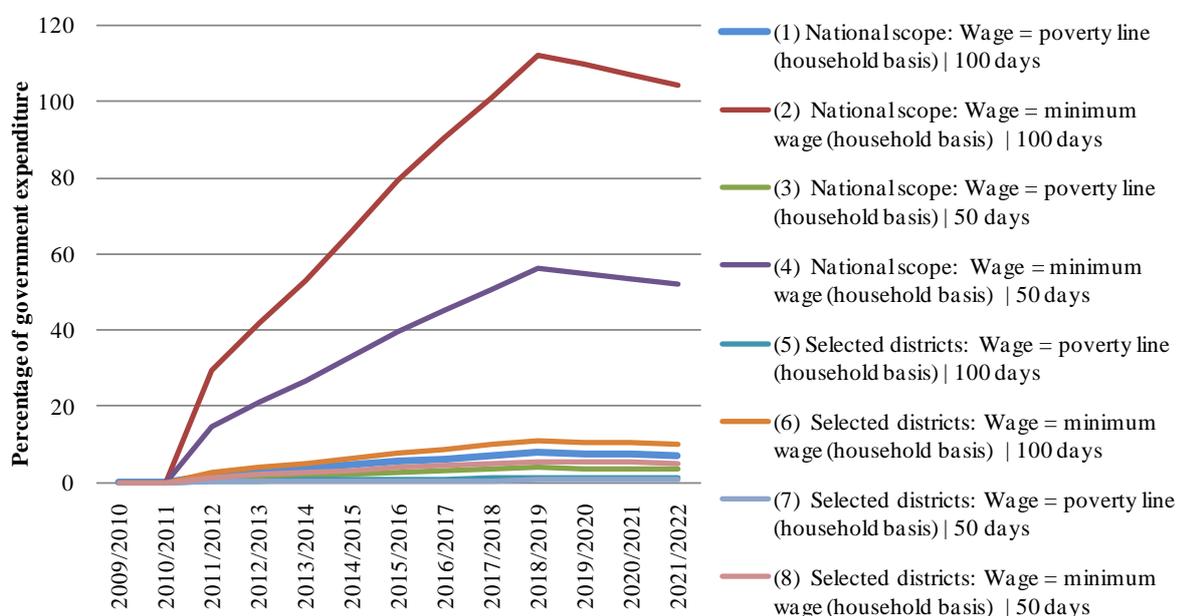
² In the scenarios in which coverage extends only to selected districts, coverage was determined 'on the basis of the incidence of poverty among the working age population. Each district where at least 30 per cent of the working age population is poor is selected. Based on NLSS 2010 data, this concerns: Baitadi, Bajhang, Bajura, Bara, Dadeldhura, Dailekh, Darchula, Dhading, Doti, Jajarkot, Jumla, Kailali, Kalikot, Makawanpur, Mugu, Myagdi, Parsa, Pyuthan, Salyan, Sindhuli, Siraha and represents closed to 9 per cent of the total population of Nepal' (ILO, 2012). (sic)

Figure 3: Total cost of the various scenarios (% of GDP)



Source: ILO (2012).

Figure 4: Total cost of the various scenarios (% of total government expenditure)



Source: ILO (2012).

The assessment estimated that the cost of the provision of an EGS at the minimum wage to all eligible households on a national basis would be 23% of GDP (110% of total government expenditure), which would not be fiscally or politically feasible. However, while a national programme providing support to all eligible households would not be feasible even if the wage level or number of days were restricted, the modelled cost of a lower transfer value EGS offering employment to a more restricted target group (on the basis of geographical or socioeconomic criteria) would not be inconsistent with social protection spending in other

countries in the region, ranging in the ILO model to a ceiling of 2% on the basis of the modelled targeting criteria (ILO, 2012). This figure appears more viable fiscally if consideration is given to the potential for the reallocation of some current (inefficiently allocated) social protection spending, and the resources currently allocated to the ad hoc provision of employment by government and donors under various EIIPs, particularly given the likely scenario in which 'not all potential beneficiaries apply and not all households take advantage of the maximum number of days' (ibid.).

3.1.2 Technical and administrative capacity

While potential fiscal constraints to a significant expansion of social protection provision for the working-age poor through an EGS are important, consideration also needs to be given to the limited technical and administrative capacity in key positions. This may support an argument for the consolidation of existing initiatives as a part of any plans for a national EGS. Two sets of concerns are worth raising.

First, the cost-effectiveness of EGSs is contingent in part on the quality and quantity of the assets created,³ which depends substantially on the availability and use of adequate technical knowledge to carry out the design, construction and maintenance of those assets. Specific concerns raised in the Nepal context relate to the technical capacity at VDC level, as well as the capacity of the existing complement of technicians and engineers in district technical offices (DTOs). DTOs remain responsible for technical support to all infrastructure work under DDCs, as well as providing support to line ministries carrying out activities in their district. In practice, the demands generated by the volume of work tend to exceed DTO capacity, with previous evaluations of existing PWPs noting the extent to which this is already a binding constraint on effectiveness (ILO, 2010a). This suggests the additional capacity required to support a sufficient number of projects to provide the days of employment required under a national EGS would likely significantly exceed capacity, particularly if such a scheme were additional to their current workload (comprising both employment-intensive PWPs and other duties).

Second, maximising the effectiveness of asset creation depends on the strategic selection and effective administration of projects. While this depends to some extent on the involvement of relevant engineers, as noted in the previous point, we refer here to a broader set of management capacities to plan and implement the projects. Currently, MoFALD holds implementation responsibility for most programming that would be relevant to a national EGS. In practice, MoFALD lacks a strong coordinating function centrally, meaning significant aspects of programme management, including planning, coordination and other aspects of administration, rest with local government bodies. However, in the absence of local elections in Nepal since 1998, an enormous amount of responsibility now rests on the shoulders of executive officers in local bodies, particularly VDC secretaries at the village level and LDOs at the district level. Reports by key informants suggest that, in many cases, local officials already face a workload that exceeds their capacity, in terms of not only the required technical knowledge but also the administrative capacity necessary to manage the current range of projects. This dynamic reportedly increases their susceptibility to influence from local-level political pressures.

There appears to be consensus that local bodies will continue to play a role in implementation, as they constitute the vast majority of the presence of the state in most parts of the country. Local elections, which *may* serve to mitigate some of the deleterious effects of political influence and relieve some of the pressures placed on executive officers, appear to be several years away. If and when elections are held, it is far from clear that they will alleviate the full range of technical and administrative capacity constraints noted here. As a result, such constraints can be expected to continue to constitute an important component of the case for consolidation for the foreseeable future.

3.2 Understanding motivations of relevant stakeholders

Limited budgets (donor and government), in conjunction with the projected costs of a national EGS, together with recognised capacity constraints, suggest that the technical argument for some form of rationalisation of existing projects and programmes is strong. However, we also need to consider the likelihood of such a consolidation, given what we know about the political economy of Nepal. Three key themes emerged from

³ From a pure social protection perspective, this criterion may receive less weight in the eyes of some evaluators, who place more priority on the income transfer (and associated purchasing power) component. In the most extreme form of this perspective, the creation of assets operates primarily as a mechanism to facilitate (often in a more politically acceptable way) the transfer. Some informal reports suggest that the KEP, owing to its relative ineffectiveness at asset creation, was functioning unofficially as a cash transfer programme.

consultations and a selective review of the relevant literature: domestic drivers of proliferation, donors' own motivations and the nature of donor–government relations.

3.2.1 Domestic drivers

Our findings suggest a number of factors of which potential advocates of a national EGS ought to be aware when considering the feasibility of such a scheme and the type of consolidation of existing initiatives this would seem to entail based on the fiscal, administrative and technical constraints raised in the previous section. These factors are not necessarily unique to the Nepal context, but nevertheless appear salient.

The first noteworthy feature of the prevailing political economy is **the nature of political competition and the prevalence of coalitional politics**, which requires politicians and political parties to engage continually in a balancing act. In the absence of a dominant single party since the signing of the CPA and the entrance of the Maoists in formal, electoral political competition, the negotiation of political coalitions has been of critical importance to the preservation of some semblance of stability in the post-war Nepali state. Maintenance of coalitions has undoubtedly been a challenge, as reflected in the succession of governments created and subsequently fallen since 2006, but the identification of a sufficient number of allies to form the basis for a government (or, alternatively, to strengthen the capacity of the opposition) continues to be a political imperative.

The relevance of this political dynamic to the development of a national EGS can be found in the fact that one manifestation of the continual balancing act of coalitional politics is **the distribution of positions of authority**, a phenomenon that reportedly occurs not only at the ministerial level but also at the programme/project/department level, with, for example, a high representation of *Madhesi* within the management of MoFALD. The need for such a distribution will be familiar from other overtly coalitional contexts (e.g. through the sharing of cabinet positions between the Conservative and Liberal Democratic parties in Great Britain), and even from those where overtures of bipartisanship from a dominant party are necessary to avoid the worst forms of obstructionist opposition (e.g. in the US).

Why does the distribution of positions of authority matter? In some respects, distribution among coalition partners reflects the incomplete nature of the electoral mandate given to each party and disagreement among the public regarding the direction of the country. In this interpretation, the compromise required by coalition politics leads to policy and programming that better reflects the wishes of the electorate. The perception of each party that it has access to sufficient positions of authority to influence the direction of government policy and programming in accordance with its partial electoral mandate is then critical to the maintenance of the coalition.

In Nepal, the motivations for distribution of positions of authority are arguably more diverse given the weakness of formal institutions, which, in practice, results in greater discretion to those in positions of authority. The concern, as described by Klitgaard (1991), is that opportunities for corruption can be seen as a product of discretion in a context defined by a monopoly of power and the absence of effective accountability mechanisms. In other words, the relative freedom afforded to decision makers in key positions throughout programmes (including social protection programmes) creates the opportunity for **rent-seeking behaviour on the part of politicians and bureaucrats**. For example, a monopoly of authority over personnel management decisions allows for preferential hiring practices, including hiring of supporters or allies and the sale of positions (appointments, transfers, promotions etc.). Similarly, where those in key managerial positions of existing programmes hold a monopoly of authority over the allocation of budgets in the absence of effective checks and balances, there exists significant potential for corrupt procurement.⁴

The link between these issues of rent-seeking, coalition politics and the distribution of authority, and the broader political environment, lies in the nature of political competition, specifically the nature of **political party financing**. The adoption of multiparty elections has increased the imperative for political parties to raise significant amounts of money to fund electoral competition. As noted in previous research, 'It is almost impossible to obtain accurate information on political financing by examining official reports, since a significant percentage of funding is not likely to be reported by parties' (Transparency International Nepal, 2010, in Wild and Subedi, 2010: 4). However, while the unofficial nature of rent-seeking activities and the opacity of party financing make it difficult to confirm claims, it is nevertheless important to note that the anecdotal evidence gathered in this study suggests control over positions of authority is an important source

⁴ These types of concerns are echoed in the comments of many of those in the donor community when explaining their reluctance to give budget support in some sectors in Nepal.

of political party financing. As a result, the distribution of those positions matters not only for the immediate influence a party holds over the direction of policy and programming, but also over their future prospects for retaining power, further raising the value of posts and the stakes of coalitional politics.

There is another sense in which the behaviour of political parties might provide some useful insights into debates on social protection and any potential consolidation of existing programmes. Previous work on political parties in Nepal has argued that reliance on systems of patronage that provide rewards to party clients in exchange for their loyalty is a feature that cuts across parties (Wild and Subedi, 2010). In such a context, it is perhaps unsurprising that policies that target particular groups might be increasingly preferable to those that do not discriminate in the allocation of benefits, as has been seen in the increasing proliferation of categorical benefits adopting caste group/geographic targeting criteria over the past decade, rather than simpler demographic or socioeconomic criteria, which links to the ongoing fragmentation of the political discourse. However, this logic leads to a puzzle when considering the various social protection initiatives put in place over the past two decades:

In a context defined in part by significant divisions along gender, caste, ethnic/racial, linguistic, religious and geographic/spatial lines, many of which have been associated with forms of social exclusion, patronage systems have historically tended to provide rewards to affluent or influential 'power brokers' (Wild and Subedi, 2010). Despite some limited progress, disparities in well-being and political influence persist (Koehler, 2011a; Upreti et al., 2012), and yet there is cross-party support for initiatives that formally target marginalised and excluded groups as beneficiaries. This support is seemingly inconsistent with an environment where identity and patronage politics are thought to dominate.

There are a number of possible interpretations of this puzzle. In the first, the perception that forms of exclusion were a significant driver of the conflict has contributed to a sufficient degree of cross-party consensus that efforts to redress that exclusion are critical to preservation of some degree of political stability. Inclusion is now listed as an explicit objective in numerous government planning documents (e.g. NPC, 2007, in Koehler, 2011a), and has been a contributor to the development and implementation of a broad set of programmes and policies targeted at particular groups (e.g. the provision in the interim constitution regarding the reservation of public service posts for women and ethnic minorities). Social protection programming has not been immune to this dynamic, with specific post-war initiatives targeting women, Dalits and those in remote areas, most notably Karnali. While there are concerns about a return to violence in some parts of the country, the major parties, whether in government or opposition, have not indicated a preference for doing so, which would be consistent with this logic.

Yet it may be important not to see the post-war preservation of stability as the sole driver of this behaviour. Many of the targeted cash transfer programmes that comprise the vast majority of social protection expenditure in Nepal predate the CPA. Additionally, some authors have suggested that, 'while parties in Nepal present themselves as "agents of social change", this is eroded where parties are seen as the basis for accessing power and resources, contributing to the "narrowing down of the political space, making it the exclusive domain of power holders and power brokers only" (Hachhethu 2007: 173)' (Wild and Subedi, 2010: 3, emphasis added).

In a second interpretation, cross-party support for social protection is explained by the fact that such programming does not sufficiently challenge the fundamental structural factors underlying patterns of marginalisation, exclusion and the distribution of power to conflict with systems of identity-based patronage politics, given their low value and/or coverage. In some cases, programmes may simply be considered sources of rents for elites, with additional targeted programmes offering additional opportunities to maximise discretion and rent seeking with little risk to their position in society. While detailed analysis of local-level dynamics were beyond the scope of this report, anecdotal accounts suggest local systems of patronage are also potentially significant determinants of the function of social protection programmes, given the influence of parties on executive officers of local bodies. Such opportunities for elite capture locally would also help explain cross-party support for investments in such programmes.

There is a third interpretation, and one that offers more optimism with respect to prospective consolidation. It is possible to see that cross-party support for public expenditure on social protection initiatives or other programming targeted at particular constituencies other than traditional power brokers may constitute one way in which narrowly defined identity politics are beginning to shift to a more populist dynamic that benefits a broader set of actors empowered, to some degree, by electoral competition (or, at least in the current context, the prospects of electoral competition). The popularity of targeted social protection initiatives may reflect the fact that such initiatives are perceived to be popular among the constituencies that benefit and are therefore considered vote winners. It is therefore unsurprising that, in general, politicians from all parties

have, in the era of electoral politics, supported the development of new programmes and the extension of existing programmes to new beneficiaries while few, if any, have been ended or formally narrowed in terms of coverage. If a consolidation could be managed without disrupting the flow of benefits to existing recipients, and drawing on popular support for expanded coverage, this interpretation would offer a more optimistic view of feasibility.

In reality, it is unlikely that any single one of these drivers supported the expansion of targeted investments in social protection seen in recent years. Our findings suggest elements of each are present, although it is difficult to make a judgement regarding which is dominant. Any attempted consolidation/rationalisation would therefore need to assess these drivers and negotiate resistance appropriately. With this in mind, three further points appear relevant:

- 1 It may be useful to return to the finding that many cash transfer programmes have developed strong identities. Numerous key informants suggested that, partly because of levels of recognition of particular programmes among beneficiaries, consolidation or rationalisation that was perceived to threaten existing beneficiaries would encounter strong political opposition. Prior to consolidation of employment-based programmes, it will be important to determine whether similarly strong identities exist such that consolidation (even if it entails no reduction in benefits) might trigger loss aversion among beneficiaries and therefore political opposition.
- 2 Attempts to reform the current system would need to consider the relative concentration of costs and benefits in any consolidation. The political opposition described in the point above is likely to be strengthened by the relative clarity regarding the set of beneficiaries who stand to lose under proposals to limit the coverage of existing programmes (note that this would include not only official programme beneficiaries, but also those public officials and politicians who benefit from duplication among programmes), whereas the benefits of consolidation are far more diffuse (with respect to, for example, efficiency savings).
- 3 Consistent with psychological work on loss aversion and the 'endowment effect', which suggests ownership of a good tends to increase the perceived value of an item to the owner, it is possible that the promise of future benefits under a national EGS would be less salient to potential beneficiaries than the prospect of losing current benefits to current beneficiaries.

The second feature of the domestic political economy context relevant for consideration of the feasibility of a consolidation-based approach to the creation of a national EGS is the way in which components of the bureaucracy relate to one another. Any potential consolidation of existing labour-intensive public works programming requires an answer to the question 'consolidation under whose authority?' While the issue of coordination and potential consolidation is already on the broader social protection agenda, and recognised in the SPTT, no such discussion of consolidation has yet been mooted among those engaged more broadly among EIIP agents, or even the smaller group implementing Type A (short-term employment/safety net) interventions (includes the KEP, PAF, RAP and RCIW). Numerous key informants suggested that resistance to such consolidation may also be in part because of **bureaucratic competition between and within ministries and their political affiliation**. Much like the issue of coalitional politics, this dynamic, in which the various bureaucratic organisations that have emerged to manage existing initiatives attempt to preserve and even expand their budgets and staffing allocations, is by no means unique to Nepal (Downs, 1967). The specifics of the Nepal case, however, are worth considering.

In other cases, competition between ministries over areas of policy and programming that are potentially subject to overlapping organisational mandates can be significantly problematic in efforts to develop a more cohesive system for service delivery (e.g. Harris and Wang, 2012). EGS activities would likely include asset creation initiatives that span traditional mandates and spheres of authority of a number of ministries (e.g. transport infrastructure and irrigated agriculture). The formation of the NSCSP in 2009 was an attempt to bridge the gap between ministries whose mandates relate in some way to social protection objectives and programming (Upreti et al., 2012). While the NSCSP has led on the development of the national SPF, consultations conducted in January 2013 suggest it has lost much of the momentum, and is not viewed as being particularly engaged with *de facto* programming realities.

In practice, reliance on MoFALD for implementation of most initiatives (driven by current ideas regarding decentralisation and local governance, as well as practical considerations regarding the limited presence of line ministries at the local level) suggests at least two important features. First, rather than understanding this as an issue of inter-ministerial competition, bureaucratic competition in this case might better be seen as the attempt to preserve and expand 'kingdoms within kingdoms'. The concern is therefore with departments, programmes and project implementation units rather than ministries. Key informants mostly viewed offices

responsible for the management of existing PWPs, whether they sat entirely within MoFALD or retained some degree of independence as project management units, as protective of their individual spheres of authority. The potential resistance to consolidation arising from this desire to protect is clearly something of which advocates of a national EGS should be aware. Time constraints prevented sufficiently extensive detailed consultation on the extent to which this applies at different levels of leadership and across relevant programmes, but there is likely to be variation depending on the personalities involved and the relative strength of motivations (including the types of rent seeking described above, but also professional motivations to achieve either programmatic objectives or broader objectives in the sector).⁵

Second, the true strength of the dynamic of bureaucratic competition may be obscured by the capacity (or lack thereof) of key stakeholders. Interviews suggested that, while MoFALD has taken responsibility for implementation of a range of donor-led/financed projects (as well as the government's own management of the KEP), it does not necessarily have a mandate to perform or aspire to a coordination function. On the other hand, the NPC reportedly has greater technical competency with respect to coordination, as well as an official mandate, but no apparent will to carry out such a function. Programme design challenges include determining the extent to which lack of coordination arises owing to capacity constraints or simply a lack of will among relevant actors.

Box 2: Redundant programmes as competitors

Work on bureaucracy and organisational theory contributes to the hypothesis above regarding the potentially deleterious effects of bureaucratic units in contributing to proliferation. A strand of this literature also addresses mechanisms by which redundancy might contribute to efficiency gains, and therefore might be relevant to considerations of improved performance (and, by extension, thinking about how to move towards consolidation). In this approach, the variety of organisational structures (departments, project implementation units etc.) that have arisen to implement labour-intensive public works/asset creation programmes are viewed as resulting in redundancy. However, rather than lamenting the efficiency losses and costs of coordination failures/duplication of efforts (though not denying that such costs exist), this approach considers redundancy a key mechanism for improving organisational effectiveness.

Certain aspects of the literature on organisational effectiveness have established that this is not always the case, but, in the face of existing redundancy in the organisational arrangements in Nepal, it is worth considering whether such an approach offers any potential entry points for improvement. The crux of the argument appears to be whether the redundancy can be exploited through the creation of a competitive marketplace for improved delivery. The answer to this question would appear to depend on the extent to which those on the demand side are able to agree on criteria for organisational effectiveness and make decisions that enforce that sort of competitive decision.

In this case, there are two potential interpretations of the demand side.

- In the first, one might consider the demand side to consist of the members of the population that benefit from labour-intensive works. After all, without the consent of these actors to making their labour available, such programmes are unlikely to achieve much of anything. The demand from beneficiaries for programmes to operate in their district/VDC/community is therefore one way in which demand can be understood, albeit perhaps not the most useful.
- In the alternative interpretation, demand comes not from the beneficiary population, but rather from those that are, in a sense, demanding not employment but rather more purely organisational efficiency. In this case, accountability of bureaucratic entities is not primarily to beneficiaries, but rather more directly upward to funding agencies (most directly in the case of direct funding of project units, but even indirectly in those programmes maintaining some degree of independent identity though operating to a greater or lesser extent through government systems). Given the reliance of a large portion of the variety of programmes on external funding, this means we are essentially talking about donors.

Source: Downs (1967); Niskanen (1971).

3.2.2 Development partner behaviour and motivations

The discussion to this point has focused on a number of features of the domestic political economy context that are potentially salient to discussions of consolidation and proliferation of social protection initiatives

⁵ This is potentially something over which donors' approach to performance monitoring and evaluation may have some influence, an issue we return to later in the section.

broadly, by way of context, and also of employment-based initiatives (PWPs), including those that perform a social protection function. However, this has neglected the role of a key set of stakeholders, namely the DPs supporting many of these initiatives.⁶ Indeed, the prospect of a consolidated approach to public works programming has strong implications not only for the government but also for DP involvement in a number of related sectors, demanding at the very least a greater degree of coordination.

A range of mechanisms have been established, or there have been attempts to establish mechanisms to promote coordination and cooperation among donors working on social protection and related programmes in Nepal. This includes the SPTT and previous efforts to adopt a sector-wide approach (SWAp) to rural transport infrastructure. However, there has been little successful coordination around PWP provision in particular. Consultations with the government and a range of DPs revealed a number of practical concerns regarding the effectiveness of such mechanisms in influencing DP behaviour throughout the programmatic cycle. Specific concerns raised include the suggestion that donors tend to share information in their coordination meetings but do not actually coordinate if more effective harmonisation requires any changes to programming. This is particularly the case because existing DP evaluations tend to be programme rather than sector specific, and linked to process (e.g. numbers of people employed, kilometres of road constructed, etc.) rather than outcome indicators looking at broader sector performance over time, so do not give incentives or justification for either changes in design or interprogramme consolidation.

This is not to suggest there has been no coordination among DPs. While evidence of coordination from districts where programmes are running in parallel is limited, there are some examples of complementary public works programming in districts where multiple programmes are in operation (e.g. coordination between the RCIW and RAP 1 activity in Achham, Doti and Dailekh as noted in early RCIW reporting (RCIW, 2003)). However, coordination at both central and district level in public works programming by the DP community appears not to be institutionalised, and remains some way away from a formally harmonised approach (e.g. programme-based approaches, pooled funding arrangements, joint country plans and other common arrangements) that would help maximise the efficiency of aid delivery and reduce the transaction costs associated with multiple projects and programmes. Our findings suggest a number of contributing drivers of this behaviour, including:

- **Lack of alignment in the perceived objectives and discourses of relevant programming.** Consultations reflected substantial differences in the way DPs defined the scope and nature of their work. These differences in part reflect the cross-sectoral nature of social protection initiatives and the challenges that arise in classifying work for the purposes of coordination and donor division of labour exercises. For example, informants reported that significant PWPs (e.g. the KEP) were reluctant to join the proposed rural transport infrastructure SWAp, viewing its designation as too narrow for the necessarily cross-sectoral programme of works. However, in some cases, DP staff explicitly recognised differences in the framing of programmes as necessary to better appeal to domestic audiences, as well as different internal organisational narratives and mandates (e.g. poverty reduction, wealth creation, food security, decent work etc.), rather than reflecting substantive differences in programme conceptualisation.
- Similar issues arose in consultations with respect to **definitional differences as to what constitutes social protection-oriented PWPs** as opposed to EIIPs creating assets under various sector designations (e.g. transport infrastructure, agriculture etc.). This debate raised questions regarding the relative prioritisation of the social protection and asset creation functions of PWP activity, although in practice such a dichotomous distinction within the set of labour-intensive PWPs currently being implemented is not clear, as programmes with both sets of objectives are currently in operation and are not in all cases readily distinguishable from each other.
- This is linked to a broader issue, which is a **challenge to PWP-based social protection** beyond the borders of Nepal: social protection is defined as the provision of support that is predictable, reliable and long term, which is not reconcilable with PWP-based employment, which is typically short term, ad hoc and one-off (McCord, 2012). No PWP employment currently provided in Nepal is consistent with the central characteristics of social protection outlined above (ongoing, reliable, demand-driven, etc.).
- Associated with particular ideological positions, consultations noted the presence of **organisational preferences for particular approaches**, for example the use of parallel structures for programme

⁶ See Table 2 in the previous section for an overview of the main PWPs currently implemented.

management and delivery, e.g. in the form of World Bank support to the PAF, following a similar model to World Bank-supported Social Action Funds worldwide.

- It is not clear, however, how much design barriers to consolidation and systemic programming, resulting in the preference for parallel structures and project-based approaches, may arise from **organisational preferences** and the tendency to adopt similar designs across country contexts, or **practical considerations** derived from analysis of the Nepal country context and linked in part to issues of **fiduciary risk**, have motivated donors to adopt particular programme designs. The willingness of donors to adopt programme-based designs is likely to be reduced by the absence of certainty regarding safeguards on the use of funds.
- The continued **weakness of most bottom-up accountability mechanisms** (resulting in part from the lack of local and constituent assembly elections) presents an important challenge in this respect. In practice, this is compounded by the lack of effective top-down performance monitoring systems, as personnel management (including transfer and promotion of relevant local body officials) remains highly politicised (as noted above, this is potentially the result of individual rent seeking and systemic issues related to political competition). As a consequence, numerous DPs cited significant fiduciary risks as the primary reason behind hesitation to get involved in a SWAp (the modality most associated with programmatic collaboration) or otherwise use government systems.

3.2.3 Government–donor relationships

Hesitance on the part of DPs to channel money through government systems has contributed to tension in relations with the government; however, this is certainly not the only issue. Even as donor support has driven a proliferation of resource allocation for capacity development processes and technical assistance rather than programming, the government has developed a reputation for preferring to hold donors at arms' length in relation to policy design and technical assistance.

To some extent, this mismatch between government and DP preferences with respect to the form of development assistance provided may be attributed to the historically rooted attitudes towards foreign interference noted elsewhere in the literature. However, other issues contributing to government reticence on this front include perceived inter-donor competition and parallel programming, which can weaken rather than strengthen government's own initiatives, with recent examples being multiple donor engagement in the federal restructuring debate, and also donor attempts to contribute to the resolution of the current constitutional crisis. This latter is perceived as a form of external interference, by creating a plurality of trainings and facilitation processes that have diverted key human resources from government processes, diluting rather than consolidating national efforts at resolution. Other issues, including recent allegations regarding the quality of food provided by the donor community through the RCIW, have also contributed to a deterioration of the DP–government relationship.

In addition, it may be that DPs are not always aware of, or receptive to, opportunities to engage with the government. One example of this is the signalling by the government of an openness to engage in discussion on PWP design, and a request for DP support in exploring the options regarding the redesign and potential expansion of the KEP following the ILO-supported evaluation in 2010. The request was made to the ILO, but these signals from the government were not picked up by the wider DP community, which failed to note the significance of this approach at this time, a period when the donor community was engaged in a robust internal debate around issues relating to the terms of cash transfer provision. Hence, the window for engagement on PWPs, initiated by the government, was lost, as the focus of government interest did not coincide with the terms of the DP debate on social protection at this time.

Finally, it was noted that internal incentives among donor organisations for integrated programming and consolidation and investment in the development of SWAps, rather than parallel project-based approaches, are weak. This is related partly to the institutional approaches adopted in relation to programme performance evaluation, with key performance indicators based on process indicators, as noted above (see also IEG, 2011), and partly to the associated indicators used for personnel performance monitoring (linked to financial disbursements etc.) on which some DP reward structures are based. Hence, even where programmes are not generally perceived to be successful in terms of broader sustainable development outcomes, there may not be donor incentives to revisit design questions, or reallocate funds, as programmes are successful in terms of their own internal, potentially limited, performance indicators.

As a result, while the language of coordination has been adopted successfully among DPs, this may refer more to information sharing than proactive programme coordination and design harmonisation, as this would entail revisions to existing programme design and institutional preferences.

4 Current public works programming and implications for the development of an EGS

Having reviewed the political economy issues relating to policy, programming and key actors at central level, this section explores issues relating to the political economy of programming and implementation at local level. The section summarises the main challenges to effective programming. These are of relevance as each would need to be addressed if an EGS were to be designed, financed (given existing resource constraints) and implemented effectively at a national level.

4.1 Constraints to the creation of quality assets

A PWP-based approach to social protection is popular as it avoids the often politically or socially unacceptable approach of providing ‘something for nothing’ for the working-age poor, as opposed to members of specific vulnerable groupings (the elderly, children or the disabled) characterised by their inability to engage in the labour market. However, a PWP-based approach is significantly more costly, and hence less cost-effective in terms of cost per unit transferred to beneficiaries than alternative approaches using cash transfers, and hence is only fiscally justifiable if the assets created confer meaningful social or economic benefits. While the quality of assets is likely to hold true in EIIPs that have asset creation as their primary objective, it is not clear whether the assets created in programmes where social protection is the primary objective are equally successful in conferring sustained benefits, since the main aim is to ensure the wage transfer is completed, irrespective of the quality of the assets created. There is currently no evidence base on this issue in Nepal, but case study evidence from other countries suggests this is likely to be an issue given the design of programmes implemented with DP support (see, e.g., McCord, 2012 with reference to PWPs in Sub-Saharan Africa overall, and McCord et al., 2013 with reference to donor-funded PWPs in Uganda).

The evaluations of the KEP highlight this challenge, and the major constraints to the creation of quality assets (and in some cases even non-construction) are linked to local-level technical and managerial/administrative capacity, as well as design constraints. Each is outlined below.

As discussed in Section 3, major constraints to programme performance result from local-level technical and administrative capacity, owing to shortage of the requisite structures, personnel and skills, and excess demands on the LDO and lack of a political preference or requirement to prioritise those resources that are available to the KEP over other programmes. The consequences are shortfalls in terms of management, strategic asset selection, quality of asset design and project execution, as well as strategic coordination and integration with other project-based and ongoing asset creation activities.

The lack of requisite institutions and technical capacity has resulted in some instances in PWPs taking on the characteristics of cash transfer programmes, with wages being paid to participants without realisation of the work requirement. In some instances relating specifically to the KEP, during programme monitoring, assets created quite independently of the programme were cited as being created through the KEP process.

These district management, technical and administrative constraints are well documented and were mentioned repeatedly both in evaluation and during discussions. They are compounded by associated procurement and fund diversion challenges, also a result of a lack of effective local monitoring and accountability linked to the absence of elected local government structures and political incentives militating against close scrutiny of public works programming. Hence, the constraints to the construction of effective assets are both political and also technical.

4.2 Coordination challenges

At central level, in 2010 DFID initiated attempts to develop a single donor-supported programme for the roads sector, also involving SDC and the World Bank, with the aim of creating a Rural Transport Infrastructure SWAp. These efforts failed, and meaningful joint planning and coordination of the emerging new programmes (e.g. RAP 2 and the extended RCIW) have not occurred.

Given the absence of active coordination by MoFALD, the consequence of this lack of DP joint planning is that responsibility for coordination of the ongoing multiple programmes in the sector has fallen to district and local authorities; for a variety of practical and political reasons, outlined above, this has not been effective. Hence, multiple programmes are implemented independently in the same districts and without a formal coordination mechanism; for example, the KEP, PAF and RICW are all active separately in the same districts. Technically, the LDO and VDCs have responsibility for the coordination of local programmes, but both have vast mandates and extremely limited capacity in terms of resources, manpower and technical support, particularly given the need to accommodate the diverse political interests of the major party agreement process. Perhaps the most serious limitation is the absence of an elected government at the local level over the past decade and the resultant lack of accountability.

In such a context, the proliferation of donor-supported initiatives results in the overwhelming of available resources, exacerbating existing local governance problems and undermining programme performance.

4.3 Challenges to the provision of social protection through PWP

Putting the quality of the assets created to one side, there are a number of constraints to the PWPs as currently implemented in terms of their having a social protection function. These are linked to a combination of local government, NGO and community capacity and preferences. The main challenges relate to the question of labour availability and poverty, in terms of:

- 1 How much programme implementers are able to identify and target the poorest and most vulnerable for programme participation;
- 2 How much the poorest are able to participate in the programme in terms of labour availability *and wish to do so* (here, issues such as wage rate, distance from abode and terms of employment are key incentives for consideration);
- 3 Whether the programme is able to supply adequate employment in relation to demand;
- 4 Whether the local community is able to supply adequate labour to meet construction requirements;
- 5 The duration of employment providing meaningful additional income in terms of household consumption needs; and
- 6 The timeliness of the programme – in relation to providing employment at times of household food insecurity.

These generic issues are linked to a broader conceptual challenge relating to the appropriateness of the adoption of a PWP-based social protection model for the support of the working-age poor, in a context where household livelihoods strategies are characterised by a highly complex and diverse system of intra- and international labour migration linked to caste, ethnicity and gender. These challenges are exacerbated by the diverse geophysical characteristics of the country, and the remoteness and low population density of some areas in which poverty is concentrated.

4.3.1 Reaching the poorest

To some extent, PWPs are self-targeting at household level through the low wage, but, since by design, programmes are not implemented in all districts and villages, there is a need to carry out initial geographical targeting of PWP project allocation. Currently, this targeting is carried out using a combination of explicit development and food security indicators (including the HDI and WFP food security ranking based on a Vulnerability Analysis and Mapping food security assessment), but the adequacy of such indicators is challenged outside the DP community. Critics have suggested the indicators may not be well suited to the diversity of the Nepali context in terms of the specific food commodities measured and the relative weighting given to the various poverty indicators. There is also a perception that some DPs may have incentives to overstate needs in regions such as Karnali in order to obtain continued access to donor resources. In this way, the selection of any specific criteria governing access to EGS employment is found to be critical.

Political factors relating to the accommodation reached following the CPA also colour targeting, with a disproportionate amount of PWP resources (in terms of rupees per capita) allocated across several programmes, most notably the KEP, to Karnali, which reflect in part the concentration of poverty in the area, but not the fact that only 1% of the total population inhabits the area, and that there are greater absolute numbers of the poor outside this region.

Local targeting is also compromised by the lack of accountability and monitoring characterising most programmes and of local government implementation capacity, compounded by major issues relating to voice and participation of diverse ethnic and caste groupings, some of which have gained effective political voice while others remain largely unchampioned.

In contexts where the employment provided in a PWP is less than the demand for employment, competition results in rationing, and evaluations indicate that the poor may not necessarily be the winners, for the reasons outlined above. A limited supply of employment constrains the social protection function of a PWP, and contrasts with the performance of an EGS, in which programmes are driven by demand for employment by the poor, and have as a central objective the provision of sufficient employment to meet demand, rather than supplying a finite amount of employment that is less than the amount required.

The decision to participate in a PWP by the poor is likely to be driven by household labour availability, which is likely to differ seasonally depending on household migration patterns. While households with high labour dependency ratios (with limited working-age labour relative to household size) are likely to be among the poorest, their ability to participate will be determined by consideration of both labour availability and the net income gains likely from the allocation of scarce labour resources to PWP employment. This will be informed by a combination of wage rates, terms of employment (with flexible, part-time employment particularly valuable for labour-constrained households), duration and seasonality of employment relative to household food security and need for additional income and alternative opportunities for labour use, in terms of paid employment or subsistence opportunities. These factors will determine the attractiveness of PWP employment to the poor. Where household labour is more plentiful but opportunities for its economic use limited, these considerations will differ.

4.3.2 Migration

Limiting migration is cited in policy documentation and was raised by informants as a key driver of PWP implementation in Nepal, with the intention to offer employment as an alternative coping strategy. However, this objective, which is sometimes explicit (as in the case of the DRILP, which overtly aims to promote livelihoods and reduce migration) but often implicit, is based on a general assumption that migration is inherently problematic and represents an adverse coping strategy. Migration is an important strategy for Nepalis in finding employment, and an estimated 30% of households are in receipt of remittances from domestic or international migrants. However, migration in Nepal is also a highly diverse phenomenon, with varying conditions of employment, wages etc., and more or less adverse outcomes, socially and economically, depending on a complex mix of caste, ethnic, socioeconomic and geographical factors. There is a need to understand the local specificities of migration and in particular its impacts on seasonal food security, labour availability and demand for PWP employment in different locations, as this will play a key role in determining incentives for participation. The design of an EGS would need to accommodate these migration-related factors, which may imply the development of a programme with variable context-specific design options.⁷

More broadly, a series of requirements relevant to the development of an EGS can be identified from reflection on EGS programming internationally, on the KEP experience and on the constraints to effective programme operation:

- Integration, redesign or closure of similar existing programmes in order to address coordination problems and rationalise resource usage;
- Reduction of discretionary allocation of employment;
- Local-level capacity for strategic asset selection and programme management;

⁷ It is not only socioeconomic incentives that determine PWP participation and hence the viability of an EGS as a social protection instrument for the working poor. Population density is also a key factor, although, as this is not related to political economy considerations, we do not discuss this further in the main text. It is, however, important to note that low population density can inhibit labour supply and result in difficulties in gathering together a sufficient workforce for the completion of conventional construction activities. In the midwest development region, for example, the area including Karnali, population density is only 71 people per km² (falling as low as 4 in Dolpa and 7 in Humla); it is 188 in the eastern development region, compared with 1,982 in the central development region (with a Nepali national average of 157). The level of remoteness of some areas, and the seasonality of access, together with the poorly developed road sector, also creates challenges in terms of the high capital cost of asset construction in some regions, and also the cost of transporting food in programmes where food for work rather than cash for work is the dominant modality. This indicates that social protection provision based on physical asset construction may not be appropriate on a nationwide basis, and that, if it is to be implemented in remote low population intensity areas, this may be feasible only if alternative forms of employment are considered, such as asset maintenance rather than construction, and potentially also employment in activities that provide social rather than physical assets, although this may also be a challenge in low density contexts.

- Technical capacity to ensure the quality of asset design and execution;
- Institutional capacity at local level to ensure accountability; and
- Management Information System based on outcomes rather than process or output indicators.

5 Conclusions and recommendations

If an EGS is to be developed in Nepal there is a need to make a shift in programme design, away from the current PWPs, which promote temporary access to income/food on a small-scale and rationed basis, to programmes that have a differing set of core characteristics. Table 3 summarised the main differences between the design of the short-term programmes currently implemented and the key design requirements of an EGS. Currently implemented PWPs and EIIP differ significantly in design from an EGS, and will confer meaningful social protection in contexts of chronic poverty only if reconfigured to provide employment on an ongoing or cyclical basis. This would imply an ongoing requirement for asset creation (or other forms of employment) in all locations where the programme is to be implemented and work demanded, recognising that EGSs are demand driven. Hence, the development of an EGS would require the identification of options for the creation of mass employment (a requirement that offers particular challenges in contexts of low population density) on a repeated basis. In order to achieve this, there would be a need for more than marginal changes to existing programming.

The set of design requirements for an EGS has implications for how EIIP work is conceived and implemented, particularly if an EGS is to be created through the harmonisation of existing programmes. There is potential for harmonisation given the limited number of donors working in the area, the location of most programmes under MoFALD and the commitment to coordination fostered through the SPTT. However, meaningful harmonisation to promote unified programming in pursuit of an EGS would require close donor coordination and changes in the management of programme relationships at local level. This is a challenge in the absence of local government, with weak coordination and state capacity, but one that could potentially be addressed collectively, rather than through a series of separate interventions implemented in parallel.

The implications of the shift in programming implied by such a move from a PWP to an EGS approach are significant, and would require a relaxing of separate institutional models of PWPs and EIIPs and some rethinking of programming across the sector, by both DPs and also government, and a reframing of the EGS discussion.

5.1 Coordination and implementation

Successful EGS implementation at scale would require functional institutions at both national and local government levels. Given limited opportunities to address institutional constraints that depend on the resolution of the current political crisis, there is a critical need to reduce demand on the limited capacity available at local levels through i) programme consolidation and ii) coordinated technical assistance. In the absence of governmental structures, the role of alternative institutions needs to be considered, and here consolidation of existing structures developed for the implementation of the multiple PWPs operating could be an option.

This is particularly relevant given the limited absorptive capacity of existing structures and the risk of saturation of donor funds, a situation currently exacerbated by the proliferation of similar programmes, each requiring separate administrative, managerial and technical inputs in a context of severely constrained capacity.

As such, it is urgent to rationalise implementation and targeting of resources to make optimal use of the limited resources available locally, rather than risk overwhelming them.

5.2 Opportunities for development partners

Given the preceding analysis, there are two main current options for the donor community in terms of contributing to the development of an EGS in Nepal in the short term, given the lack of immediate government demand for EGS implementation. These two approaches are not necessarily mutually exclusive:

- 1 The harmonisation of existing public works programming to improve efficiency in the short term and contribute to preparation for potential future EGS development; and
- 2 Development of a potential EGS model drawing on the KEP experience.

5.2.1 Harmonisation

Impetus for improved programme coordination and harmonisation will not come through MoFALD or DoLIDaR, given their current mandates and priorities, and therefore will occur only if promoted by the community of donors financing the various PWPs and EIPs currently implemented. This function could potentially be carried out through the board managing the Social Security Fund (the SSFB), although this is not currently under discussion, and would require a more concerted commitment to joint programming rather than communication and information sharing.

To promote harmonisation, DPs should consider joint rather than parallel monitoring and evaluation, technical assistance and accountability approaches, as well as more fundamental programme coordination and harmonisation of design elements. There are opportunities to build on and share experiences and programming successes. For example, the DRILP could share insights and programming in relation to the integration of roads construction with livelihoods support and potentially offering a model for effective social mobilisation; SDC has considerable experience of technical assistance to support technical implementation and monitoring; WFP has decades of experience of working directly with communities and local government structures and technical assistance to the RCIW.

DPs have an opportunity to coordinate meaningfully given the limited number of major donors active in this sector, and the fact that each is financing more than one programme, which provides a chance to promote internal coherence as well as inter-donor programming. However, such coordination initiatives are unlikely to occur spontaneously on the basis of existing institutional incentives.

Within DFID, there is an opportunity for a single donor to model good practice in terms of programme harmonisation and integration in relation to the two programmes it currently funds (the RCIW and the RAP) and also to use the leverage it has within its own programmes to improve performance. In this way, it is possible for DPs to start from where they have both the ability and the legitimacy to initiate change – that is, within their own programmes.

5.2.2 Development of an EGS model drawing on the KEP experience

There is donor interest in the question of using the KEP as the basis for the development of a national EGS. The research process indicated that, when initiated, the KEP was not intended to be the model for a national EGS; nor was it the inspiration for recent government discussion of such an initiative. Moreover, the programme is generally recognised to have failed in its objectives of both addressing poverty in a significant way and developing local infrastructure, as evidenced by media coverage in recent years and also the two official evaluations (ILO, 2010a; NPC, 2012), although the programme is too important politically, as a major governmental response to the marginalisation and underdevelopment of Karnali region, to be recognised officially as having failed to achieve many of its explicitly stated goals.

Informants questioned why one would want to start with a failing programme, implemented in the most remote region of the country with very specific geopolitical characteristics and institutional challenges, as the basis for a national EGS, and why one would select Karnali as a laboratory for the development of such a programme given the major geophysical, cultural and political challenges to effective programming in Karnali and the fact that the political and physical characteristics of the region, where poverty is concentrated in terms of absolute numbers (the Terai), are significantly different. Given these considerations, Karnali may be one of the regions least suited to PWP-based social protection provision and experimentation with the development of a model for national provision.

However, while there may be a strong case for suggesting that the KEP is not a rational or politically appropriate model for a national EGS, and that Karnali may not be the optimal location for experimentation with programme design, the programme is valuable in that it can offer important lessons for future EGS design. The main challenges raised in the two recent evaluations (ILO 2010a; NPC, 2012) of the KEP, highlighted as compromising its social protection impact, relate to design, capacity and incentive factors (among both implementers and beneficiaries), that need to be addressed in future programme development include:

- Weak targeting;
- Limited labour availability in low population density locations;

- Variable demand for EGS employment;
- Limited decision making, monitoring and accountability mechanisms at district level related to absence of elected local government;
- Leakage of funds and fiduciary risk;
- Limited technical capacity at district level;
- Poor asset quality;
- Variable productive/livelihoods relevance of assets created for the poor; and
- Omission of the asset creation aspect of the programme/payments without satisfaction of the work conditionality.

Given the binding nature of the constraints to effective programme implementation, which relate to profound political and institutional challenges, it is not apparent that such a programme has the potential to provide significant social protection benefits on a sustainable and cost-effective basis during this ongoing period of political uncertainty and dysfunction, even with significant external support from the donor community, as the main constraints are structural and systemic rather than ones that can be addressed on a project-specific basis.

For this reason, it may be preferable to focus work on aspects of programme design, learning from the Karnali experience with a view to informing future programme development.

5.3 Government vision and preferences

Having discussed options for the DP community to contribute to the development of an EIIP- based EGS and the possibility of extending the KEP model, it is important to note that DPs do not currently have an explicit insight into the government's own preferred EGS concept, which has informed the draft Bill.

It is not known whether there is a clear vision of the anticipated programme design, or a shared vision between the NPC and MoFALD. However, during the course of the research, it became clear that, for some formerly involved in the debate, the EGS concept at the heart of the NPC proposal was *not* necessarily based on the MGNREGS model, the KEP or even the existing EIIP approach, as DPs had assumed. One key informant implied that an alternative vision, based on an expansion of employment through line ministry initiatives with relevant line ministries being requested to create employment for an EGS, could be informing the draft EGS Bill, although in the popular media a more conventional MGNREGS style programme has been anticipated.

A line ministry-based EGS approach has precedents, for example the South African government's Expanded Public Works Programme, which required various line ministries to find opportunities to 'create' additional employment. This model of an EGS is not widely articulated in Nepal, but there are indications that this may have informed discussions initiated within the NPC. Such an approach is not consistent with either the EIIP consolidation or EGS development concepts put forward by DPs. If the government is considering an alternative model, the implication in terms of government interest in and ownership of a DP-supported EGS based on either additional or consolidated programming may be significant. There is a need for further dialogue with the NPC on this critical issue.

5.4 Next steps: preliminary research

In the absence of explicit demand for technical assistance on EGS development from the government, and given the current national preoccupation with constitutional issues, it may be appropriate for DFID to move away from an explicit focus on EGS development, thereby avoiding the development of an additional donor-driven programme in the social protection sector with limited, if any, government support, which is unlikely to be able to provide genuine EGS provision in the short or medium term. However, while preparing for the development of a dialogue with relevant government parties, DFID could be leading on the development of a research base for future programme development and the exploration of potential design options pending the re-emergence of social protection and EGS on the government agenda.

Prior to the selection of an EGS model or programme development, there is a need for research into key areas relating to poverty and labour markets. Analysis of labour market supply and demand and remuneration across the diversity of regional, ethnic and socioeconomic contexts co-existing in Nepal can inform a feasibility assessment of the development of a national EGS. There is also a need to understand the different (positive and negative) forms of migration among diverse socioeconomic and other groups, the diversity of chronic and seasonal poverty scenarios, the design implications of delivering PWP in low population density remote environments and how EGS design could best match the specificities of the Nepali context.

5.5 Conclusions

In recent years, there has been a political interest in developing an EGS in Nepal as one component part of the national labour strategy, and the government has allocated time and resources to the development of a draft bill to this end. However, the development and implementation of an EGS is not currently a political priority, nor is it an area where there is explicit demand for technical assistance from the government, which is not generally positively disposed to external technical assistance for programme development. The government is not proactively moving ahead with the coordination or rationalisation of PWP and EIIP activity and has given no indication that this is a priority, nor that current programming should be the basis for the development of any future EGS.

Similarly, active donor coordination on programming in both the social protection and the PWP sectors is limited, and there is no concerted DP interest in promoting EGS programming. There are, however, opportunities for donors to promote integration within their own programmes and to explore the feasibility of the consolidation of EIIP programming to promote programming efficiency, reduce DP overload on weak local structures and potentially increase levels of employment creation and also promote beneficial outcomes for the poor. This could be achieved through greater coordination, which could be addressed through marginal changes within existing programmes and could contribute to a gradual process of programme harmonisation and the development of options for improved social protection provision through PWP employment, and even the development of effective EGS models. However, such coordination, harmonisation and even joint programming will happen only if catalysed within the donor community.

In terms of the development of an EGS, there is no government expectation that this would be based on the KEP, which is generally recognised as a failed and regionally specific programme rather than one that should be developed and extended nationally.

While existing programming can be improved through marginal changes to promote efficiencies and benefits for the poor, more radical innovation would be required to develop a genuine EGS in Nepal providing social protection through employment. This could be crafted either from a radical reorientation and expansion of existing EIIP and PWP programming, which would require a significant change in emphasis in asset-focused EIIPs of a range of donors, or the development of a new programme, still based on infrastructure creation, potentially following the MGNREGS, or an alternative vision, outside the infrastructure sector, through employment created across a diversity of line ministries. There are indications that this latter concept may have informed the development of the NPC's draft EGS Bill, but there is a need for further clarification with the government on this issue. There is also a need to ensure that programme development is consistent with the government's vision, in order to promote sustainability and ownership, neither of which is strong in current PWPs and EIIPs.

In the interim period, while the constitution remains the core government priority, and prior to government reorientation towards issues of employment and social protection, there is an opportunity to carry out significant preparatory work, which will be of value both in terms of EGS development and in relation to the broader social protection debate in Nepal. A detailed needs analysis is required so that any model of EGS developed is consistent with social protection needs and reflects the geo-social diversity of the country. The potential for EGS implementation may be greater in some regions than others, particularly if an asset construction model is maintained nationally. It may be that a scheme taking into consideration the significant variations in population density, accessibility and livelihoods strategies may be more appropriate (on the basis of one programme, many designs), or that an EGS should be implemented only in areas of high population density and food insecurity and where seasonal migration is an adverse coping mechanism, complemented by alternative forms of social protection provision in other areas. Similarly, EGS development would require the articulation of a theory of change that clarifies the relationships between the objectives related to poverty, migration and livelihoods promotion that are currently variously associated with PWPs.

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Appendix 1: Summary of main social protection interventions

Instrument	Name	Mode of payment	Target group	Government agency responsible	Coverage (geographical and no. of beneficiaries)	Summary
Cash transfer	Old Age/Senior Citizens' Allowance	Cash	Elderly	MoFALD	Nationwide. Estimated 640,000 beneficiaries in FY2010.	NRs 500/month for all persons aged 70+ and to Dalits and Karnali persons aged 60+. Funded from tax revenues and administered through DDCs and VDCs. VDCs make payments, three times a year.
	Widows'/Single Women's Allowance	Cash	Single women	MoFALD	Nationwide. Estimated 268,000 beneficiaries in FY2010.	NRs 500/month for women aged 60+. Funded from tax revenues and administered through DDCs and VDCs. VDCs make payments, three times a year.
	Child Protection Grant	Cash	Children	MoFALD	Karnali + nationwide. Estimated 400,000 beneficiaries in FY2010.	Introduced in 2009 and funded from tax revenues and some donor help. NRs 200/month per child under 5 for up to 2 children for all Dalit families and all families in Karnali. Total budget of \$10.1 million in 2010 and \$14.4 million in 2011
	Disability Allowance	Cash	Disabled	MoFALD	Nationwide. Estimated 13,000 fully disabled and almost 7,000 partially disabled in FY2010.	NRs 300 or 1,000/month if partially or fully disabled for persons 16+. Funded from tax revenues and administered through DDCs and VDCs. VDCs make payments, three times a year.
	Allowance for Endangered Indigenous People	Cash	Indigenous people	MoFALD	Nationwide. Estimated 16,500 beneficiaries in FY2010.	NRs 500/month for all household members, and NRs 1,000 for Raute people since FY2009/10.

	Strengthening Decentralised Support for Vulnerable and Conflict-affected Families and Children	Cash	Conflict-affected households	Ministry of Women, Children and Social Welfare	5 districts (Achham, Baitadi, Dang, Banke and Bardiya), target 4,000 households.	Funded by Japanese Fund for Poverty Reduction. \$2 million grant for 4 years (2008-2011) project to strengthen the legal framework and capacity for decentralised service delivery and to pilot an effective child and family protection and support system in 6 districts. Activities: 1) assessment of government and basic services (e.g. education and health care); 2) training (of officials, social workers and NGO workers) to increase capacity to develop, plan and deliver social services; 3) draft regulation on the minimum standards of care for children in need of protection (with ILO) and draft regulations and guidelines for licensing and registering procedures for child protection workers and service providers; 4) services to households including family and job counselling, legal aid, foster care, community outreach etc.; 5) cash benefit of NRs 1,000 a month for 1 year (to use on housing, clothes or basic needs) and grant of up to NRs 6,000 for equipment and business start-up, to 4,000 households (targeted with the Disadvantaged Group Mapping methodology developed by the UN Children's Fund), conditional to participation in income-generation activities or trainings.
	Subsistence Allowance for Those Martyred or Handicapped in the Conflict	Cash	Conflict-affected individuals	Ministry of Peace and Reconstruction	Nationwide	NRs 360,000 million to internally displaced persons. NRs 60,000 a year to households of martyrs with an educational allowance for children up to the age of 18 for up to 3 children. NRs 80,000-200,000 as lump sum to people handicapped during conflict. NRs 100,000 to households with a disappeared member. NRs 1 million to households with killed members and NRs 25,000 to widows.
Scholarship	Universal scholarships (all girls and Dalits)	Cash	Female and Dalit students	MoE	Nationwide.	Ministry of Finance announced that from July 2011 all Dalits and girls in Grades 1-8 would receive NRs 150-600 (depending on whether the scholarship is only for stationery, only for uniform or for both, and if it is Terai, Hills or Mountains). District scholarship management committees (chaired by the district education officer) decide on allocation of funds among schools while school management committees (SMC) are responsible for the selection, distribution and overall monitoring of different scholarships. (MoE has not confirmed.)
	Dalit Students Scholarship – Primary School Scholarship	Cash	Dalit students	MoE	800,000 in 2008/09.	NRs 350 per student per year for all Dalit students in Grades 1-5 and 50% of poor students.
	Dalit Students Scholarship – Scholarship for Oppressed and Dalits	Cash	Dalit students	MoE	Nationwide.	NRs 500 per head per annum for boys and girls from Dalit communities studying in Grades 6-10.
	Conflict Victim Scholarship		Conflict-affected students	MoE	Nationwide.	

Scholarship for Freed Bonded Labour		Ex-bonded labourer students	MoE	Nationwide.	
Scholarships for Children with Disability	Cash	Disabled students	MoE	Nationwide.	NRs 10,000, 5,000, 3,000 and 500 depending on the level of disability.
Booster Scholarship	Cash	Students	MoE	Nationwide.	Rs.500 per student for the first year of schooling for first child of those parents who were excluded from primary education
Girl Student Scholarship	Cash	Female students	MoE	Nationwide, about 762,000 girls in 2008/09	NRs 400 per student per year for 50% of girl students in Grades 1-5.
Scholarship for Children of Martyrs	Cash	Conflict-affected students	MoE	Nationwide.	NRs 1,000 for children in kindergarten and in Grades 1-5; NRs 1,500 for children in Grades 6-10; NRs 2,000 for children in higher secondary and higher education.
Lower Secondary/ Secondary Full Scholarship	Cash	Secondary students	MoE	Nationwide.	NRs 1,000 per year to the student and NRs 700 to the school to make arrangements for the learning of that same student, Grades 6-10.
Lower Secondary/ Secondary Freeship Scholarship	Cash	Students	MoE	Nationwide.	NRs 700 per head per year to students Grades 6 and 7.
Karnali Scholarship	Cash	Students	MoE	Karnali.	NRs 1,000 per year for children in Grades 1-5 and NRs 1,500 per year for children in Grades 6-10.
Feeder Hostel Scholarship/ Remote Mountainous Boarding Scholarship	Cash	Students	MoE	Nationwide.	NRs12,000 per head per year living in remote districts (Hills and Mountains), NRs 10,000 per head per year living in hostels of other than remote districts (Terai), to girls without a school near home, backward community, in Grades 6-10.
Scholarship for Marginalised Groups	Cash	Disadvantaged students	MoE	Nationwide.	NRs 5,000 per year for children Grades 6-10.
Human Development and Social Protection Pilot Project	Cash	Students	MoFALD	Dadedhura and Kanchanpur.	UNDCF responsible for delivery mechanisms and World Bank for Management Information System and registration. All VDCs of Dadedhura and Kanchanpur districts. Scholarships through MoE. First payment after July 2011.

	Girls' Incentive Programme	In kind	Female students	MoE	11 far-Western districts, almost 62,000 girls.	2 litres of vegetable oil per month, for 10 months, to mothers of girls in Grades 2-5 with 80% attendance.
	Scholarships for Secondary Education	In kind	Students	MoE	Nationwide.	NRs 2,400 per month to students of Grade 8 and NRs 3,000 per month to students of Grade 9 (planned). Funded by the Japanese government.
	Scholarships for Secondary Education	Cash	Female students	MoE	Few districts, to be identified.	Still at proposal/ discussion stage. Additional scholarship to girls in Grades 9 and 10 (amount to be determined) + activities at school level to encourage school attendance and continuation + strengthening the management and administration of scholarships by school management committees. Maximum budget \$75 million, project to be ready by September 2011.
	Incentive for Disadvantaged Children	Cash	Disadvantaged students			Material support (school bags, uniforms and registration fees) on needs basis.
	Scholarship for Girls	In kind	Female students	DDC	Surkhet and Doti. Target 50 VDCs in each district but actual figure is lower.	Started with a Decentralisation Programme that finished in 2005, now only scholarship until September 2012. NRs 3,000 per year (Grades 1-8) and NRs 5,000 (Grades 9-10) regular girl students from public schools; and girl students who pass the end of grade tests.
PWP	Karnali Employment Programme	Cash	Households	MoFALD	Karnali, about 69,000 households.	Since 2007. NRs 200 per day, administered through DDCs and VDCs and funded from tax revenues. One member per household with no working members is eligible for work. Employment target is 100 work days per year, but in practice is 14 work days per year. NRs 225 million in FY2010.
	Rural Community Infrastructure Works	In kind/cash	Households	MoFALD	21 districts.	Since 1996. Provision of food (4 kg rice and 0.5 kg pulses/work day) or cash or mix, for creation of community assets. 80 work days per year.
	Rural Access Programme	Cash	Households	MoFALD	7 districts.	Initiated 2000. Road construction. Second phase 2009-March 2013, \$27 million budget. One member per household living within one and a half hour's walk from the road alignment is allowed to work. Mean employment 150 work days per year. Wage rate NRs 190-210. Road construction plus supplementary small infrastructure (trails, irrigation, buildings etc.) done through DDC.
	Poverty Alleviation Fund Community Infrastructure Component	Cash	Households	Government	25 poorest districts.	Since 2004. Autonomous organisation, managed by independent Board including the NPC and chaired by prime minister.

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Overseas Development Institute
203 Blackfriars Road
London SE1 8NJ, UK

Tel: +44 (0)20 7922 0300
Fax: +44 (0)20 7922 0399

www.odi.org.uk/pogo