



International  
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# ▶ Extending social protection for all in Nepal

An analysis of protection gaps



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Social Protection  
& Public Finance Management

# ▶ **Extending social protection for all in Nepal**

An analysis of protection gaps

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## ► Foreward



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### Forward

It is my great pleasure to express a few words on the publication of the report on "*Extending social protection for all in Nepal: An analysis on protection gaps*". Extending social protection is a key step to recognizing the vision of our constitution and the ongoing National Development Plan. The 2015 constitution has envisioned for a socialism-oriented economy. Social protection is a crucial pillar towards establishing such an economy. As stated in the draft of the integrated national social protection framework prepared by National Planning Commission (NPC) in the FY 2020/21, there are over 80 social protection schemes in operation. Nepal has made significant progress for extending social protection to all, but challenges remain. NPC is working towards finalizing the framework that will help consolidate these 80 fragmented and scattered social protection schemes.

This report provides important new insight and information regarding the existing protection gaps in Nepal. The 15<sup>th</sup> Periodic Plan sets out an ambitious target of covering 60 percent of the population with basic social security benefits with an allocation of 13.7 percent of the national budget. The report highlights that 32.9 percent of Nepalese had access to at least one social security benefit in the Fiscal Year 2020/21. However, investments in children remain low and there is a need to increase the coverage and adequacy of income support programmes to ensure broader protection against risks through life. Likewise, extending social security to workers in the informal sector and in self-employed, particularly for women workers, should be explored as one of the key ways for Nepal to achieve the target of 60 percent. It is also equally important to ensure that the expansion is sustainable and based on equitable and progressive financing. There needs to be a coordinated approach between contributory and non-contributory measures of social protection to cover all sections of the population. This will help in realising the spirit of life-cycle approach to social protection. When contributory measures build on and complement the existing non-contributory systems it increases the long-term fiscal sustainability of the system and ensure people are protected independently of their work situation.

The report should be seen as one of the first amongst many in terms of providing a comprehensive review of the social protection system for the country. I am positive that the report will be viewed as a dynamic work to be updated and complemented as Nepal continues to move towards universal social protection.

I would like to sincerely acknowledge the work the International Labour Organization (ILO) has done to bring this important report out on time. The financial contribution of European Union for this study is highly acknowledged. Special thanks goes to Ms. Suravi Bhandary and the entire study team at the ILO Country Office for Nepal, and Dr. Lok Nath Bhusal and all other facilitating staff at the NPC for their contribution in the finalization of this report. I would also like to extend my appreciation to all the Government stakeholders who contributed during the data collection phase and their valuable feedback at the consultation workshop when finalizing the report.

November 2022

**Dr. Ram Kumar Phuyal**  
 Member  
 National Planning Commission  
 The Government of Nepal

## ► Preface

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The World Social Protection Report 2020-22 provides an opportunity to take stock of the global and regional situation of social protection coverage and adequacy vis-à-vis the progress made by Nepal and discuss pathways for advancing social security in the country. This report is the first of a series of studies conducted by the International Labour Organization (ILO) Nepal to review the existing social protection system of the country, understand its gaps and challenges, and identify potential strategies to extend coverage and improve adequacy of the schemes, while improving sustainable financing of the sector.

Social protection stands high in the development agenda in Nepal, given its positive social and economic impacts. In line with international standards, the Government of Nepal has recognized social protection as a right in the 2015 Constitution. The 15th National Development Plan (2019-2025) recognizes social protection as one of the nine drivers of socio-economic transformation in the country and sets the goal "... to make social security and protection sustainable, universal, and accessible."

Nepal has made immense advances towards expanding social protection for all and leaving no one behind. The country has been investing in the gradual expansion of the coverage of programmes, improving older programmes, and introducing new schemes where gaps existed. For more than a decade, the largest social protection programmes has included cash transfer schemes for senior citizens, single women, indigenous and endangered ethnicities, and children under 5 years of age. School meals, support for pregnant mothers, grants for persons living with disabilities are also part of the social protection portfolio of Nepal, offering critical support to vulnerable groups at key stages in life. However, despite progress, only about one third of Nepalis have access to any social security provisions.

In the broad landscape of Nepal's social protection, the recent introduction of contribution-based system is a landmark that will significantly expand protection for workers and their families. However, coverage remains low and there is a need for a significant paradigm shift from the current provident fund system to a pension-based system. Continuing investments in the expansion of contribution-based social security is crucial to improving access to social security in Nepal, and in advancing the country's commitment towards social protection for its population. The design and implementation of a comprehensive social security system that will encompass all workers should be part of a broader process of the Government to ensure protection to all; one, that builds on complementarity between contributory and non-contributory schemes.

The efforts made by Nepal have been commendable and the country is showing by example how this can be achieved through the combination of social assistance and social insurance schemes, creating a rights-based, comprehensive, inclusive, and sustainable social protection system for all.



**Richard Howard, PhD**  
**Director**  
ILO Country Office for Nepal



**H.E. Nona Deprez**  
**Ambassador, Head of Delegation**  
Delegation of the European Union to Nepal

## ▶ Table of contents

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▶ Foreword	iii
▶ Preface	iv
▶ Acknowledgements	x
▶ Executive summary	xi
▶ Abbreviations	xviii
<b>▶ 1. Introduction</b>	<b>1</b>
1.1 Context	1
1.2 Objective	2
<b>▶ 2. Scope of the study</b>	<b>5</b>
2.1 Defining social protection	5
2.2 Identifying social protection programmes	5
2.3 Defining and measuring coverage	8
2.4 Assessing adequacy	9
2.5 Limitations to the analysis of social protection expenditure	10
<b>▶ 3. State of social protection in Nepal</b>	<b>11</b>
3.1 Major social security schemes in Nepal	11
3.2 Effective social protection coverage	12
3.3 Coverage according to SDG 1.3	13
3.4 Social protection for women and girls	14
<b>▶ 4. Social security for all throughout the life course</b>	<b>15</b>
<b>▶ 5. Social protection for children and families</b>	<b>19</b>
5.1 Situation of children in Nepal	19
5.2 Overview of social protection programmes for children	20
5.2.1 Income support	20
5.2.2 In-kind support	20

5.3 Coverage	21
5.3.1 Effective coverage	21
5.3.2 social protection for girls	23
5.3.3 Legal coverage vis-à-vis effective coverage	23
5.4 Adequacy of benefits	23
5.5 Expenditure	25
5.6 Policy priorities and recommendations for building social protection systems for children	26
<b>▶ 6. Social protection for women and men of working age</b>	<b>29</b>
6.1 Situation of people in working age	29
6.2 Overview of social protection programmes for persons of working age	30
6.2.1 Income support (non-contributory)	30
6.2.2 Income support (contributory)	30
6.2.3 Active labour market programmes (ALMP)	31
6.3 Coverage	31
6.3.1 Effective coverage	31
6.3.2 Legal vis-à-vis effective coverage	33
6.3.3 Social protection for women of working age	34
6.3.4 Maternity protection and leave benefits	34
6.3.5 Employment injury protection	36
6.3.6 Unemployment protection	37
6.3.7 Disability protection and disability-inclusive social protection	38
6.4 Expenditure.	39
6.5 Policy priorities and recommendations for building social protection systems for women and men of working age	41
<b>▶ 7. Social protection for older women and men: Pensions and other non-health benefits</b>	<b>43</b>
7.1 Situation of older persons	43
7.2 Overview of social protection programmes for older women and men	44
7.2.1 Non-contributory pensions	44
7.2.2 Contributory pensions	45
7.3 Coverage	45
7.3.1 Effective coverage of non-contributory programmes	45

7.3.2 Effective coverage of contributory pensions	47
7.3.3 Legal coverage vis-à-vis effective coverage	48
7.3.4 Social protection and older women	48
7.4 Adequacy of benefits	48
7.5 Expenditure	49
7.6 Policy priorities and recommendations for building social protection systems for older persons	51
<b>▶ 8. Towards universal health coverage</b>	<b>53</b>
8.1 Overview of social health protection programmes in Nepal	53
8.2 Coverage	54
8.2.1 Effective coverage	54
8.2.2 Legal coverage vis-à-vis effective coverage	55
8.3 Adequacy of benefits	56
8.4 Investments in health protection	56
8.5 Policy priorities and recommendations for building health social protection systems.	57
<b>▶ 9. Conclusions</b>	<b>59</b>
9.1 The social protection system of Nepal	59
9.2 Social protection for children and families	60
9.3 Social protection for women and men of working age	60
9.4 Social protection for older women and men: Pensions and other non-health benefits	61
9.5 Towards universal health coverage	61
9.6 Social protection expenditure and financing	61
<b>▶ References</b>	<b>63</b>
<b>▶ Annex I: List of social protection programmes</b>	<b>65</b>
<b>▶ Annex II: Method of computation of coverage ratios</b>	<b>71</b>
Coverage ratios	71
Adequacy and value of transfer	72
Public expenditure	74



## ► List of figures

---

Figure 1	Effective social security coverage, by population group, FY 2020-21 or latest available year, percentage .....	x
Figure 2	Effective social security coverage, by broad age groups and programme type, FY 2020-21 or latest available year, percentage .....	xi
Figure 3	Effective social security coverage, including in-kind benefits, by sex and age group, FY 2020-21 or latest available year, percentage .....	xi
Figure 4	Effective social security coverage by population group, FY 2020-21 or latest available year, percentage .....	15
Figure 5	SDG indicator 1.3.1: Effective social security coverage, by population group, FY 2020-21 or latest available year, percentage .....	16
Figure 6	SDG indicator 1.3.1: Effective social security coverage, FY 2020-21 or latest available year, percentage .....	17
Figure 7	Life cycle risks and vulnerabilities .....	18
Figure 8	Effective social security coverage, by broad age groups and programme type, FY 2020-21 or latest available year, percentage .....	19
Figure 9	Effective social security coverage, including in kind benefits, by sex and age group, FY 2020-21 or latest available year, percentage .....	19
Figure 10	Effective coverage of social health protection, by population group, FY 2020-21 or latest available year, percentage .....	20
Figure 11	Total number of beneficiaries across social protection programmes for children, FY 2020-21 or latest available year .....	24
Figure 12	Effective coverage for children and families, by age group and type of support, FY 2020-21 or latest available year, percentage .....	25
Figure 13	SDG indicator 1.3.1: Effective coverage for children and families, FY 2020-21 or latest available year, percentage .....	25
Figure 14	SDG indicator 1.3.1: Effective coverage for children, by age group and sex, FY 2020-21 or latest available year, percentage .....	26
Figure 15	Comparison of transfer value per month across key social protection provisions for children against MEB, FY 2021-22 or latest available year, rupees .....	28
Figure 16	Public social protection expenditure on children (percentage of GDP) and percentage of children in the total population, by age group, FY 2020-21 or latest available year .....	29
Figure 17	Average annual expenditure per child beneficiary, by age group, FY 2020-21 or latest available year, rupees .....	30
Figure 18	Total number of beneficiaries/contributors across social protection programmes for women and men of working age, FY 2020-21 or latest available year .....	34
Figure 19	Effective coverage for working age women and men, by programme, FY 2020-21 or latest available year, percentage .....	35
Figure 20	Effective coverage for women and men of working age, by age group and type of support, FY 2020-21 or latest available year, percentage .....	36

Figure 21	Regional and global comparison on effective coverage for maternity protection, percentage .....	39
Figure 22	Regional and global comparison on effective coverage for employment injury protection, percentage .....	40
Figure 23	Regional and global comparison on effective coverage for disability protection, percentage .....	43
Figure 24	Comparison of disability allowance against MEB/month/beneficiary, FY 2020-21 or latest available year, rupees .....	43
Figure 25	Public social protection expenditure on working age (percentage of GDP) and percentage of working age women and men in the total population, by age group, FY 2020-21 or latest available year .....	44
Figure 26	Average annual expenditure per working age beneficiary, age group, FY 2020-21 or latest available year, rupees .....	45
Figure 27	Proportion of population above 60+ receiving at least one pension at old age, FY 2020-21 or latest available year .....	51
Figure 28	Effective coverage for older persons, by age group and sex, FY 2020-21 or latest available year, percentage .....	52
Figure 29	Active contributors to the pension system, FY 2020-21 or latest available year .....	53
Figure 30	Comparison of transfer value across key non-contributory measures for older persons against MEB, FY 2021-22 or latest available year, rupees .....	54
Figure 31	Public social protection expenditure on older persons (percentage of GDP) and percentage of older persons in total population, by region .....	56
Figure 32	Average annual expenditure per older person beneficiary, by age group, FY 2020-21 or latest available year, rupees .....	56
Figure 33	Total number of persons protected by social health insurance, FY 2020-21 or latest available year .....	59
Figure 34	Regional and global comparison on effective coverage for health protection, 2020 or latest available year, percentage .....	60
Figure 35	Health expenditure by source at different years, percentage .....	62

## ► List of tables

---

Table 1	List of social protection programmes identified for an in-depth review and brief description .....	5
Table 2	Comparison of the MEB against other measures, rupees .....	11
Table 3	Number of beneficiaries/contributors of social security schemes, by sex and expenditure, FY 2020-21 or latest available year .....	13

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# Executive summary

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**Social protection is at the forefront of the development agenda in Nepal, given its positive social and economic impacts.** In addition to the Constitution of 2015 recognizing social security as a right to all citizens in Article 43, the 15th National Development Plan sets the goal “...to make social security and protection sustainable, universal, and accessible, for the implementation of civil rights and to strengthen the trust of citizens towards the state.” The Plan sets ambitious targets to achieve its goals, **including covering 60 per cent of the population with basic social protection schemes and the allocation of 13.7 per cent of the national budget for social protection by Fiscal Year (FY) 2023-24.** The 15th Development Plan also acknowledges the limitations of the existing system. This includes, low levels of coverage, the fragmentation between the programmes, and the lack of an overarching framework to better coordinate the sector.

The ILO Social Protection Floors Recommendation, 2012 (No. 202) provides a normative framework on how universal social protection can be achieved through two key elements: (i) the establishment of a **national social protection floor** that guarantees at least a basic level of social security for all persons in need of protection as a matter of priority; and (ii) ensuring higher levels of protection for as many people as possible, and as soon as possible.

**The R202 defines social protection floors (SPFs) as comprising a set of basic social security guarantees that ensure at a minimum, over the life cycle, access to essential health care and basic income security** to secure effective access to goods and services defined as necessary at the national level. While not all countries will be able to immediately put in place all components covering the entire population, the SPF provides a framework for progressive implementation that ensures a holistic and coherent vision of national social protection systems as a key component of national development strategies. A fundamental step for designing and implementing comprehensive SPFs is to measure the gaps in coverage, adequacy, and financing for social protection.

**The key objective of the report is to assess existing protection gaps based on the analysis of 16 key social protection programmes in implementation in Nepal in FY 2020-21.** The programmes identified for analysis constitute a significant percentage of the beneficiaries and absorbs more than 90 per cent of the total budget allocation for social protection programmes. This report is part of a series of studies on the potential pathways to extend social security for all in Nepal within a sustainable fiscal framework under the European Commission- Directorate-General for International Partnerships financed project on *Enhancing Social Protection System: Towards Investments for Results in Nepal*. The series will also include a costing exercise to estimate financing gaps and a fiscal space analysis on the potential avenues to mobilise domestic resources to finance economically sustainable social protection system in the country.

## State of social protection in Nepal

Approximately **32.9 per cent of the population was covered by at least one social security benefit in FY 2020-21. The total expenditure of social protection programmes in the same fiscal year was approximately 210 billion Nepalese rupees, equivalent to 4.9 per cent of the gross domestic product (GDP) and 16.6 per cent of total government expenditure.** Despite the progress, about **20.1 million Nepalis still remain without social protection.**

When observing protection against different risks in the life cycle or for specific groups, coverage varies significantly. Most older persons (80.2 per cent) had access to social security benefits in FY 2020-21. Similarly, social protection coverage of children is 65.7 per cent when accounting for in-kind support. Protection against work-related risks (for example, employment injury, unemployment, and lack of access to opportunity) is restricted to a small share of workers, health protection is still not available to many, and only 0.8 per cent of mothers with new-born have access to income protection. Figure 1 shows the state of social protection coverage in Nepal, by the different categories.

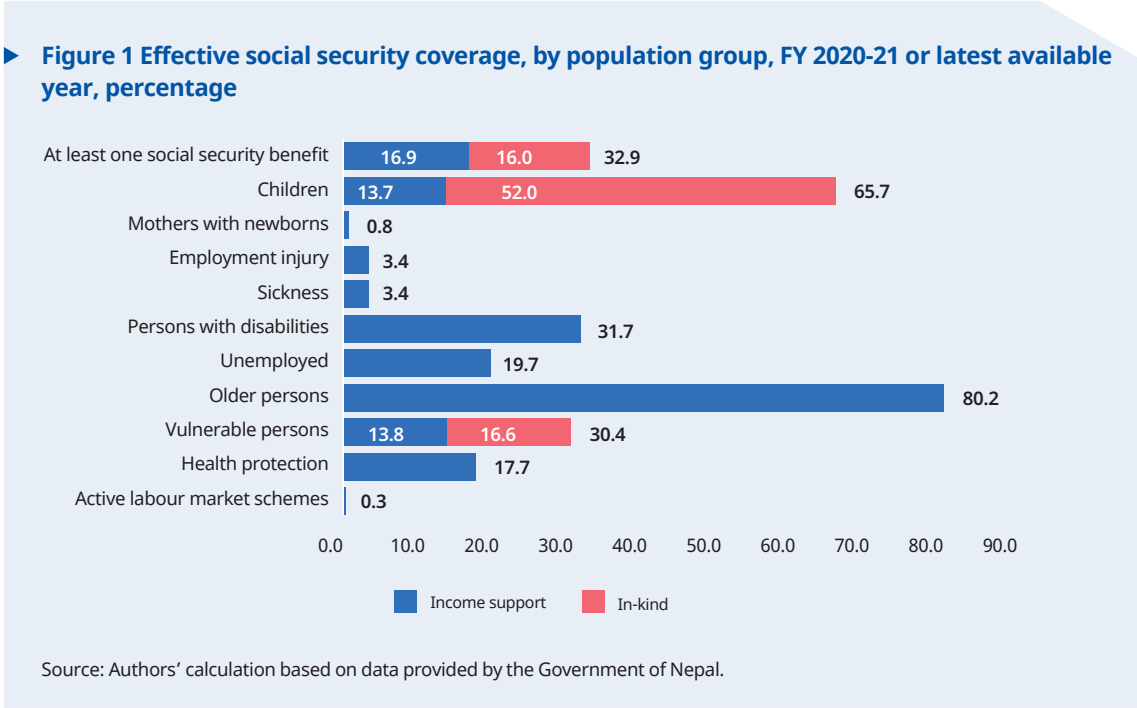


Figure 2 shows different levels of coverage, by income support, in-kind programmes and ALMP schemes, for children, working adults, and older persons. The high coverage for older persons is mainly driven by the universal social pension under the SSA programme that reaches approximately 1.8 million beneficiaries (of which 60.5 per cent are women). **65.7 per cent of the children have access to social protection, however, when taking into consideration only income support, this lowers to 13.7 per cent.** People of working age have the lowest coverage of 9.9 per cent, leaving approximately 16.9 million within the ages of 15-59 unprotected.

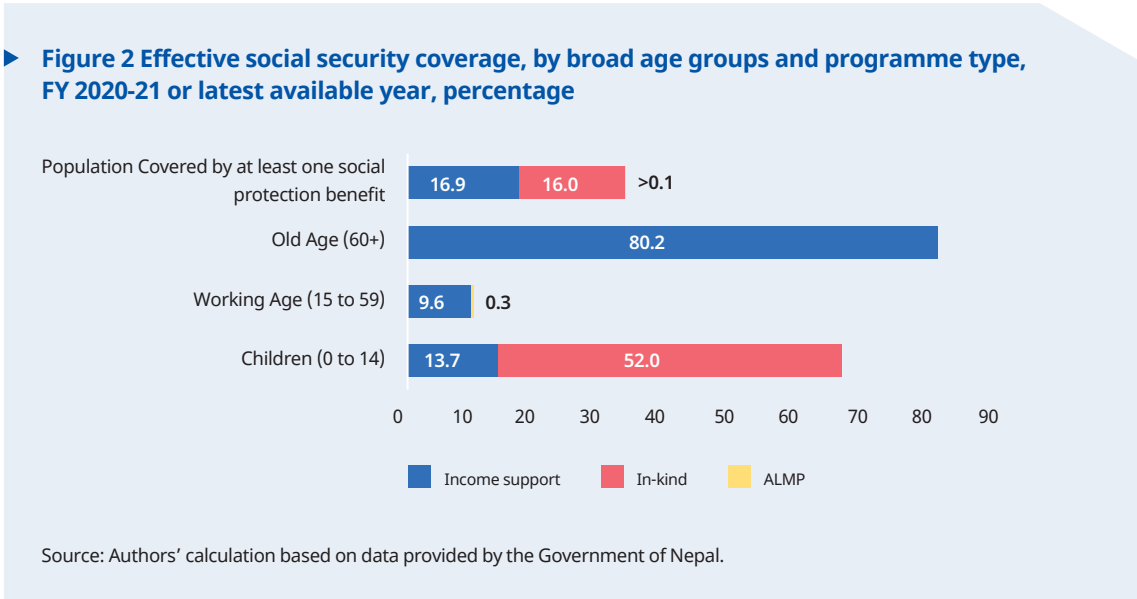
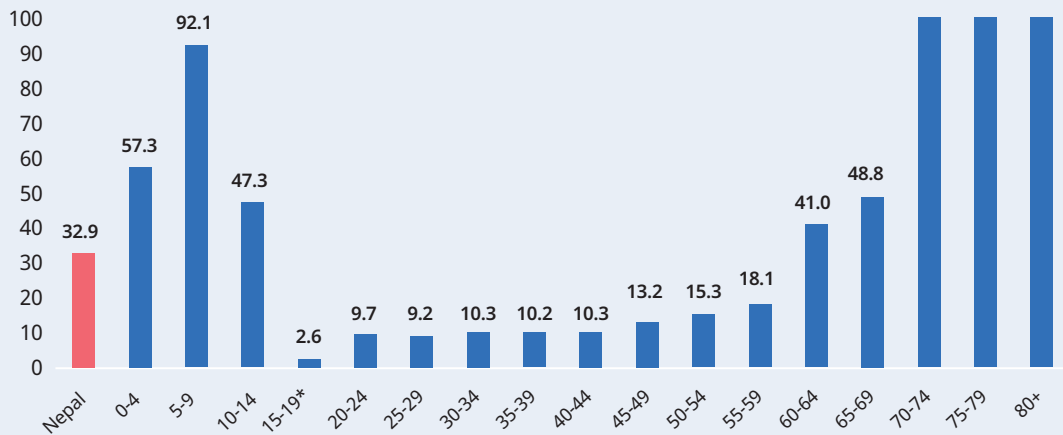


Figure 3 further disaggregates effective coverage of social protection programmes, including in-kind benefits and ALMPs, by age groups.

► **Figure 3 Effective social security coverage, including in-kind benefits, by sex and age group, FY 2020-21 or latest available year, percentage**



Source: Authors' calculation based on data provided by the Government of Nepal.

\* The authors excluded the scholarships and school meals from the 15-19 age group because these programmes are not relevant for the working age this group refers to in the analysis. However, the total coverage of 32.9 per cent includes coverage of School Meals and Scholarship Programmes for the 15-19 age group.

## State of social protection for children and families

The Government of Nepal implements a combination of income support programmes (through cash transfers) and in-kind benefits for children and their families. **Approximately 65.7 per cent of children between the ages of 0-14 are covered by at least one social protection benefit.** Most of the coverage is driven by in-kind support, particularly the School Meals and Scholarship Programmes, with the income support being solely provided by the Social Security Allowance (SSA) Programme, mainly from the Child Grant. Furthermore, investments in child sensitive social protection programming needs to be increased, as these programmes represent only six per cent of the total social protection expenditure, despite children constituting 60 per cent of the total beneficiaries.

**However, when observing effective coverage as per SDG indicator 1.3.1, only 13.7 per cent of children have access to social protection.** The lower reach of income support programmes to children is reflective of the fact that Nepal is still in the process of implementing universal child benefits. The endangered ethnicities and the Disability Allowance under the SSA are categorical and targets specific groups within the population. Nonetheless, it is important to note that even when the Child Grant reaches up to two children per mother up until they are five years old, currently there are no broad schemes offering cash support to families with children aged five to 14, which in turn does not protect them against the risks associated with this age group, such as child labour or child marriage.

While the overall coverage of children by social protection programmes is relatively high, **income support remains very limited**, and mostly concentrated for children between the ages of 0 and four years old. Even then, benefit levels for this age group are low. For example, the Child Grant covers approximately **36.3 per cent of children between the ages of 0 and four, and the monthly benefit of the scheme is equivalent to only 4.6 days of a child's minimal consumption needs.**

## State of social protection for women and men of working age

**Access to social security for people of working age is the least prevalent form of social protection in Nepal.** In FY 2020-21, approximately 16.9 million women and men of working age had no protection – an issue of serious concern given the recent pandemic. Contributory programmes are currently targeted to workers in the formal sector, and non-contributory measures in implementation are targeted to specific

categories or groups leading to a gap in the protection of the categories of workers described as vulnerable.

The Government of Nepal implements a combination of different types of schemes under the contributory and non-contributory schemes, complementing social security provision with active labour market programmes, including vocational training and other measures. Despite the range of schemes available only **9.9 per cent (or 1.8 million) of the total population between 15-59 years have access to either income support, in-kind benefits, or ALMPs, leaving approximately 16.9 million people unprotected.**

Both non-contributory income support and contributory measures have low levels of coverage, reaching 5.3 per cent and 4.3 per cent of the population, respectively. Low coverage of contributory measures can be attributed to the fact that the mandatory social security schemes under the SSF have been recently implemented and coverage is limited to workers in the formal sector only. The contribution to the EPF is mandatory for public sector employees only with private sector enrolment to the EPF being voluntary.

Despite the mix of two contributory programmes, a significant percentage of workers in the formal sector do not yet have access to social security. The gap is larger if considering workers in informal employment, which absorbs approximately 86.4 per cent of the total workers, who are currently unprotected and cannot join the SSF until specific provisions are enacted. Likewise, non-contributory measures in implementation are targeted to specific categories or groups, leading to a gap in the protection of the categories of workers described as vulnerable. Thus, the proportion of the missing middle in Nepal, often neither contributing to social insurance schemes nor benefiting from non-contributory options, is very large.

## Protection against work-related risks

### Maternity protection

**Coverage for maternity protection is very low and stands at 0.81 per cent of women giving birth.** This is significantly lower than regional and global averages. The low coverage can be attributed to the very recent implementation of the contributory schemes under the SSF. While the scheme has the potential to originate substantial changes to the current system once the targeted coverage is reached, significant gaps exist for women giving birth in informal and self-employment.

In addition to the provisions provided under the SSF and the employer liability system, it is important to note that the Government of Nepal also implements the **Safe Motherhood Programme** that includes a cash incentive for pregnant mothers in the form of transportation subsidies. Coverage of the programme stands at 62.1 per cent of women giving birth. The programme has been in implementation since 2005 with a strong institutional presence under the MoHP. Nonetheless, although the programme provides cash support for women to incentivize institutional delivery, and ante-natal and prenatal care, it does not provide financial support after birth, nor serve as an income replacement mechanism.

Further, gaps continue to exist in coordination across different institutions implementing programmes targeting pregnant women, new mothers and children, such as the Child Grant, the Safe Motherhood Programme, health insurance under the Health Insurance Board and the SSF, and maternity protection under the SSF.

### Employment injury or sickness protection

While there has been a gradual shift from employer liability for employment injury and sickness protection, including insurance through a private carrier, to social insurance protection, in view of the introduction of contribution-based social security, the reliance is still high. **Only 3.4 per cent of women and men in the labour force have protection in case of both employment injury and sickness protection.** High degrees of reliance on employer liability measures not only leads to difficulties in accessing protection but also leaves workers in informal- and self-employment situations without any protection.

This is further exacerbated by the fact that currently, employment injury and sickness protection is only available to those in the formal sector through their contribution to the Social Security Fund (SSF). Low coverage rates are reflective of a young system but are also reflective of weak compliance mechanisms to ensure mandatory contributions and enrolment. Extending effective coverage of the SSF, including for workers in the informal economy is essential to ensure more workers have access to work injury and sickness protection.

## Unemployment protection

Unemployment benefits play a fundamental role in preventing individuals and households from falling into poverty and vulnerability. While the Contribution-based Social Security Act, 2017 makes provision for an unemployment protection scheme under the SSF, it is not yet implemented. There are limited programmes providing income support and pathways towards entrepreneurship currently in implementation. **These programmes reach approximately 19.7 per cent of the unemployed population.** Without comprehensive provisions for unemployment protection, protection gaps are likely to aggravate in the context of employment shocks, such as those induced by the COVID-19 crisis.

## Disability protection

Disability-inclusive social protection systems guarantee effective access to healthcare and income security, including coverage of disability-related costs, for all people with disabilities. The **coverage of social security for persons living with a disability in Nepal is 31.7 per cent.** High coverage of disability protection is mainly due to the SSA's Disability Allowance. However, despite encouraging coverage, there are reported issues on the identification and assessment of degrees of disabilities, which can affect proper access to the benefits.

## State of social protection for older women and men

Access to old age protection is the most prevalent form of social protection in Nepal, both in comparison to the social protection for children and for working women and men. In FY 2020-21, **80.2 per cent of older persons benefited from at least one social security scheme**, outperforming global and regional averages which were at 77.5 per cent and 73.5 per cent coverage, respectively. The relatively good coverage of older persons is a result of the successful implementation of the universal pensions under the SSA, representing 86.8 per cent of the total number of beneficiaries receiving old age pensions.

An additional measure to understand the coverage of old age protection is to look at the active contributors to the pension system as a percentage of the working-age population and the labour force. Currently 1.31 per cent of the working age population and 3.36 per cent of the labour force are actively contributing to the pension system. The Government of Nepal has implemented contribution-based social security and pensions under the SSF, and the contributory system is slowly evolving. Its mandatory nature for all workers has immense potential to increase the share of pensions deriving from contributory schemes.

The Nepali pension system includes a mix of contributory and non-contributory schemes, with each playing a different function, in line with international best practices. However, there needs to be a **coordinated approach between the contributory and non-contributory measures.** The SSA and the SSF pensions should work together and complement each other – particularly for vulnerable workers but also for the long-term fiscal sustainability of the social protection programming.

## Towards universal health coverage

One of the cross-cutting areas and a major source of risk is health. Nepal has made impressive gains in health outcomes in the past few decades, especially, when compared to other lower-income countries. The recent introduction of the national health insurance scheme, operated by the Health Insurance Board (HIB), has increased the access to health protection to thousands of Nepalis since 2018. Despite impressive gains and a rapid increase in the coverage of social health protection, **only 17.7 per cent of the population** is affiliated with a social health protection scheme, significantly below regional and global averages at 65.1 per cent and 66 per cent, respectively.

One of the key issues regarding social health protection in Nepal has been fragmentation and duplication across its two key institutions: the Social Security Fund (SSF) and the Health Insurance Board (HIB). Leveraging the coordination between the HIB and the SSF is key to ensure complementarity and to reduce duplications between programmes and a double burden on families.



## Expenditure in social protection programming

The total expenditure of social protection programmes in FY 2020-21 was approximately 210 billion rupees, or 4.9 per cent of GDP and 16.6 per cent of the national budget. Almost half of the total expenditure is concentrated in Public Sector Pensions, which alone amounts to 2.1 per cent of GDP, but reaches about 273,000 beneficiaries – less than three per cent of the total population covered by social protection in Nepal. The gradual shift to a contributory scheme implemented from 2019 onwards will reduce public resources for the Public Sector Pensions and facilitate reallocation of investment to other social protection programmes in the future.

Other than the beneficiaries under the Public Sector Pensions, most groups of the population receive limited investments through social protection – with children receiving the least (only about six per cent of social protection expenditure), despite representing almost 60 per cent of the beneficiaries.

## Adequacy of benefits

Social security benefits should be at least enough to provide effective access to a set of basic goods and services, and benefits should be set at levels that relate directly to the actual cost of living. The report compares the transfer value of programmes against the minimum expenditure base (MEB) of 3,450 rupees/month/person, whereby MEB is defined as what a household requires in order to meet their essential needs.

In assessing adequacy of benefit levels for non-contributory programmes, other than the Old Age Allowance, the Endangered Ethnicity Allowance, and the Full Disability Allowance under the Social Security Allowance (SSA) Programme, the adequacy of benefits is low. Even for persons with disabilities, the MEB does not take into account their special needs, suggesting that the value of transfer is low.

Adequacy of benefits is especially low for children. For example, the monthly benefit of the Child Grant is equivalent to only 4.6 days of a child's minimal consumption needs. The food value for the MEB is equivalent to 2,250 rupees/month. The value of school meals is one sixth of the monthly cost for food requirements per person. The transfer value of the scholarships is the lowest and stands at 33 rupees/month.

Adequacy of benefits for employment-related schemes, such as the pensions and protection against work-related risks, the benefits meet the minimum standards set by the ILO's Social Security Minimum Standards Convention. Likewise, for public sector pensions, the estimate income replacement rate is 50 per cent, which is also above the ILO Convention 102 standard of 40 per cent. On the contrary, for the old-age protection pension under the SSF, the estimate income replacement rate is between 35 per cent and 60 per cent. But, for lower income earners and workers with shorter contributory careers, the resulting pension levels could be insufficient for a basic level of income, or even be lower than non-contributory pensions.

## Moving forward

There is a need to increase investment in social protection for children, as higher investments will yield short- and long-term gains in terms of development and poverty reduction for Nepal. Likewise, there is also a need to increase coverage of income support programmes, as income support provides protection against a wider range of risks. At the moment, in their early childhood years, children enjoy mainly income support from social protection, and for the majority, that shifts into in-kind support during the school years.

Extending social security to workers in the informal sector and the self-employed is one of the key ways for the country to achieve a target of 60 per cent of coverage. But it is important that the extension of coverage is framed within a broad strategy to promote formalization in Nepal.

Furthermore, considering the current levels of expenditure vis-à-vis the coverage levels of the population, it is difficult to assume that the Government of Nepal will be able to fully close the coverage gaps solely with non-contributory schemes. Therefore, contributory schemes, such as those implemented by the SSF and HIB, are of utmost importance to continue the extension of social protection coverage in Nepal within a limited government budget envelope. **Proper investments must be made to build the institutional**

**capacities required to extend the schemes' coverage, and to facilitate the participation of all, including those with lower contributory capacities** (for example, by providing subsidies or contribution waivers).

Nonetheless, **a detailed costing of the policy options for closing the coverage gaps and a rigorous fiscal space analysis must be conducted** to support the Government in moving towards a more balanced allocation of public resources in social protection, which remains sustainable and affordable. These will be the subjects of the follow-up studies from this report.

## ► Abbreviations

<b>AHS</b>	Annual Household Survey
<b>ALMP</b>	Active Labour Market Programme
<b>BHS</b>	Basic Health Service
<b>CBS</b>	Central Bureau of Statistics
<b>CBSSA</b>	Contribution Based Social Security Act
<b>CCG</b>	Cash Coordination Group
<b>ECD</b>	Early Childhood Development
<b>ENSSURE</b>	Enhanced Skills for Sustainable and Rewarding Employment
<b>EPF</b>	Employees Provident Fund
<b>EVENT</b>	Enhanced Vocational Education and Training
<b>GHED</b>	Global Health Expenditure Database
<b>GoN</b>	Government of Nepal
<b>HIB</b>	Health Insurance Board
<b>MEB</b>	Minimum Expenditure Basket
<b>MoEST</b>	Ministry of Education, Science and Technology
<b>MoF</b>	Ministry of Finance
<b>MoHP</b>	Ministry of Health and Population
<b>MPI</b>	Multidimensional Poverty Index
<b>NLFS</b>	Nepal Labour Force Survey
<b>NLSS</b>	Nepal Living Standard Survey
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OOP</b>	out-of-pocket
<b>PMEP</b>	Prime Minister Employment Programme

<b>SDG</b>	Sustainable Development Goals
<b>SHI</b>	Social Health Insurance
<b>SMP</b>	Safe Motherhood Programme
<b>SPF</b>	Social Protection Floors
<b>SSA</b>	Social Security Allowance
<b>SSF</b>	Social Security Fund
<b>UNDP</b>	United Nations Development Programme
<b>UNICEF</b>	United Nations Children's Fund
<b>WAP</b>	working age population
<b>WFP</b>	World Food Programme
<b>WSPR</b>	World Social Protection Report
<b>YSEF</b>	Youth and Small Entrepreneur Self-employment Fund



# 1. Introduction

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## 1.1 Context

Social protection is at the forefront of the development agenda in Nepal, given its positive social and economic impacts.<sup>1</sup> It is a key element of national strategies to promote human development, political stability, and inclusive growth. Social protection ensures people enjoy income security, have effective access to health and other essential services, and are empowered to take advantage of economic opportunities. By protecting and supporting household incomes, social protection policies play a key role in stabilising and boosting domestic demand, promoting decent work, and fostering inclusive and sustainable growth as well as creating a conducive environment for the development of sustainable enterprises. Social protection, therefore, is regarded as fundamental to achieving the Sustainable Development Goals (SDGs), to promote social justice and to realize the human right to social security for all. It contributes specifically to the achievement of SDG target 1.3 which calls on States to “[i]mplement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.”

In line with international standards, whereby social security is enshrined as a human right in the Universal Declaration of Human Rights (1948, Arts 22 and 25), the International Covenant on Economic, Social and Cultural, and Other Human Rights Instruments, the Government of Nepal (GoN) has recognized social protection as one of its priorities.<sup>2</sup> The Constitution of 2015 recognizes social security as a right to all citizens, explicitly in Article 43:

►► *“Right to social security: The indigent citizens, incapacitated and helpless citizens, helpless single women, citizens with disabilities, children, citizens who cannot take care themselves and citizens belonging to the tribes on the verge of extinction shall have the right to social security, in accordance with law.”*

This is further reinforced in Article 33 on the Right to Employment, Article 41 on the Rights of Senior Citizens, and Articles 37, 40, 42 highlight that women, Dalit, vulnerable groups, and indigenous communities under threat of disappearing, respectively, should receive special attention to access social protection. Furthermore, the Constitution also establishes social protection as a shared responsibility between Federal, Provincial, and Local Governments.

To operationalize the right to social protection, several recent pieces of legislation include social protection provisions such as the Civil Service Act (Third Amendment, 2014) and the Labour Act, 2017. More specifically, the Social Security Act, 2018 provides a legal framework for the social assistance schemes targeted to vulnerable populations such as children, older persons, single women, persons with disabilities, and marginalized ethnicity. The Health Insurance Act, 2017 provides the framework for social health protection, while the Contribution-based Social Security Act, 2017 provides the legal framework for social insurance covering eight of the nine branches set out in ILO’s Social Security (Minimum Standards) Convention, 1952

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<sup>1</sup> The terms “social protection” and “social security” are used interchangeably in this report. The definition is detailed in the next section.

<sup>2</sup> The Convention on the Elimination of all Forms of Discrimination against Women (1979), Arts 11 and 14; the Convention on the Rights of the Child (1989), Arts 26 and 27; and the Convention on the Rights of Persons with Disabilities (2006), Art. 28. See also UN (2008).

(No. 102) – hereby referred to as C102.<sup>3</sup> Furthermore, the National Planning Commission has drafted an Integrated National Framework on Social Protection with the goal to make the national social protection system more inclusive, flexible, and effective and to ensure access to all citizens. At the time of writing this report, the Framework had been tabled in the Parliament for adoption.

The 15th National Development Plan (2019-2025) recognizes social protection as one of the nine drivers for transformation in the country and as a cross-cutting instrument to build an equitable and just society and to guarantee fundamental rights to food security, employment, health, and education. The Plan sets the goal “...to make social security and protection sustainable, universal, and accessible, for the implementation of civil rights and to strengthen the trust of citizens towards the state.” **The Plan sets ambitious targets to achieve its goals, including covering 60 per cent of the population with basic social protection schemes and the allocation of 13.7 per cent of the national budget for social protection in Fiscal Year (FY) 2023-24.**

## 1.2 Objective

The 15th Development Plan acknowledges the limitations of the existing system, particularly the low coverage levels, the fragmentation between the programme, and the lack of an overarching framework to better coordinate the sector. The Plan also highlights the “lack of information and data required to formulate social security plans, assess investment and estimate resource pressures, fragmentation, duplication and inconsistency in social security and protection programmes provided by various Government agencies and levels (...)”. Overcoming these challenges is essential to reach the Government targets for social protection and to achieve SDG 1.3 by 2030.

The ILO Social Protection Floors Recommendation, 2012 (No. 202) – hereby referred to as R202 - provides a normative framework on how universal social protection can be achieved through two key elements: (i) the establishment of a national social protection floor that guarantees at least a basic level of social security for all persons in need of protection as a matter of priority; and, (ii) ensuring higher levels of protection for as many people as possible, and as soon as possible. The R202 defines social protection floors (SPFs) as comprising a set of basic social security guarantees that ensure at a minimum, over the life cycle, access to essential health care and to basic income security to secure effective access to goods and services defined as necessary at the national level. The SPF aims to achieve the following four basic social security guarantees:

- a) Access to essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability, and quality.
- b) Basic income security for children that provides access to nutrition, education, care, and any other necessary goods and services.
- c) Basic income security for persons in active age who are unable to earn sufficient income, particularly in cases of sickness, unemployment, maternity, and disability; and
- d) Basic income security for older persons.

While not all countries will be able to immediately put in place all components covering the entire population, the SPF provides a framework for progressive implementation that ensures a holistic and coherent vision of national social protection systems as a key component of national development strategies. A fundamental step for designing and implementing comprehensive SPFs is to measure gaps in coverage, adequacy, and financing for social protection.

The report analyses the social protection system of Nepal from the perspectives of C102, R202, the SDGs, and the Government’s own targets for the sector. Key aspects covered include: the mapping of existing programmes (focused on the larger ones but aiming to include as many in the analysis as possible) and the collection of gender-disaggregated data to the best extent possible; analysis of coverage (effective and

<sup>3</sup> The eight branches of the social security schemes covered by the Contribution-based Social Security Act, 2017, as per ILO Convention 102 include: (i) medical care; (ii) sickness benefit; (iii) maternity protection benefit; (iv) employment injury benefit; (v) invalidity benefit; (vi) old age benefit; (vii) survivor’s benefit; and (viii) unemployment benefit.

legal); the adequacy of benefit levels; and public investment and expenditure. The analysis will also discuss how Nepal's progress compares with other countries in the region and globally. The report provides a set of recommendations to close the coverage and adequacy gaps in the system and to move towards achieving Government targets for the sector and the SDGs. Finally, the findings of the report will be disseminated to all relevant stakeholders following publication.

This report is part of a series of studies on the potential pathways to extending social security for all in Nepal within a sustainable fiscal framework under the European Commission Directorate-General for International Partnerships financed project on *Enhancing Social Protection Systems: Towards Investments for Results in Nepal*. The series will also include estimations on costing and financing gaps and fiscal space analysis and quantification. The costing exercise will include an estimation of the financing gaps by making a comparison of differences between the current allocation of resources (or expenditures, including donor funding) on social protection programmes and the required allocation of resources (or expenditure) to fill the identified gaps in coverage and financing. The fiscal space analysis will provide guidance and options to the Government of Nepal and other stakeholders on the potential avenues to mobilize domestic resources to finance an economically sustainable social protection system in the country.





## 2. Scope of the study

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### 2.1 Defining social protection

Social protection, or social security, is defined as a set of policies and programmes designed to reduce and prevent poverty and vulnerability across the life cycle. While the 2015 Constitution of Nepal guarantees the right to social protection for the poor and the vulnerable and the Government has enacted several legislations to operationalize this right, a legal definition on what social protection is, which specifies the type and range of programmes with objectives, qualifying conditions, and levels of benefits does not yet exist. However, in line with the principles of R202, the Government is advancing social protection programmes with the aim of closing coverage and adequacy gaps and ensuring a minimum level of protection for all across the life cycle through a combination of contributory and non-contributory schemes.

While a legal definition on social protection does not exist, the draft version of the National Integrated Framework on Social Protection categorizes social protection programmes under social assistance, contribution-based social security and insurance, and labour market programmes. They are defined as:

- **Social assistance programmes** include non-contributory programmes (income or in-kind support) such as cash transfers, scholarships, health subsidies, school feeding, and free health services.
- **Contribution-based social security and insurance** including social security schemes offered by the Social Security Fund, contribution-based pensions and insurance.
- **Labour market programmes** including skills training, vocational education, and entrepreneurship.

The existing form of categorization does not provide details about the various categories that are commonly used in international standards. As such, in addition to using the definition commonly adopted by the Government of Nepal, the authors also relied on the categorization used commonly by the ILO.<sup>4</sup>

### 2.2 Identifying social protection programmes

The current landscape of social protection programming is fragmented with approximately 30 existing programmes implementing 76 schemes across several different ministries (UNICEF 2020; World Bank 2021). According to the 2020 Social Protection Budget brief drafted by the United Nations Children's Fund (UNICEF), of the 76 operational schemes, approximately 80 per cent of allocations are absorbed by about ten of the schemes, while the remaining 66 schemes are allocated 20 per cent of the budget. Given this, the present assessment did not take into consideration all the social protection programmes currently in implementation and only reviewed a total of 18 of the social protection programmes, both contributory and non-contributory.

The report relied on the pre-existing mapping of social protection programmes undertaken by the World Bank in the Public Expenditure Review Report in 2020. Of the 32 programmes studied, the authors identified 18 for an in-depth review based on the following criteria: (i) those with expenditure of over one billion Nepalese rupees; (ii) those whose legal coverage represents a large segment of the population (broad coverage rather than narrowly targeted); and (iii) those currently with a significant number of beneficiaries. While labour market programmes represented low expenditure and low effective legal coverage of the total population, they were included in the analysis to understand existing gaps and barriers to protection.

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<sup>4</sup> See Annex I of ILO. 2021a. *World Social Protection Report 2020–22: Social Protection at the Crossroads – in Pursuit of a Better Future*. International Labour Office, Geneva.

The 18 programmes were then cross-referenced against the stages in the lifecycle they aim to support and mapped against the monitoring guidelines for SDG indicator 1.3.1 and the social security branches defined in C102.<sup>5</sup> This follows the approach used in the ILO's World Social Protection Report 2020/22, with the necessary adaptations to Nepal's context. Table 1 provides a list of the programmes.

It is important to note that since data collection for the programmes was undertaken in FY 2020-21, it is possible that some of these programmes have been integrated with existing programmes, others whose objectives may have changes, or, those whose target population may have increased.

► **Table 1 List of social protection programmes identified for an in-depth review and brief description**

Programmes/Schemes	Type	Brief description
<b>Contribution-based social security programmes</b>		
1. Employees Provident Fund (EPF)	Income support	The Provident Fund is based on contributions equivalent to ten per cent of a worker's salary from both the employer and the employees, with mandatory participation for public sector employees only. Contributors can withdraw a lumpsum of the contributed amount plus interest upon retirement.
2. Social Security Fund (SSF)	Income support and health protection	Contributory social security schemes for private sector workers created by the Contribution-based Social Security Act, 2017.  The four schemes in implementation include : (i) Medical, Health, and Maternity Protection Scheme; (ii) Accidental and Disability Protection Scheme ; (iii) Dependent Family Protection Scheme (Survivors Pension) ; and (iv) Old Age Protection Scheme.
3. Public Sector Pension (includes Retirement and Other Benefits)	Income Support	Pension programmes for retired Government employees who completed minimum years of service including civil servants (20 years), police (16 years), army (16 years), armed police force (20 years) and Government teachers, university professors and some public enterprises.  The pension programme has become contributory for new employees joining the service after Shrawan 1, 2076 (July 17, 2019), where workers and the Government (as the employer entity) each contribute six per cent each of the worker's salary to a defined-benefit pension.
<b>Health protection</b>		
4. National Health Insurance under Health Insurance Board	Health protection	Health insurance for all Nepali citizens with entitlements up to 100 000 rupees/unit/year. The premiums of targeted populations are subsidized by the Federal Government. Targeted populations include the ultra poor, persons with disability, elderly, people with listed diseases, female community health volunteers (only 50 per cent).

<sup>5</sup> For more details see SDG indicator metadata for Indicator 1.3.1. Available at: <https://unstats.un.org/sdgs/metadata/>

**Social assistance (cash and in-kind)**

5. Social Security Allowance Programme.	Income support	Tax-funded cash transfer programmes that include five schemes: (i) Old Age Allowance; (ii) Single Women's Allowance; (iii) Disability Allowance for persons with full and severe disability; (iv) Endangered Ethnicity Allowance; and (v) Child Grant.
6. Scholarships (includes Higher Education Scholarships under the University Grant Commission and Higher Education Reform Project)	In-kind support	Targeted scholarships for students between grade 1 and 12.
7. Midday Meals	In-kind support	Provision of mid-day meals in schools to improve nutrition benefiting all children from early childhood development (ECD) – typically between the ages of 2 and 5, to grade 5 in all public schools. The Ministry of Education, Science and Technology (MoEST) delivers the school meals to 71 districts and the WFP covers the remaining six districts (McGovern-Dole Programme).
8. Food for Education (managed by the World Food Programme)	In-kind support	
9. Safe Motherhood Programmes	Income support and health protection	The aim of the programme is to reduce maternal and neonatal morbidity and mortality and improve maternal and neonatal health through preventive and promotive activities by addressing avoidable factors that cause death during pregnancy, childbirth, and the postpartum period. The programme includes: (i) cash transfers to mothers for the transportation costs for four antenatal visits, delivery at health facilities, and one postnatal visit; (ii) reimbursement to facilities for institutional delivery; (iv) blood transfusions; (v) emergency referrals, including air lifting; (vi) abortions; and (vii) free sick new-born care. The programme is part of the Basic Health Service package.
10. Prime Minister Employment Programme (PMEP)	Income support	Minimum Employment Guarantee Programme aiming to provide at least 100 days of employment or a subsistence allowance (50 per cent of total wage for unworked days) for those registered as unemployed.
11. Nutritional Supplements under the Integrated Child Health and Nutrition Programme	In-kind support and services	Provision of nutrition sensitive and nutrition specific interventions for women and children including: (i) iron tablets and calcium for pregnant women; (ii) regular growth monitoring, integrated management of acute malnutrition and food fortification; and (iii) vitamin supplements and deworming tablets for children under five years old. The programme is part of the Basic Health Service package.
12. People's Resident Programme	In-kind support and services	Subsidized housing for the marginalized, including low-cost housing for Dalit and Muslim households.
13. Poor Citizen's Medical Treatment	In-kind support and services	Medical expenses up to 100 000 rupees, for poor citizens, as recommended by the local-level committee or members of households identified as poor by the Poor Household Identification Board, for treatment of specified diseases (heart disease, kidney disease, cancer, Parkinson's disease, Alzheimer's, spinal and head injuries, and sickle cell anaemia). The fund reimburses the listed hospitals for specific treatments; the same amounts are deducted from the patient's bills.

<b>Labour market programmes</b>	Active labour market support	The fund provides collateral free loans up to 500 000 rupees for self-employment activities, which should be in commercial agriculture, agro-based industries, or service sector, available to all unemployed aged between 18 to 50 years.
14. Youth and Small Entrepreneur Self-employment Fund (YSEF)		
15. Enhanced Vocational Education and Training (EVENT) II	Active labour market support	The programme aims to expand the supply of skilled and employable labour by increasing access to quality training programmes, and by strengthening the technical and vocational education and training system in Nepal. It provides skills training and access to apprenticeships and job placement.
16. Enhanced Skills for Sustainable and Rewarding Employment (ENSSURE)	Active labour market support	Skills training for improved employability and increased standard of living through apprenticeship, on-the-job training, and further training opportunities.

Source: ILO, 2022.

The assessment included Retirement and Other Benefits under the overall Public Sector Pension, the Higher Education Scholarships under the University Grant Commission and the Higher Education Reform Project under the Scholarships, resulting in a total of 16 programmes reviewed (instead of the 18 initially reported).

Of the 16 programmes, administrative data was not available for the People’s Resident Programme, the Poor Citizen’s Medical Treatment, and ENSSURE. The data for the Nutrition Programme included the total number of hospital visits and potential overlaps across its various components (growth monitoring, vitamin supplements for children, and deworming tables for children) without clarity on the number of individual beneficiaries, leading to a substantial double-counting of beneficiaries within its own programme but also with other programmes such as the Safe Motherhood Programme. Based on this, a total of 12 social protection programmes were selected for the detailed assessment of coverage and protection gaps.

Since the report does not cover the entire range of social protection programmes being implemented in Nepal, the analysis on the population covered by at least one social protection benefit is likely to have been understated.

## 2.3 Defining and measuring coverage

The key objective of this report is to assess the coverage of social security programmes based on a life-cycle approach, to identify gaps and barriers to extending social protection to all, and to provide support to the Government of Nepal in achieving its targets set in the 15th Development Plan and under SDG 1.3.

The underlining definition for coverage relies on R202 that views social protection floors as nationally defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion and should comprise at least the following basic social security guarantees: (i) access to essential health care; (ii) basic income security for children; (iii) basic income security for persons in active age; and (iv) basic income security for older persons.

To anchor analysis on legislation and to reflect the diversity of social protection programmes in the country, the authors discuss coverage beyond SDG Indicator 1.3.1 measurement, and include in-kind benefits (for example, School Meals Programme) and some schemes that are not considered under SDG monitoring (for example, public employment programmes). This is especially important in the analysis of social protection for children, given the fact that the Government of Nepal implements a substantial number of interventions that consist of in-kind benefits.

To measure progress in the country towards extending coverage, the authors used minimum guarantees as defined in R202, the different categories of social protection defined in the SDG Indicator Metadata from SDG Indicator 1.3.1 and supplemented with nationally defined social protection programmes.<sup>6</sup> Progress

<sup>6</sup> The indicator reflects the proportion of persons effectively covered by social protection systems, where “effective coverage of social protection is measured by the number of people who are either actively contributing to a social insurance scheme or receiving benefits (contributory or non-contributory).”

was thus measured against the following categories: (i) proportion of population covered by at least one social protection benefit; (ii) proportion of children covered by social protection benefits; (iii) proportion of women giving birth covered by maternity benefits; (iv) proportion of persons with disabilities receiving benefits; (v) proportion of unemployed receiving benefits; (vi) proportion of the population with access to sickness and employment injury; (vii) proportion of older persons receiving a pension; (viii) proportion of vulnerable persons receiving benefits; (ix) proportion of population with access to health protection; and the proportion of the population covered by active labour market schemes. See Annex II on the method of computation of coverage rates.

For purposes of providing a regional and global comparison, the report also discusses progress on coverage against SDG Indicator 1.3.1, which is focused on income support. It is important to note that SDG 1.3.1 coverage indicator does not fully capture the national context.

The assessment of coverage of the existing programmes focuses on “effective coverage” unless stated otherwise and should not be understood as the assessment of the coverage of individual programmes vis-à-vis their objectives or legal coverage. The legal coverage of the schemes and the system as a whole are discussed explicitly when possible.

Finally, the elements to building a solid social protection floor that guarantees a basic level of social security entails progressively closing social protection gaps to ensure everyone is covered. However, sustainable financing, as well as adequacy of benefits, are equally integral to building strong social protection measures. The focus of this report lies predominantly in understanding the coverage gaps without attempting to provide analysis on the financing gaps, which will be studied in the subsequent assessments on costing and fiscal space analysis.

## 2.4 Assessing adequacy

While the objective of the paper is to report and analyse coverage and protection gaps against national standards and SDG 1.3, the study also provides an assessment on the adequacy of each of the programmes, where information is available. The authors relied on the Minimum Expenditure Basket (MEB) and the Multipurpose Cash Transfer Value Technical Note produced by the Cash Coordination Group (CCG), Nepal in 2020, to use as a measure to compare the value of transfers.

The MEB is defined as what a household requires in order to meet their essential needs, on a regular or seasonal basis, and its average cost (CCG 2020). The Nepal Living Standard Survey (NLSS) 2011 and the Annual Household Survey (AHS) 2016/17 was used to calculate the MEB using the consumption decile groups of people who can meet their essential needs. The bottom 20 per cent and top 50 per cent consumption decile group was excluded in the calculation.<sup>7</sup>

The total MEB per month for an individual was 3,450 rupees which accounts for all food (value of 2,250 rupees) and non-food items (value of 1,200 rupees). The Technical Note on MEB, compared the derived value against other measures such as the minimum wage, the national poverty line, and the cost of living, to ensure valuation of MEB was in line with the reality. See Table 2 for the comparison.

► **Table 2 Comparison of the MEB against other measures, rupees**

MEB	Minimum wage (15000 rupees*)	National poverty line in 2010 (Nepal, CBS 2020)	Cost of living
3450/person/month	3000/person/month**	1605/person/month	1361***/person/month
Remarks	* Composed of 9385 rupees in basic salary and 5615 rupees allowance. ** 15000 rupees to cover a family of five members, assumed to be divided equally between them. *** 6805 rupees/family/month for basic food basket (2100 kcal/person/day) and minimum hygiene items (as calculated by CCG).		

Source: CCG, Nepal, 2020.

<sup>7</sup> Shortened citation of the last work cited.

The MEB is higher than all three measures as it includes required inflation and other considerations. As noted by the CCG (2020) the MEB is not equivalent to a transfer value but a critical factor when designing programmes and determining transfer values. It assumes that since households have some level of their own resources for purposes of expenditure and consumption, transfer value by the CCG (2020) is thus calculated as:

**Transfer Value/Gap = MEB – Available Resources**

In 2017, the Government of Nepal set 70 rupees as the transfer value for food allowances which is widely accepted by agencies working in cash transfers. Considering the food allowance value and the current global crisis and its potential economic impacts, the Technical Note by the CCG (2020) assumed that 20 per cent of household expenditures can be covered by their own resources. Based on this assumption, the transfer value was estimated at 92 rupees/person/day (80 per cent of 115 rupees).

The authors used the MEB for measuring adequacy, and where relevant the minimum wage, the national poverty line, and the transfer value, to draw certain comparisons.

## 2.5 Limitations to the analysis of social protection expenditure

The estimates for social protection expenditure are based on economic classification and individual programmes defined as social protection but not included within the economic classification.<sup>8</sup> The assessment does not use the functional classification provided as it represents a small portion of the total estimated (World Bank 2021; Nepal, Ministry of Finance 2021).<sup>9</sup> Under the economic classification, the Government of Nepal has coded social security programmes under four categories: (i) employees social security expenditure; (ii) social security; (iii) social assistance (includes rehabilitation and relief and medicine procurement costs); and, (iv) expenses related to employees benefits (pension, retirement, and other benefits for civil and non-civil servants). Individual programmes not included within the economic classification include expenditures for health insurance, public works such as the Prime Minister's Employment Programme, the School Sector Development Programme, and the Active Labour Market Programme (ALMP) (EVENT, Youth and Small Entrepreneur Self Employment Programme, etc.).

Budget information for a few social protection programmes devolved to the local level was not available, hence, the reported expenditure does not fully capture the country's social protection expenditure. Finally, in deriving the total expenditure, the report includes recurring costs where available but not the capital expenditure.

<sup>8</sup> The total expenditure of social protection programs was 210 billion rupees in fiscal year 2020-21. Taking into consideration the economic classification alone, the estimated expenditure was approximately 192 billion rupees.

<sup>9</sup> As per Nepal, Ministry of Finance (2021), the functional classification reported expenditure of 159 billion rupees for social protection programs for FY 2020-21.

# 3. State of social protection in Nepal

The 15th National Development Plan (2019-2024) sets the goal “to make social security and protection sustainable, universal, and accessible, for the implementation of civil rights and to strengthen the trust of citizens towards the state.” The Plan sets ambitious targets to achieve its goals, including the target to cover 60 per cent of the population with basic social protection schemes and allocate 13.7 per cent of the national budget for social protection in FY 2023-24. **The total expenditure of social protection programmes in FY 2020-21 was approximately 210 billion rupees, equivalent to 4.9 per cent of the gross domestic product (GDP) and 16.6 per cent of total Government expenditure** (Nepal, Ministry of Finance, 2021). While the target on budget allocation has exceeded the planned allocation, progress in the extension of universal coverage remains limited.

The Covid-19 pandemic exposed the deep-seated vulnerabilities of millions of Nepalis and there is a need to strengthen social protection systems, to not only respond to shocks, but also to life cycle risks. This section provides a brief overview of the social protection systems from a life cycle perspective, organized around the social protection guarantees provided in ILO R202, around the sub-components of SDG Indicator 1.3.1, and programmes classified as social protection by the Government.

## 3.1 Major social security schemes in Nepal

As discussed in the previous section, a total of 12 social protection programmes were selected for the detailed assessment of the social protection measures in Nepal. Table 3 lists the major social security programmes identified in Nepal, the number of beneficiaries/contributors of each, and the expenditure in FY 2020-21, unless otherwise stated.

► **Table 3 Number of beneficiaries/contributors of social security schemes, by sex and expenditure, FY 2020-21 or latest available year**

	Programme/scheme	No. of beneficiaries/contributors FY 2020-21 <sup>10</sup>			Expenditure millions rupees <sup>11</sup>
		Total <sup>12</sup>	Male	Female	
1	Employees Provident Fund	571 000	453 760	117 240	-
2	Social Security Fund	277 443	197 305	80 138	196.8 <sup>13</sup>
3	Public Sector Pension	273 172	194 614	78 553	90 771.2
4	Social Security Allowance	3 483 227	1 419 165	2 064 062	74 903.4
5	PMEP	172 879	90 320	82 545	2 240.8
6	Safe Motherhood Programme	336 417 FY 2019-20	-	336 417	N/A <sup>14</sup>

<sup>10</sup> Unless otherwise stated.

<sup>11</sup> Nepal, Ministry of Finance, Red Book 2077-78, 2021 unless stated otherwise.

<sup>12</sup> The total includes numbers for categories referred to as “others” in the administrative data file for some programmes and thus, in some cases, does not total male and female beneficiaries/contributors.

<sup>13</sup> Administrative data and only includes expenditure on claims and benefits.

<sup>14</sup> The programme has been devolved to the local level.



7	Food for Education	156 410	73 670	82 740	6 541.0 <sup>15</sup>
8	Mid-day Meal	3 125 339 FY 2019-20	1 534 115	1 591 224	-
9	Scholarships	3 157 823 FY 2019-20			1 518.0 <sup>16</sup>
10	Health Insurance	4 516 694	2 175 498	2 340 629	5 018.0
11	EVENT	11 379	944	10 430	1 495.9
12	Youth and Small Entrepreneur Self Employment Programme	17 039 FY 2017-18	8 712	8 327	122.9

Source: Authors' calculation based on data provided by the Government of Nepal.

## 3.2 Effective social protection coverage

While the 15th Development Plan sets out the targets on coverage and expenditure for social security, it does not establish a national methodology for the calculation of coverage against the set target of 60 per cent by FY 2023-24. Given the limitation, the report relies on the measure of coverage aligned with R202 while adapting it to the national context.

Past trends in the coverage of beneficiaries across all programmes are not available for comparison on performance of social protection programmes over the years. However, the steady increase in the number of beneficiaries of the Social Security Allowance (SSA) Programme and health insurance under the Health Insurance Board (HIB) - two of the programmes with the highest number of beneficiaries over the years, can be taken as proxy of progressive extension of social protection to all. In FY 2019-20, the SSA covered approximately 2.7 million beneficiaries, with a 26 per cent increase in coverage to 3.5 million in FY 2020-21. Likewise, the number of people covered by the HIB increased from 2.7 million as of March 2020 to 4.5 million by the end of FY 2020-21.

Considering the national context approximately 32.9 per cent of the population is covered by at least one social security benefit, above half of the target set by Nepal in its 15<sup>th</sup> Development Plan (60 per cent by 2023/24) – but despite the progress about 20.1 million Nepalis remain without protection.<sup>17</sup>

When observing protection against different risks in the life cycle or for specific groups, coverage varies significantly. Most older persons (80.2 per cent) had access to social security benefits in the FY 2020-21. Similarly, social protection coverage of children is 65.7 per cent when accounting for in-kind support. Protection against work-related risks (for example, employment injury, unemployment, and lack of access to opportunity) is restricted to a small share of workers, health protection is still not available to many, and only 0.8 per cent of mothers with new-born have access to income protection.

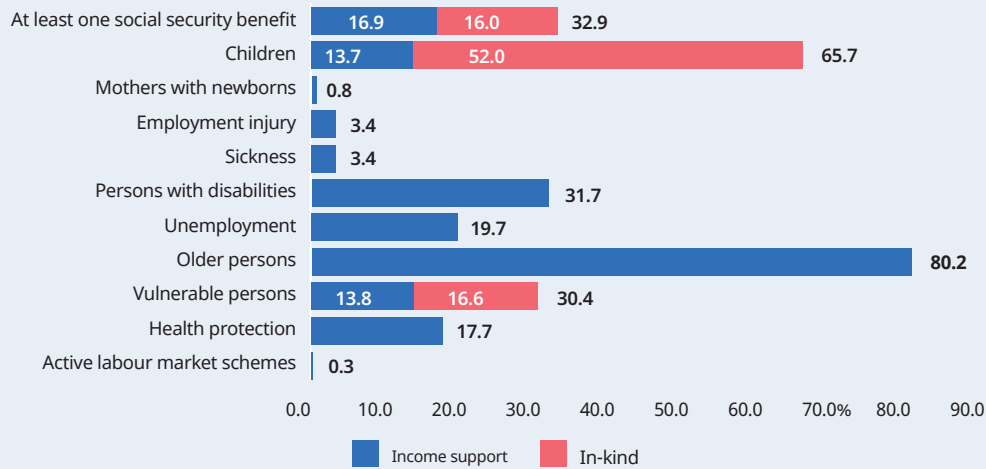
Figure 4 shows the state of social protection coverage in Nepal, by the different categories. Annex II includes the detailed methodology for the calculation of the coverage ratios.

<sup>15</sup> While budget details on the Food for Education was available on Redbook, the budget for the school meals managed by the programme has been taken from their annual plan that included a total allocation of 7.8 billion rupees. The authors calculated 6.2 billion rupees as the expenditure, given that the budget utilization of the programme in the past ten years has been above 80 per cent on average. The increase in the expenditure of the school meals programme from previous years has been due to the expansion of the programme to all public schools in the 77 districts.

<sup>16</sup> Scholarships are devolved and the total expenditure reported may not capture the full extent of the budget allocation for the programme.

<sup>17</sup> The international methodology for measuring progress towards SDG 1.3 includes calculating the proportion of the population covered by at least one social protection cash benefit. This methodology does not take into account the in-kind support, which constitutes a large component in the mix of social protection schemes in Nepal. In view of informing the progress vis-à-vis the 15th Development Plan and to better reflect the national choices for the sector, analysis of coverage presented in this report includes in-kind support programmes. At the same time, the authors have also presented analysis with the SDG indicator to capture the nuances of coverage when considering income and in-kind support vs. income support only. For more details, see the section “defining and measuring coverage.”

► **Figure 4 Effective social security coverage by population group, FY 2020-21 or latest available year, percentage**



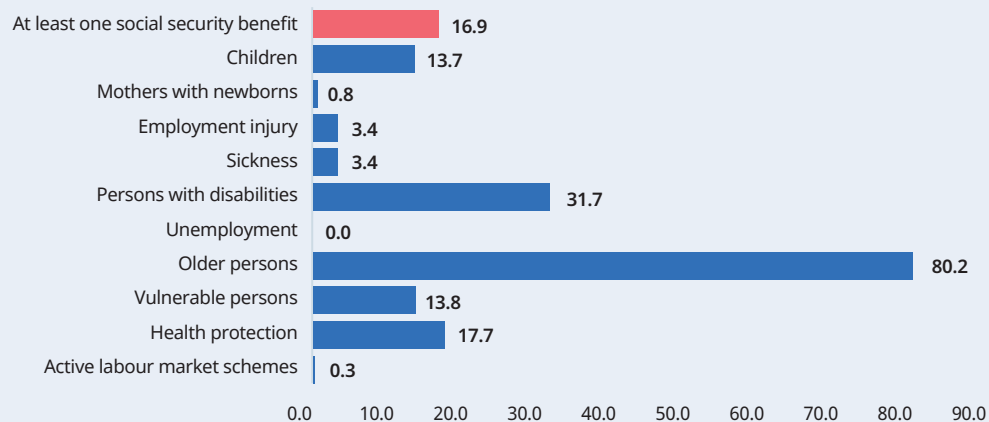
Source: Authors' calculation based on data provided by the Government of Nepal.

### 3.3 Coverage according to SDG 1.3

When the coverage of social protection programmes is measured solely according to SDG Indicator 1.3.1, Nepal's performance reduces significantly.<sup>18</sup> This is because SDG indicator 1.3.1 considers only the proportion of the population receiving regular cash benefits. This is a much more restrictive scope and excludes various programmes that are considered as social protection in Nepal, including removing all in-kind programmes from the measurement – impacting, especially, the coverage of children and vulnerable persons, thus, lowering the proportion of the entire population with access to social security benefits.

Considering solely the SDG Indicator 1.3.1 measurement, only 16.9 per cent of the population is covered by at least one social security benefit, with effective coverage for children reducing from 65.7 per cent to 13.7 per cent and for vulnerable persons, from 30.4 per cent to 13.8 per cent. Figure 5 presents the measurement of SDG Indicator 1.3.1 for Nepal.

► **Figure 5 SDG indicator 1.3.1: Effective social security coverage, by population group, FY 2020-21 or latest available year, percentage**



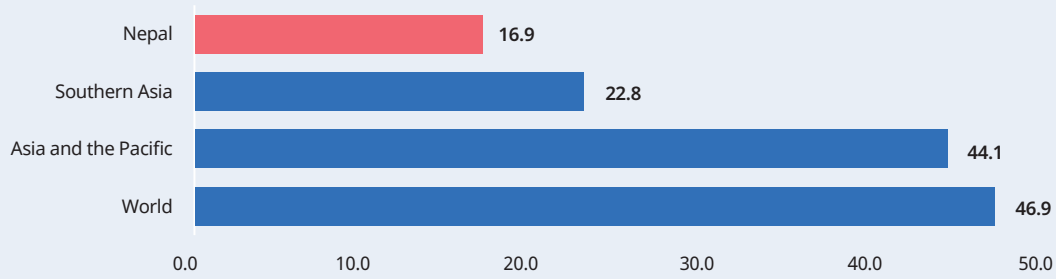
Source: Authors' calculation based on data provided by the Government of Nepal.

<sup>18</sup> See SDG Indicator 1.3.1: Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, new-borns, work-injury victims and the poor and the vulnerable; and the respective metadata.

The significant lowering of coverage is because in-kind support programmes that include the School Meals Programme and Scholarships under the Ministry of Education, Science, and Technology (MoEST) reaches a large proportion of the population in comparison to cash support schemes (the School Meals Programme is universal for public schools). In FY 2018-19, approximately 3.15 million children were benefiting from scholarships, and 3.28 million from the School Meals Programme (FY 2019-20), with assumed overlap across the two programmes.

Despite its narrow focus in comparison to the Nepali context, SDG Indicator 1.3.1 allows for the comparison of Nepal's social security coverage to neighbouring countries and beyond. See Figure 6 for regional and global comparisons. Nepal is slightly behind (16.9 per cent) compared to the average of the South Asian sub-region (22.8 per cent) and significantly lagging behind both the Asia-Pacific region (44.1 per cent) and the global average (46.9 per cent). The lower coverage is driven mainly by limited access to employment injury protection (a reflection of the small coverage of contributory schemes), low coverage of cash transfers for families with children, and the limited reach of the national health insurance scheme.

► **Figure 6 SDG indicator 1.3.1: Effective social security coverage, FY 2020-21 or latest available year, percentage**



Source: Authors' calculation based on data provided by the Government of Nepal. Regional and Global Data: ILO, 2021a.

### 3.4 Social protection for women and girls

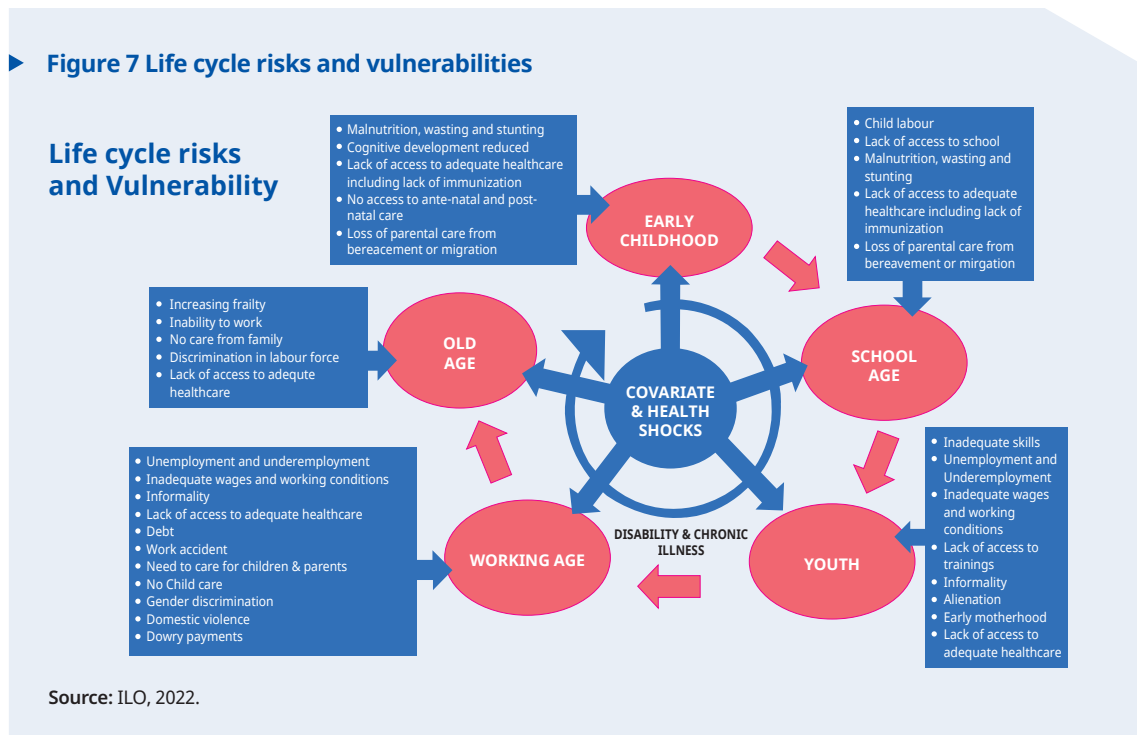
In understanding coverage from a gender perspective, 32.1 per cent of males and 33.7 per cent females have access to at least one social protection cash or in-kind benefit in Nepal.<sup>19</sup> Despite female targeted programmes, such as the single women allowances under the SSA and the Safe Motherhood Programme, which addresses gendered-risks, coverage of women is only 1.6 percentage points higher than coverage for men. This is because, among gender-neutral programmes, men have significantly higher coverage than women.

The more prominent inequalities are observed in access to support at working age, a reflection of the barriers women face in accessing decent jobs, that are associated with coverage by contributory schemes. Since women are disproportionately represented in informal employment (90.5 per cent of female in employment are in informal employment, compared to 81.1 per cent of men) extending contributory social security to those in the informal economy will help improve the protection of Nepali women (Nepal, CBS 2019).

<sup>19</sup> The percentage of female beneficiaries receiving one social protection benefit is underreported for the ages of 10-14 due to the fact that a significant number of beneficiaries for the Scholarship Programme are girls.

# 4. Social security for all throughout the life course

People are exposed to a wide and differing range of risks in each stage of their life cycle. Certain individuals and groups have a much higher exposure to risk than others because of socio-demographic characteristics, economic status, physical or mental condition, age, lifestyle and so forth (Garcia and Gruat 2003). The key identifiable periods in a person’s life course include the perinatal period, infancy, childhood, adolescence and youth, adulthood (working life), and older age, with each period associated with particular risks. See Figure 7 that details life cycle risks and vulnerabilities.



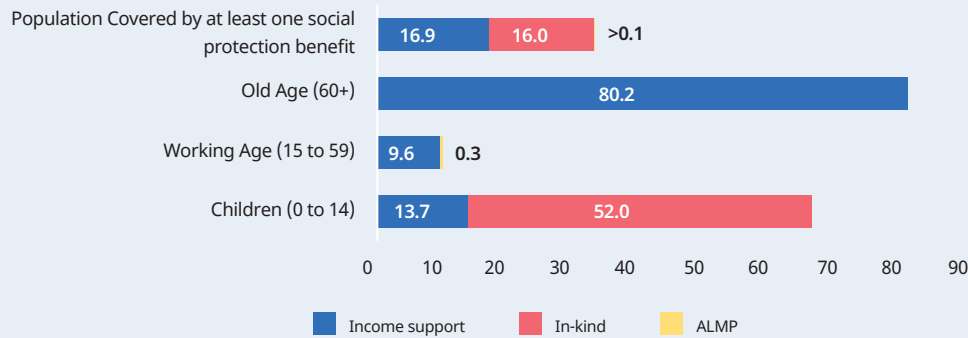
Individual risks aside, an individual, communities, and nations are also susceptible to aggregate shocks such as natural disasters, epidemics, environmental calamities, political crisis, and economic risks (Garcia and Gruat 2003). Within the context of Nepal, the country is highly vulnerable to natural disasters, and is ranked fourth and eleventh globally in terms of vulnerability to climate change and earthquakes, respectively (Nepal, n.d.). Social protection plays a key role in the management of risk, and can provide the security necessary to enable people to meet their needs and to live a decent life and to be more resilient to such shocks (Garcia and Gruat 2003).

There are inequalities in coverage across the life cycle in Nepal. Data shows better reach of programmes for older women and men, while significant gaps exist for women and men of working age. The coverage of programmes for children is more nuanced, with only a limited proportion of children having access to income support, while the majority benefits from in-kind schemes.

Figure 8 shows different levels of coverage, by income support, in-kind programmes and ALMP schemes,

for children, working adults, and older persons. The high coverage for older persons is mainly driven by the universal social pension under the SSA Programme that reaches approximately 1.8 million beneficiaries (of which 60.5 per cent are women). 65.7 per cent of the children have access to social protection, however, when taking into consideration only income support, this lowers to 13.7 per cent. The high rates of coverage for children aged 5 to 14 are mainly driven by in-kind programmes.<sup>20</sup>

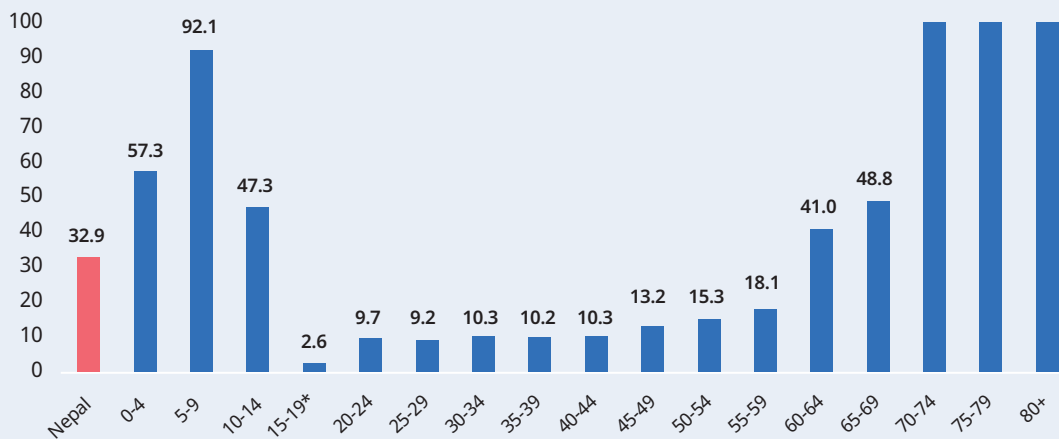
► **Figure 8 Effective social security coverage, by broad age groups and programme type, FY 2020-21 or latest available year, percentage**



Source: Authors' calculation based on data provided by the Government of Nepal.

Figure 9 further disaggregates effective coverage of social protection programmes, including in-kind benefits and ALMPs, by age group.

► **Figure 9 Effective social security coverage, including in kind benefits, by sex and age group, FY 2020-21 or latest available year, percentage**



Source: Authors' calculation based on data provided by the Government of Nepal.

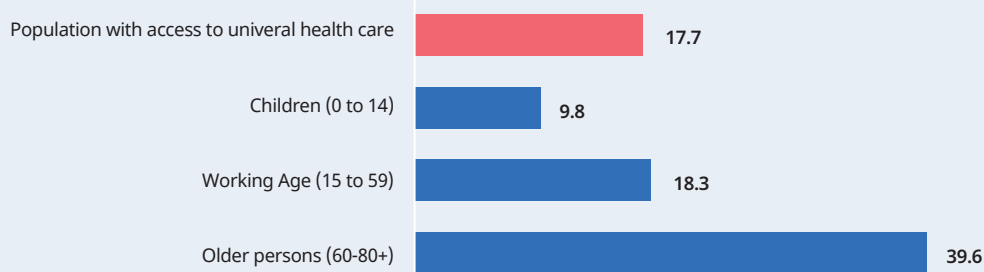
\* The authors excluded the scholarships and school meals from the 15-19 age group because these programmes are not relevant for the working age this group refers to in the analysis. However, the total coverage of 32.9 per cent includes coverage of School Meals and Scholarship Programmes for the 15-19 age group.

<sup>20</sup> Scholarships reach a large number of students and School Meal Programmes are universal in public schools in all 77 districts.

People of working age have the lowest coverage of 9.9 per cent, leaving approximately 16.9 million within the ages of 15-59 unprotected. As noted by Garcia and Gruat (2003, 41) *“At working age, social protection has multifaceted objectives including the promotion of decent work and employment, protection against the risk of not working, the advancement of a productive and healthy life expectancy and life-long learning, as well as preparing the foundation for an active life after the maximum working age is reached.”* Low investments in social protection in this phase of the life cycle can have far reaching consequences.

One of the cross-cutting areas and a major source of risk is health. Approximately 17.7 per cent of the population have access to health protection, with prevalence of access to health care being higher for older persons at 39.6 per cent. The lower coverage for children and working age adults is due to the fact that the schemes implemented under the SSF are recent, but also because the health insurance under the HIB currently only covers 4.5 million beneficiaries.

► **Figure 10 Effective coverage of social health protection, by population group, FY 2020-21 or latest available year, percentage**



Source: Authors' calculation based on data provided by the Government of Nepal.

In analysing coverage gaps against lifecycle risks, in general, most programmes cover some, or part, of the risks identified across the different life cycles. Child Grants under the SSA, the Safe Motherhood Programme, and health insurance under the HIB, address some of the risks around nutrition and access to ante-natal and post-natal care. In-kind transfers through School Meals and Scholarships Programmes address risks associated with access to school and malnutrition. Old age pensions under the SSA and the SSF assist senior citizens by ensuring a basic level of income. Similarly, the social security schemes under the SSF and the HIB address work-related risks (for example, employment injury, unemployment, and lack of access to opportunities) for the working age population. Disability Protection under the SSA and health protection under the HIB are also implemented by the Government.

Nonetheless, some risks are not yet addressed by the existing schemes, or the provisions available are not sufficient to protect adequately against more prevalent risks. For instance, child labour and marriage remain a reality for many children in Nepal, while young adults are often at risk of early pregnancy – issues worsened by gender inequalities and discrimination. There is scope to improve the effectiveness of existing programmes to better tackle such risks and challenges.

Notwithstanding the progress made, most Nepalis remain unprotected and often unprepared to cope with a range of systemic shocks and ordinary life cycle risks, aggravated by the current COVID-19 crisis. With the prevalence and frequency of climate related shocks in Nepal, the social protection system can be adapted and strengthened to be more shock-responsive – offering anticipatory responses and recovery support to affected populations through social security channels.

Furthermore, there are also additional barriers to inclusion in social protection schemes. According to civil society groups, a significant number of people in Nepal did not have citizenship certificates or other vital event documentation in 2021. Persons without citizenship certificates, are excluded from the civil registry and the national social security allowance mechanism, an increasingly vital channel for development cash assistance delivery to households. As such, they are still effectively 'left behind', falling outside both national

assistance and development programmes. Taking account of the hardships faced by women in securing proof of nationality, the absence of additional comprehensive national campaigns to issue citizenship certificates, and population growth, this number is projected to grow further in the future. Unfortunately, no official figure is available at the time of writing the report. This identity document requirement is a major barrier preventing inclusion in social protection schemes in Nepal for many who are often from particularly vulnerable groups.

The next four sections look at the status of social protection for children, people of working age, older women and men, and social health protection as well as the key areas of provision required to provide a social protection floor in Nepal across the life cycle.

# 5. Social protection for children and families

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Social protection measures play an important role in improving children’s development and well-being and are an essential mechanism for realizing children’s rights. Conversely, a lack of social protection in early life increases the chances of poor nutrition, low educational outcomes, unemployment and underemployment later in life, eventually poverty and deprivation, and ultimately transfer of the same deprivations to the next generation. With 40 per cent of the population under the age of 18 years (and 28 per cent under 15), social protection investments in children and adolescents are important in shaping national development.

## 5.1 Situation of children in Nepal

Nepal has made significant progress in lifting millions of people out of poverty. Between 2014 and 2019, Nepal reduced its multidimensional poverty index (MPI) from 30.1 per cent to 17.4 per cent (Nepal, NPC 2021). However, significant disparities between age groups continue to exist with children representing the poorest age sub-group. The MPI report estimates that in 2019, of the nearly five million persons that were multi-dimensionally poor, 2.2 million were children (44 per cent of the multi-dimensionally poor).

The deprivations in years of schooling and nutrition, have the largest contribution to overall multidimensional poverty (Nepal, NPC 2021). While the country has achieved a substantial decline in child undernutrition over the past two decades, progress still needs to be made. In 2019, the overall prevalence of stunting among children under five was 32 per cent and underweight was 24 per cent (UNICEF, n.d.). Furthermore, only 40 per cent children aged 6-23 months received diversified diets and 30 per cent of them received a minimum acceptable diet (UNICEF, n.d.).

Likewise, while Nepal has made impressive gains in improving access to basic education in the past decade, the country faces significant challenges from low and unequal learning outcomes.<sup>21</sup> A national assessment conducted between 2011 to 2018 showed poor learning outcomes, with millions completing primary education without acquiring basic competencies for further learning and that on average, around 4.8 years of schooling (41 per cent) is lost due to poor quality (UNDP 2020).

The prolonged pandemic is expected to reverse the progress made. According to the UNICEF’s Child and Family Tracker, between October and November 2021, 33 per cent of children (and rising) were at risk of poverty.<sup>22</sup> Based on a simulated analysis done on the impact of COVID-19 by UNICEF and Development Pathways, the pandemic had greater negative impacts at the lower end of the age distribution, in particular, among the under-10s with a disruption on wellbeing by a negative 5.8 per cent for this age group, followed closely by those within the 30-39 age group.<sup>23</sup>

The impact of the COVID-19 pandemic on children’s health, education and wellbeing were multifaceted, ranging from malnutrition, insufficient cognitive development to barriers in accessing schools and essential health services (lack of access to immunization, ante-natal and post-natal care). The pandemic also increased the prevalence of child labour with the percentage of working children increasing from two per cent to ten per cent, with many children working on daily wages in restaurants, agriculture, transportation, and construction, often in hazardous environments (UNICEF 2021).

<sup>21</sup> The net enrolment rate reached 95 per cent at the primary level and 54 per cent at the lower secondary level in 2017. Between 2013-14 and 2017-18, the overall rate of those with six-plus years of schooling increased from 66 to 78 per cent, for the youth (15 to 24 years), the literacy rate reached 88.6 per cent, while adult (15-plus years) literacy remained fairly stagnant at 58 per cent (UNDP 2020).

<sup>22</sup> The child and family tracker survey is a periodic, nationally- representative household survey tracking the socio-economic secondary impacts of COVID-19 on children and their families in Nepal.

<sup>23</sup> UNICEF, 2020. Understanding the Impact of COVID-19 on Household Welfare and Modelling Possible Social Protection Responses.



## 5.2 Overview of social protection programmes for children

Based on international standards, social protection interventions designed to benefit children include: (i) income security from birth to adulthood; (ii) benefit for caregivers (including maternity protection) for infants or children with disabilities or illness; (iii) access to healthcare and childcare during pre-school; (iv) benefit and in-kind transfers during school age (for example, school feeding, scholarships, etc.); and (v) benefits when families are in specific needs such as unemployment benefits (ILO 2021a).

The Government implements a combination of income support programmes (through cash transfers) and in-kind benefits for children and their families. These include:

### 5.2.1 Income support

- **Social Security Allowance (SSA):** Cash transfers to children through three different schemes:
  - o **Child Grant** for children between the ages of 0 to 5 (532 rupees/month) that covers Dalit children nationally and up to two children per mother in 25 districts;
  - o **Disability Allowance** for children with severe and full disabilities (between 2,128 rupees/month and 3,990 rupees/month depending on severity of disability); and,
  - o **Endangered Ethnicity Allowance** for children belonging to endangered/indigenous ethnicity (3,990 rupees/month).
- **Survivor's Pension:** Implemented under the Social Security Fund, the protection ensures entitlement to an education allowance for children of workers in the event of his/her death.<sup>24</sup> Currently, the coverage is negligible due to the recent implementation of the scheme, thus, not included in the analysis of coverage.

### 5.2.2 In-kind support

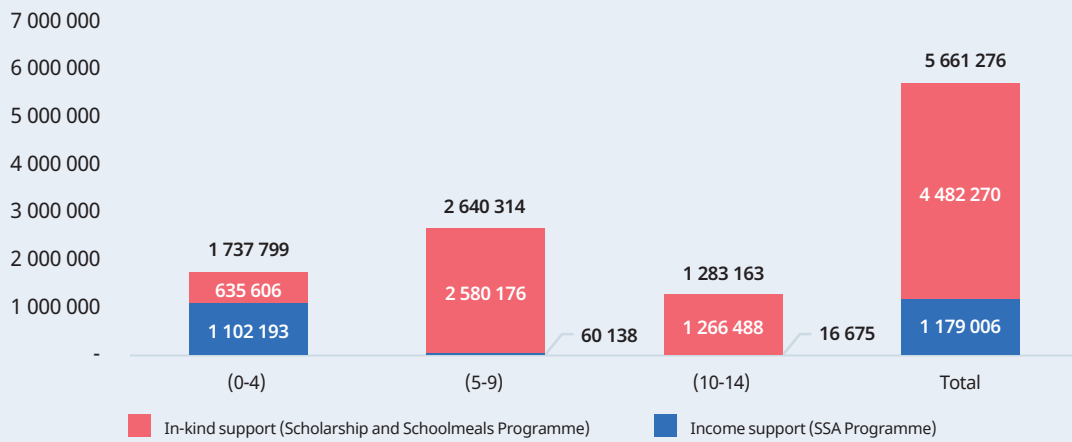
- **School Meals Programme:** Provision of one mid-day meal in schools to improve nutrition among school going children in ECD to grade 5 in all public schools. In FY 2020-21 the programme was implemented by the Government in 71 districts and by the WFP in six districts.
- **Scholarships:** Schemes for scholarships target Dalits, girls, children with disabilities, conflict affected, martyr's children, endangered and marginalized ethnicities, freed *Kamalari*, and the poor targeted scholarships ranging from grades 1 to 12 (World Bank 2021). The benefit levels of scholarships vary widely across the schemes ranging from 33 rupees/month for Dalits and girls (estimated to constitute 80 per cent of all scholarship beneficiaries) to 2,000 rupees/month (with higher benefits reaching a small fraction of the total beneficiaries) (World Bank 2021).

Figure 11 provides a comparative chart of the total number of beneficiaries across the income and in-kind support programmes for children.<sup>25</sup>

<sup>24</sup> Children of the deceased contributor who have not completed 18 years of age will be entitled to a monthly education allowance of up to 40 per cent of the last basic remuneration. If there is more than one child, then a maximum of two children are entitled to 40 per cent of the basic salary, divided among them.

<sup>25</sup> A significant overlap between the beneficiaries of the School Meal Programme and scholarships is assumed as their target groups are very similar. The assessment has reported the highest number of beneficiaries in the two programmes by age group.

► **Figure 11 Total number of beneficiaries across social protection programmes for children, FY 2020-21 or latest available year**



Source: Nepal: Authors' calculation based on data provided by the Government of Nepal.

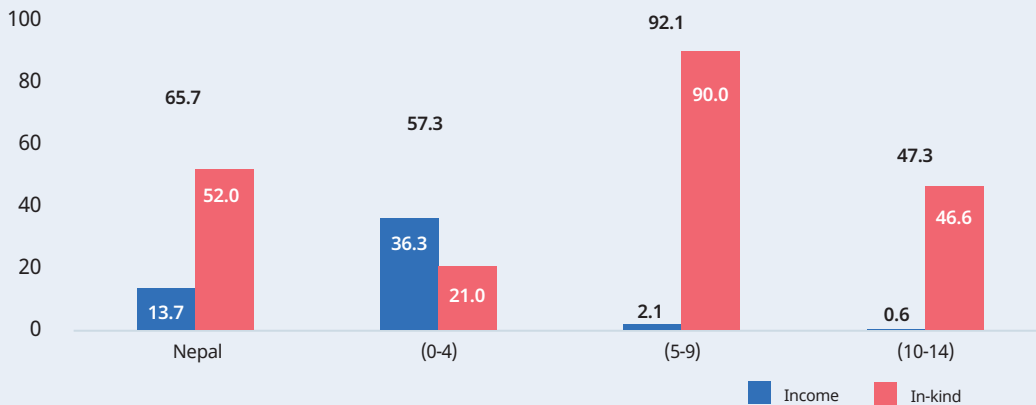
## 5.3 Coverage

### 5.3.1 Effective coverage

**Approximately 65.7 per cent of children between the ages of 0-14 are covered by at least one social protection benefit.** Most of the coverage is driven by in-kind support, particularly the School Meals and Scholarship Programmes, with the income support being solely provided by the SSA, mainly the Child Grant.

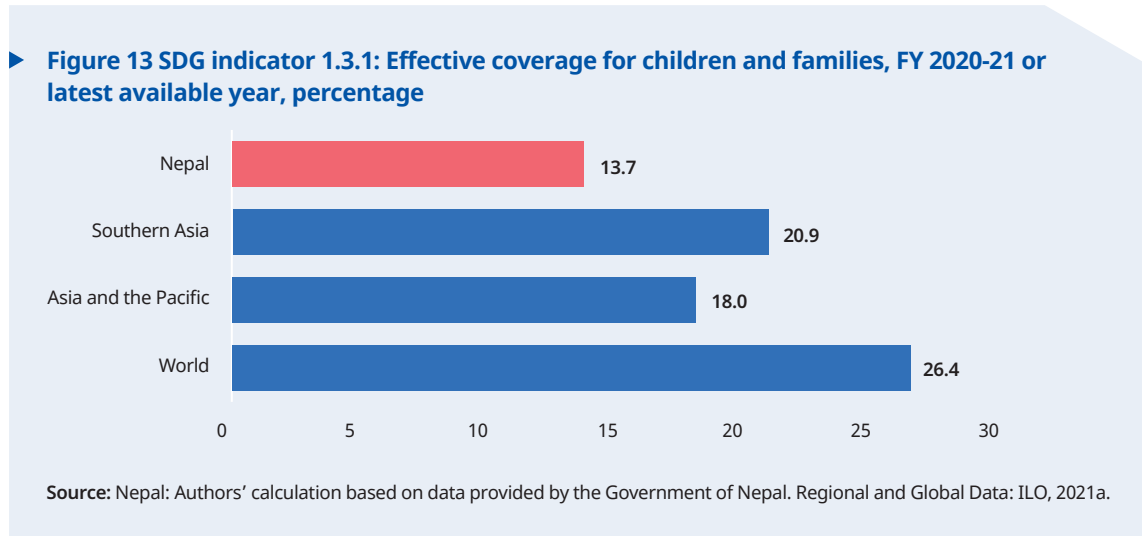
The relatively high coverage of children below 15 years old hides the differences between the different stages of childhood. Figure 12 shows disparities in coverage between children in the different age groups when measuring effective coverage that includes income and in-kind support. Almost all children between the ages of 5-9 have access to at least one benefit (92.1 per cent), while less than half of pre-teens (aged 10 to 14) benefit from social protection. Observing the composition of such coverage, it is notable that in the early years, children enjoy mainly income support from social protection, and for the majority, that shifts into in-kind support during the school years.

► **Figure 12 Effective coverage for children and families, by age group and type of support, FY 2020-21 or latest available year, percentage**

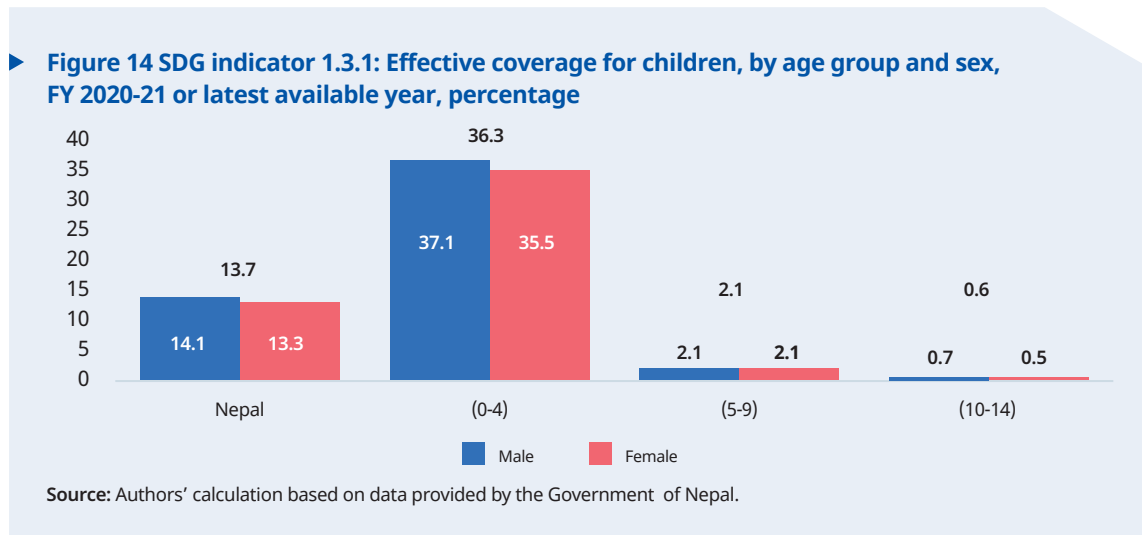


Source: Authors' calculation based on data provided by the Government of Nepal.

However, when observing effective coverage as per SDG indicator 1.3.1, only 13.7 per cent of children had access to social protection. Comparing Nepal’s coverage to regional and global averages as per the SDG indicator, the country is lagging behind.



Similarly, income support coverage across the three age groups drops significantly when measuring effective coverage as per SDG Indicator 1.3.1. Children between the ages of 0-4 enjoy the highest coverage (36.3 per cent) by far, in comparison to the other two groups, which protects only 2.1 and 0.6 per cent of children aged 5 to 9 and 10 to 14, respectively. The relative higher coverage of the 0-4 population is due to the Child Grant under the SSA, in addition to the Endangered Ethnicity Allowance and the Disability Allowance (both of which cover a small percentage of the total population between the ages of 0-14). The Child Grant alone covers approximately 1.15 million beneficiaries.



The lower reach of income support programmes to children is reflective of the fact that Nepal is still in the process of implementing universal child benefits. The Endangered Ethnicities and Disability Allowance under the SSA are categorical and targets specific groups within the population.

The coverage of the Child Grant reaches up to two children per mother in 25 districts, but in the remaining districts targets only Dalit children (although the Government is implementing a phased approach to universalize the Child Grant nationally).

Nonetheless, it is important to note that even when the Child Grant reaches up to two children per mother up until there are five years, currently there are no broad schemes offering cash support to families with children aged 5 to 14, which in turn do not protect them against the risks associated with this age group, such as child labour or child marriage. Improved coverage of cash support for families with children at these ages could help reduce child labour and prevent early marriages, while also supporting to keep them at school.

### 5.3.2 Social protection for girls

There is no large difference in coverage across genders, with girls having a slightly better coverage than boys. Approximately 67.8 per cent of girls between 0-14 had access to at least one social protection benefit, in comparison to 63.8 per cent of boys.

However, the coverage for girls is underestimated for the 5-14 age group, given that one of the focus categories for scholarships are for girls from grade one onwards, where beneficiaries from the scholarships were mainly reported without gender disaggregation.

### 5.3.3 Legal coverage vis-à-vis effective coverage

Other than the School Meals Programme that has universal coverage for students between ECD and grade five in all public schools, all programmes are categorical in nature. Determining legal coverage for all the schemes is difficult due to the lack of total population data for the specific targeted populations.

Legal provisions around the Child Grant under the SSA does not specify universal coverage for all children, although the Government of Nepal is implementing a phased approach to reach universal coverage. Currently the grant covers up to two children per mother under the age of five in 25 districts and Dalit children nationally. Similarly, the Disability Allowance for full and severe disability targets only two of the four categories of disability identified under the Disability Act, 2017 and a lack of data on the total population of persons with full and severe disabilities makes it difficult to determine legal coverage of the scheme. While legal coverage is difficult to derive, a 2019 coverage study done by Oxford Policy Management (OPM), showed a high exclusion error for the Child Grant and the Disability Allowance, which covered only 51 per cent and 43 per cent of the intended population, respectively (Bhandary et al. 2020). Likewise, the Endangered Ethnicity Allowance targets ten ethnicities, whose total population data is not available. Scholarships are also targeted to marginalized groups of students from grade one to grade twelve.

Legal provisions, especially for cash-based programmes, should aim at universal coverage. Targeting in social protection programmes is often used to address issues around fiscal resource constraints. But within the context of Nepal, targeting is not effective due to: (i) high rates of poverty and near-poor households, especially those with young children; (ii) the dynamic nature of poverty and the need for regular data; and (iii) a low level of administrative capacity, especially in local Government (UNICEF 2016). Furthermore, international experiences have shown that targeted social protection programmes often do not reach their intended beneficiaries (and have high exclusion as opposed to inclusion errors), increase administrative costs, and are not understood nor well seen by communities (Kidd and Athias 2020).<sup>26</sup>

## 5.4 Adequacy of benefits

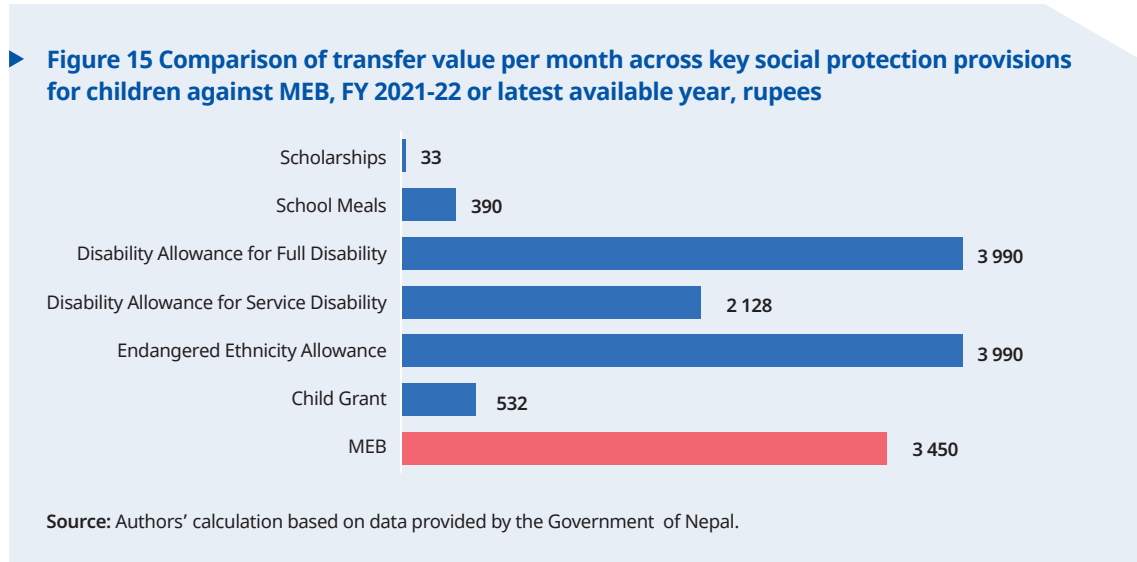
A minimum level of income security should allow for life in dignity and should be sufficient to provide effective access to a set of basic goods and services at a minimum (ILO 2021a). While ILO R202 allows for provisions to be nationally defined, benefits should be set at levels that relate directly to the actual cost of

<sup>26</sup> As reported by Kidd and Athias (2020, ii), "When tested against their effectiveness in reaching their intended recipients, the errors were high across all programmes and registries errors. Brazil's Bolsa Familia Scheme – which uses a simple means-test – was the most effective, yet still excluded 44 per cent of its intended recipients (Kidd and Athias 2020).

"Poverty-targeted schemes were also not particularly effective in reaching the poorest 20 per cent of their intended category. Only one programme – the Philippines' Pantawid Programme – reached over half of the poorest 20 per cent of its intended category (households with children). Poverty-targeted programmes were consistently found to be excluding over half of the poorest quintile of their intended category."

providing for a child, should represent a substantial contribution to that cost, and should be sufficient to prevent child poverty. While the MEB is not equivalent to a transfer value, i.e., value of assistance given, it is an indicative measure of what a household requires to meet their essential needs.

The transfer values of existing programmes for children vary widely across the different programmes. Figure 15 provides a comparison of the transfer values of the six programmes against the MEB (3,450 rupees/person/month) (CCG 2020).



The authors relied on the World Bank (2020) report for the computation of benefit levels for Scholarship and Midday Meals. As noted in the report, the benefit levels of Scholarships vary widely across the schemes ranging from 33 rupees/month for Dalits and girls (estimated to constitute 80 per cent of all scholarship beneficiaries) to 2,000 rupees/month (with higher benefits reaching a small fraction of the total beneficiaries). Due to a lack of administrative data on the various categories of scholarship and beneficiaries, the analysis focuses on scholarships for Dalits and girls that are estimated to reach over two million of the total 3.2 million beneficiaries (World Bank 2021). However, it would be important to note that the measure on adequacy for scholarships focuses on two categories only and is likely to underreport adequacy for other categories with higher scholarship value.

The Midday Meals cost an average of 15 rupees/meal/day, provided each day throughout the school year. In a given month, with an average of 26 school days, the value of transfer was computed at 390 rupees/month. The monthly transfer values of the Child Grant, Endangered Ethnicity Allowance, and the Disability Allowance for severe and full disability are 532 rupees, 3,990 rupees, 2,128 rupees, and 3,990 rupees, respectively.

The amount of transfer values of all programmes, except the full Disability Allowance and the Endangered Ethnicity Allowance is low in comparison to household needs. Of equal importance, is that the value of the MEB does not take into consideration the special allowance needs for persons with disability. Thus, while the benefit amount may be comparable to measures of expenditure and consumption, it may not reflect the reality of the special needs.

Adequacy of benefits for the Child Grant, the Scholarships, and School Meals is very low. For example, the monthly benefit of the Child Grant is equivalent to only 4.6 days of a child's minimal consumption needs. The food value for the MEB is equivalent to 2,250 rupees/month. The value of School Meals is one sixth of the monthly cost for food requirement per person. The transfer value of the scholarships is the lowest and stands at 33 rupees/month.<sup>27</sup> The adequacy of benefits is low even when comparing the transfer value

<sup>27</sup> It would be important to note that the measure on adequacy for scholarships focuses on two categories only and is likely to underreport adequacy for other categories with higher scholarship value.

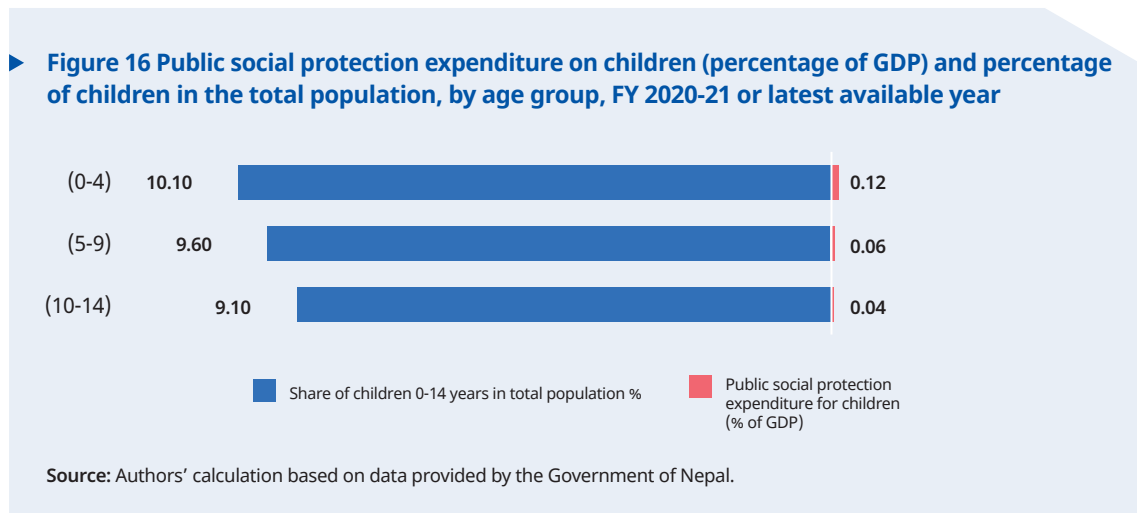
to the 2010 poverty line of 1,605 rupees/month (19,262 rupees in a year) that is not adjusted to inflation.

The limited adequacy of the benefits undermines the potential impact these programmes could have in improving the lives of Nepali children. The function of the three schemes with the highest coverage is not to act as income replacement mechanisms, but to provide support to families so that they can invest more in their children or directly support access to school and nutrition. The benefits provided may not be sufficient to ensure minimum levels of wellbeing for children, nor to achieve the central objectives of these programmes. The Government of Nepal should increase the transfer levels of the Child Grant under the SSA schemes and investments in school meals so that the high coverage levels of these programmes fully translate to not only improved child wellbeing and but also in supporting them to reach their full potential in life.

## 5.5 Expenditure

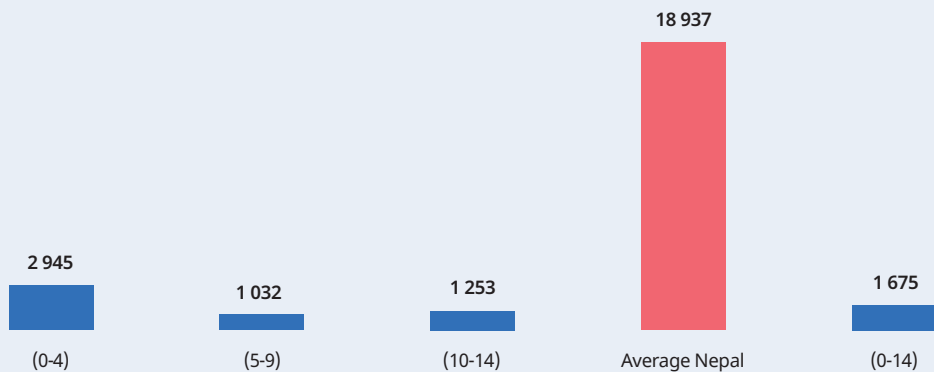
Ensuring adequate social protection programmes requires sufficient resources to be allocated for children and families. Social protection (for income and in-kind programmes) expenditure for children was 9.4 billion rupees in FY 2020-21, which is equivalent to only 0.22 per cent of GDP. The average expenditure level is particularly striking given children aged 0-14 constituted 28.7 per cent of the total population in Nepal in the same year.

Breaking down the composition of the population by age further, those between the ages of 5-14 have the lowest level of investment as the cash grant (for those under the age of 5) does not reach this group.



The average annual investments in children, per beneficiary, was approximately 1,675 rupees in FY 2020-21 with some variation across the three age groups. Children in their early years (0 to 4) have the highest average investment of the age group, a reflection of the Child Grant cash transfers, while the group aged five to nine years received the lower investment level, as only the School Meals Programme has significant coverage in this group. In all cases, the per capita social protection expenditure in children is more than six times lower than the national average – highlighting the issues of underinvestment in this age group.

► **Figure 17 Average annual expenditure per child beneficiary, by age group, FY 2020-21 or latest available year, rupees**



Source: Authors' calculation based on data provided by the Government of Nepal.

When compared to indicators such as the annual MEB per capita of 41,975 rupees, or the national poverty line of 19,262 rupees in 2010, it is clear that social protection investments in children are insufficient and are likely not producing the impacts they could if investments were higher.

Adequate investments in social protection for children is critical. This investment in early life increases the chances of good nutrition and high educational outcomes and prepares children to undertake productive labour activity once they reach working age, ensuring employment and eventually a more secure life. Adequate social protection for children will help them to grow up healthy, well nourished, and develop physically and cognitively to fully enjoy the benefits of education (Garcia and Gruat 2003). Many of the issues and challenges that social protection programmes address at a later stage of men and women's life-course have their roots in childhood developments (Garcia and Gruat 2003). Social protection investments in children produce the highest rates of return on investment among all age groups (Heckman 2015).

## 5.6 Policy priorities and recommendations for building social protection systems for children

- Social protection for children should be sensitive to the child's developmental life course, the family context (family size and children's ages), and the personal attributes of the child (taking into account factors such as migrant status, disability and gender).
- ILO Recommendation No. 202 offers a broad range of policy instruments to achieve income security for children. This goal can best be attained via an integrated systems approach, and adequacy can best be achieved through a complementary portfolio of child policies, comprising both cash benefits and services (ILO 2021a, 97).
- The overall coverage of children by social protection programmes is relatively high. However, income support remains very limited – increasing coverage of income support programmes for children is essential for Nepal to achieve SDG 1.3.
- Income support is limited and mostly concentrated for children aged 0 to 4. Extending income protection to older children can support the improvement of education outcomes, as well as protect children from child labour and early marriage.
- It is important to note that the programmes that provide protection to a large proportion of their target group are universal. For instance, the Universal Old Age Allowance under the SSA is responsible for more than 85 per cent of the population covered under this age group. While the country has adopted phased universalization of the Child Grant Scheme under the SSA, currently

only 25 of the 77 districts are implementing the universal Child Grant, and it is important to prioritize accelerating the expansion of the schemes.

- While the extension of the Child Grant is aimed at universal coverage, it is essential that this goal is translated into law, whereby the universal nature of the scheme is specified – thus creating a clear instrument to guarantee the constitutional right to social security.
- Furthermore, there is also a need to increase benefit levels of social protection programmes for children. While the Child Grant covers approximately 36.3 per cent of children aged between 0 and 4 years, the monthly benefit of the scheme is equivalent to only 4.6 days of a child's minimal consumption needs.
- Increasing the investment in social protection for children will yield short- and long-term gains in terms of development and poverty reduction for Nepal. Considering the relatively high levels of child poverty and the high returns on investment for children, increasing investment in children should be a key priority in the country's development agenda.





# 6. Social protection for women and men of working age

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Social protection mechanisms are central to ensuring income security for women and men of working age, in coping with life contingencies as well as when earnings are insufficient (ILO 2021a). The COVID-19 pandemic transformed the world of work, heavily impacting the well-being of workers and their families, exposing a number of sectors to the crisis and aggravating the existing inequalities in the labour market (ILO 2021b). As reported by the ILO (2020), nearly 3.7 million workers were estimated to work in the sectors deemed most at risk to experience disruption, with 1.6 and 2.0 million jobs estimated to have been likely disrupted.

The crisis exposed the vulnerabilities of the portion of the population that were neither contributing to social insurance schemes nor were benefiting from non-contributory options. While the impact on the labour market was specific to the pandemic, any covariate shocks, further compounded by experiences of ordinary lifecycle risks and vulnerability such as unemployment and underemployment, inadequate wages, work accident, lack of care services, gender discrimination, and so forth, is likely to have a similar impact.

## 6.1 Situation of people in working age

The 2017/18 Nepal Labour Force Survey (NLFS) estimated a working age population (WAP) of 20.7 million, of which eight million were in the labour force.<sup>28,29</sup> Those between the ages of 15 and 34 years make up more than 40 per cent of the WAP indicating dominance of a young population and a “demographic window of opportunity” for the country. However, there are significant challenges in realizing the demographic dividend.

The country is characterized by a high degree of informality and gender inequality in the labour market. The informal sector accounts for 62.2 per cent of total employment but 84.6 per cent of workers in Nepal are in informal employment (Nepal, CBS 2019).<sup>30</sup> Likewise, gender inequality of the labour market is high; for every 100 males in the WAP, there were 125 females, but, when it came to employment, for every 100 employed males only 59 employed were females.<sup>31</sup>

There are other categories of vulnerable groups given their insufficient employment protection, irregularity of income, and limited access to social protection. These include workers in the own-use production work, home-based workers, and those in non-standard forms of employment, which is characterised as a work of a casual, seasonal or temporary nature in Nepal. According to the Nepal, CBS (2019), there are an additional 11.4 million own-use production workers not accounted for in the employment figures above. Persons in own-use production work are often times unpaid and are disproportionately women – 65.7

<sup>28</sup> The estimated size of the working age population is higher than those between the ages of 15 to 59 (the population of interest for this analysis). Conversely, those between the ages of 15 to 59 (the population of interest for this analysis) represent approximately 62 per cent of the total population in Nepal.

<sup>29</sup> This figure does not take into account own-use production work that is defined as all those of working age who are involved in any activity to produce goods or provide services for own final use.

<sup>30</sup> As reported in Nepal, CBS (2019, 28), the informal sector comprises those employed in enterprises that are neither incorporated nor registered with authorities. This is different than informal employment whose focus is to identify “persons who work in precarious employment situations, irrespective of the sector into which the entity for which they work falls.”

<sup>31</sup> Shortened citation of the last work cited.

per cent of the female population are involved in these activities. There is a significant overlap of informal jobs with the non-standard forms of employment, resulting in general unreliable income-generating activities (ILO 2021b). Home-based workers are another particularly vulnerable group, which account for approximately 1.4 million workers in Nepal, mainly women.

## 6.2 Overview of social protection programmes for persons of working age

The Government of Nepal implements a combination of different type of schemes under the contributory and non-contributory schemes, complementing social security provision with active labour market programmes, including vocational training and other measures. These include:

### 6.2.1 Income support (non-contributory)

- **Social Security Allowance (SSA):** Provides cash transfers under two different schemes:
  - o **Disability Allowance** for those with severe and full disabilities (between 2128 rupees/month and 3990 rupees/month depending on severity of disability);
  - o **Endangered Ethnicity Allowance** for those belonging to endangered/indigenous ethnicity (3,990 rupees/month).
  - o **Widows Allowance** provides cash transfer to widows under the age of 59 (2,660 rupees)
- **Prime Minister Employment Programme (PMEP):** Provides a minimum employment guarantee programme aiming to provide at least 100 days of employment or a subsistence allowance (50 per cent of total wage for unworked days) to the registered unemployed, should the guaranteed number of days not be met; and,
- **Safe Motherhood Programme:** Provides cash incentives in the form of transportation subsidies for four antenatal care visits, to deliver at health facilities, and one postnatal visit (transportation cost ranging from 1,000 rupees for Terai, 2,000 rupees for Hills, and 3,000 rupees for Mountains).

### 6.2.2 Income support (contributory)

- **Social Security Schemes:** Social insurance schemes (under the SSF) that offer short-term protection for work-related risks for a total contribution rate of 2.67 per cent from workers and employers, from a total of 31 per cent contribution for all SSF schemes.
  - o **Medical Care, Health, and Maternity Protection** includes two key provisions:
    - Medical care that includes medical treatment of up to 100,000 rupees paid and up to 25,000 rupees for prescription medication in a year with a 20 per cent co-payment. The benefit also includes 12 days sick leave annually.
    - Maternity protection includes one-month basic remuneration on birth, per child; and, one-month basic remuneration in the event of miscarriage after 24 weeks or if still borne. The Medical Care, Health and Maternity Protection Scheme' constitutes one per cent of the total contribution rate.
  - o **Accident and Disability Protection** includes full treatment cost of work injury and/ or occupational disease, a benefit of 60 per cent of basic salary until return to work in the case of temporary full disability and a lifetime monthly income of 60 per cent of basic salary in the case of full permanent disability (benefit reduced as appropriate for partial disability). The 'Accident and Disability Protection Scheme' constitutes 1.4 per cent of the total contribution rate.
  - o **Survivor's Pension** includes a lifetime monthly pension of 60 per cent of a basic salary for spouse and parents in the event of a death of the contributor. 'Survivor's Pension' constitutes 0.27 per cent of the total contribution rate.

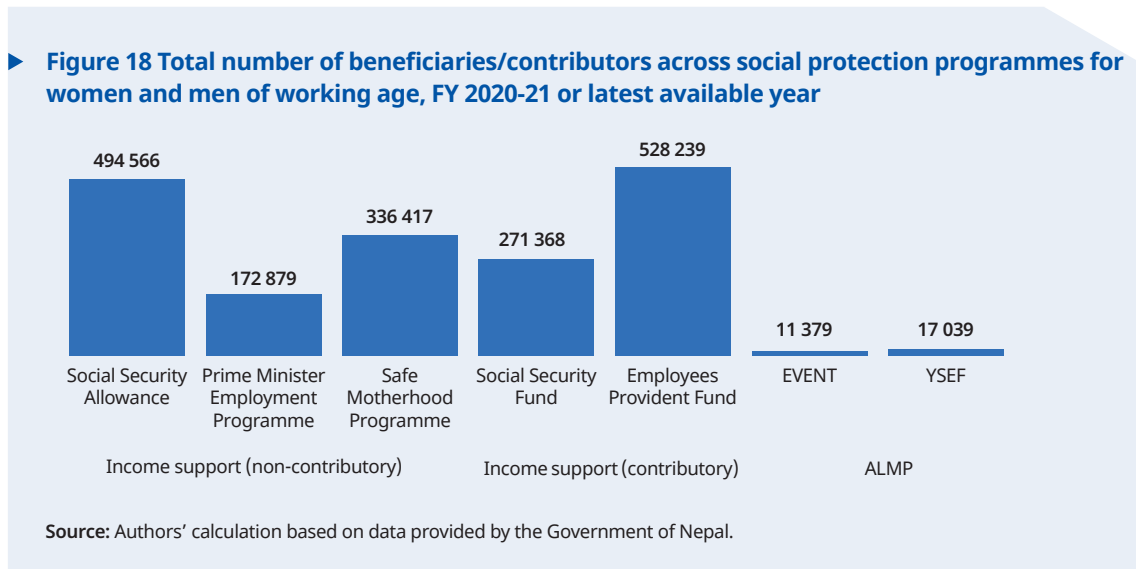
- **Provident Fund** entails a lumpsum payment of a worker’s deposited amount, when retiring or when leaving employment for any reason, under the Employees Provident Fund (EPF). The EPF collects contributions equivalent to ten per cent of a worker’s salary from both the employer and the employees, with participation mandatory for public sector employees but voluntary for private sector. Only those employers in the private sector with 10 employees and over are eligible for enrolment with the EPF.

### 6.2.3 Active labour market programmes (ALMP)

- **Enhanced Vocational Education and Training (EVENT):** Provides skills training and access to apprenticeships and job placement; and,
- **Youth and Small Entrepreneur Self-employment Fund (YSEF):** Provides collateral free loans up to 500,000 rupees for self-employment activities in either commercial agriculture, agro-based industries, or the service sector, to all unemployed people aged between 18 to 50 years.<sup>32</sup>

Figure 18 provides an overview of the total number of beneficiaries/contributors for each program across the four categories discussed above. The EPF has the highest reach in terms of contributors, followed by beneficiaries of the SSA Programme.<sup>33</sup>

It is important to note that two in-kind support programmes also cover persons aged 15 to 17, through the Scholarships and School Meals Programmes. These represent a very small proportion within the 15-19 age bracket, as these programmes mainly target children between 0 and 14 years of age, therefore are excluded from this analysis.



## 6.3 Coverage

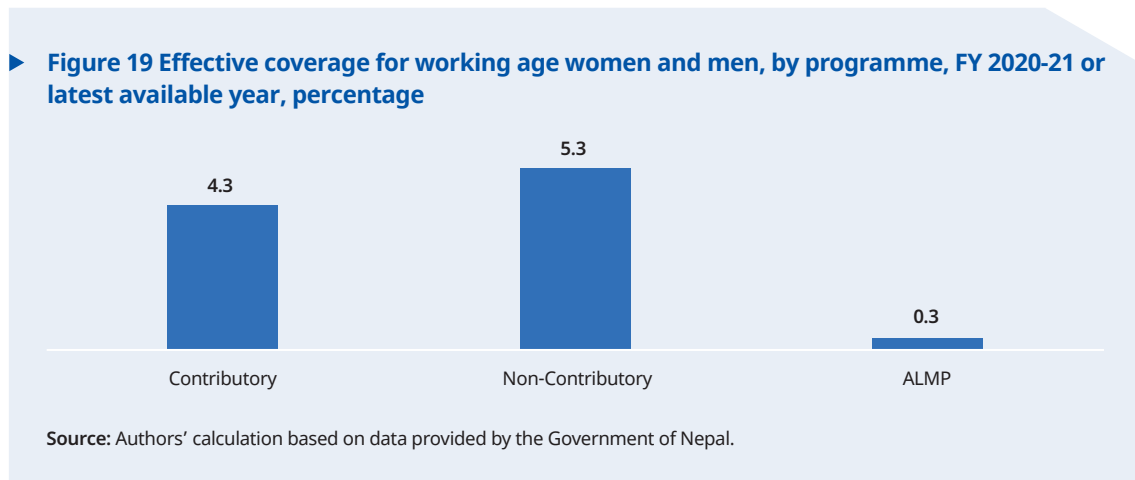
### 6.3.1 Effective coverage

While there are a larger number of programmes implemented across the 15-59 age group in comparison to those between (0-14) and (60+), access to social security for people of working age is the least prevalent form of social protection in Nepal. **Only 9.9 per cent (or 1.8 million) of the total population between**

<sup>32</sup> Administrative data for the Enhanced Skills for Sustainable and Rewarding Employment (ENSSURE) Programme that provides skills training for improved employability, and increased standards of living through apprenticeships and short training.

<sup>33</sup> Given the assumption of significant overlap between the School Meal Programme and Scholarships, the assessment has reported the highest number of beneficiaries from the two programmes.

**15-59 years have access to either income support, in-kind benefits, or ALMPs, leaving approximately 16.9 million people unprotected.** Figure 19 shows coverage for the different types of programmes.



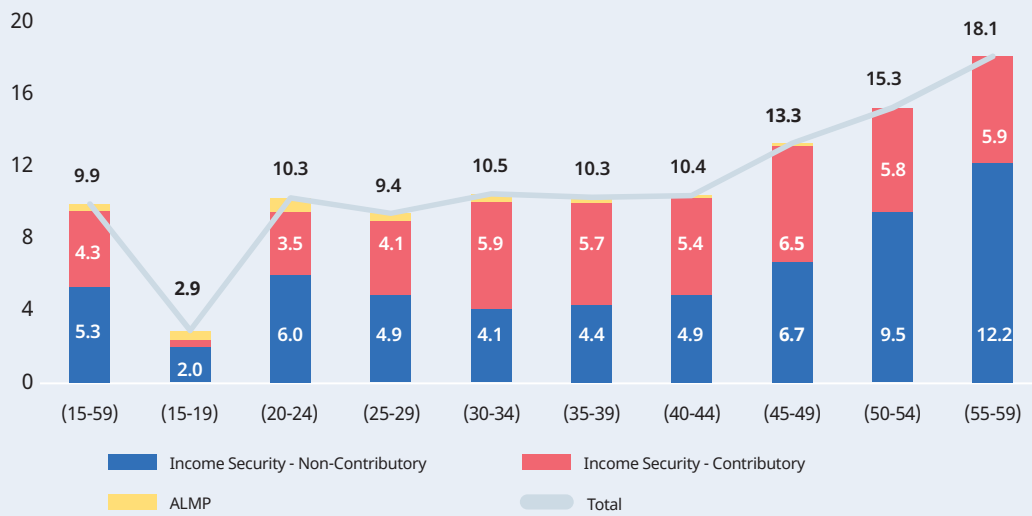
Both non-contributory income support and contributory measures have low levels of coverage, reaching 5.3 per cent and 4.3 per cent of the population, respectively. Low coverage of contributory measures can be attributed to the fact that the mandatory social security schemes under the SSF have been recently implemented and coverage is limited to workers in the formal sector only. The contribution to the EPF is mandatory for public sector employees only, with private sector enrolment to the EPF being voluntary. The effectiveness of voluntary enrolment, as international experience has shown, is generally low and rarely leads to a significant extension of effective coverage (ILO 2017).<sup>34</sup> *"In many cases, less than ten per cent of those who would have the possibility to contribute, actually do so (ILO 2019, 43)."* Although the EPF has been in existence since the 1960s, it has only about doubled the number of contributors (mainly from the public sector) the SSF has in less than five years of operation, showcasing the ineffectiveness of voluntary enrolment as an approach for protecting all workers.

Despite the mix of two contributory programmes, a significant percentage of workers in the formal sector do not yet have access to social security. The gap is larger if considering workers in informal employment, that absorbs approximately 86.4 per cent of the total workers, who are currently unprotected and cannot join the SSF until specific provisions are enacted.

Non-contributory measures in implementation are targeted to specific categories or groups, leading to a gap in the protection of the categories of workers described as vulnerable. Thus, the proportion of the missing middle in Nepal, often neither contributing to social insurance schemes nor benefiting from non-contributory options, is very large. ALMP covers less than one per cent of the total population between 15 and 59 years, and in practice has limited links to the other programmes for workers. Figure 20 shows the proportion of the population with access to at least one social security benefit across the four categories.

<sup>34</sup> For example, in Namibia, self-employed workers can voluntarily join the social security schemes under the Social Security Act of 1994, yet the uptake of that option has been very low to date. In Viet Nam, workers who are not covered by the mandatory social insurance scheme can participate in the voluntary regime; however, to date only about 200,000 workers – or 1.3 per cent of all workers – have joined (ILO 2019).

► **Figure 20 Effective coverage for women and men of working age, by age group and type of support, FY 2020-21 or latest available year, percentage**



Source: Authors' calculation based on data provided by the Government of Nepal.

There are some variations in coverage across different age groups. Young adults are the least protected, and coverage levels increase slowly towards older adults. Effective coverage of the 15-19 is markedly low, which exacerbates the challenges of the transition from school into the labour market. Considering only income support, only approximately two per cent of those within the 15-19 age group have access to income support.

Regardless, effective coverage of women and men of the working age is low in Nepal and the current mix of programmes are not sufficient to address the various lifecycle risks and vulnerabilities the youth and adults face, including unemployment and underemployment, inadequate skills and wages, debt, early motherhood, work-related risks, lack of childcare, gender discrimination, and domestic violence. Moreover, protection is often limited, as only the SSF offers comprehensive protection against several risks, the SSA has a narrow scope for specific groups of workers, and the EPF only offers pay-outs similar to a private savings account.

### 6.3.2 Legal vis-à-vis effective coverage

In 2017, Nepal promulgated key legislations related to contribution-based social security that included the Labour Act 2017, and the Contribution-based Social Security Act, 2017, in addition to the already existing EPF legally mandated under the Employees Provident Act, 1962. These have been important milestones towards achieving social protection to all. When reviewing the legal provisions, contribution-based social security under the EPF and SSF – that covers a wide range of contingencies related to risks associated with work, provides universal coverage to the labour force between the ages of 15-59. Likewise, the authors estimated that 34.7 per cent of those between the ages of 15-59 are legally covered by these schemes as opposed to the current effective coverage of 4.3 per cent.

The significant gap between the legal coverage and effective coverage is due to two key reasons related to the implementation of social security under the SSF. First, despite provisions made for all workers to be covered by the contribution-based social security, currently there are no working procedures for the schemes to cover workers in informal employment and home-based workers. Thus, only workers in the formal sector are eligible for registration. Second, due to the recent start of the implementation of the schemes under the SSF, the expansion of the schemes for workers in formal sector has been slow.

Furthermore, legal coverage of the PMEP is universal for those that are unemployed, although the current programme only reaches 17.9 per cent of the unemployed population. With the contribution of YSEF, effective coverage increases to 19.7 per cent. The Contribution-based Social Security Act, 2017 provides for unemployment insurance, but the regulations to implement the scheme are yet to be developed.

Given this, there are significant gaps in legal protection for those not in the labour force, that make up approximately 11 million of those between the ages of 15-59. Non-contributory schemes under the SSA are categorical and while it is difficult to derive the proportion of the population these schemes would legally cover, it can be assumed, that given its nature, these schemes will not be able to fill the gap in the legal coverage.

### 6.3.3 Social protection for women of working age

Coverage for women of working age is slightly higher in comparison to men, whereby 10.5 per cent of women between the ages of 15-59 are covered in comparison to 8.9 per cent of men. The higher coverage for women is mainly driven by the Widow Allowance under the SSA. There are also wide differences when analysing coverage between contributory and non-contributory measures. Non-contributory programmes, of which the three different schemes under the SSA – the Disability Allowance, the Endangered Ethnicity Allowance, and the Widows Allowance, reaches a quarter of the total recipients. Approximately 8.4 per cent of women are covered by non-contributory measures in comparison to 1.9 per cent of men.

On the contrary, there are significant gender disparities for women in accessing contributory measures. Only 1.9 per cent of women between 15-59 have access to at least one contributory scheme as opposed to 6.9 per cent of men. This is reflective of the significant gender inequality that remains a central characteristic of the labour market in Nepal. As reported in Nepal, CBS (2019, 12), *“for every 100 males in the working-age population, there were 125 females”* – a reflection of the high number of young male Nepalis going abroad for employment. However, when it comes to employment, for every 100 employed males, there were only 59 employed females. By not having access to the more comprehensive protection offered by the contributory schemes under the SSF, even those women receiving social security benefits enjoy only limited protection.

Securing women’s access to social security is imperative, especially since women constitute one of the most marginalized groups with unequal access to labour market opportunities, unstable income, lower earnings, higher concentrations in informal employment, and a disproportionate share of unpaid care work.<sup>35</sup> These persistent inequalities in the labour market, exacerbated by broader societal and socio-economic inequalities and a lack of access to social protection has been a key contributing factor in making them at higher risk of falling into poverty compared to men (ILO 2021a).

The remainder of the subsections will analyse the programmes based on ILO R202 that identifies five key areas of social security most relevant to people of working age: (i) maternity protection; (ii) sickness protection; (iii) employment injury protection; (iv) disability benefits; and (v) unemployment protection. Within each of the identified areas, both contributory and non-contributory schemes are discussed, especially considering that universal coverage is often achieved through a combination of different types of schemes, so as to allow the extension of social protection coverage to those with limited or no contributory capacity (ILO 2021a).

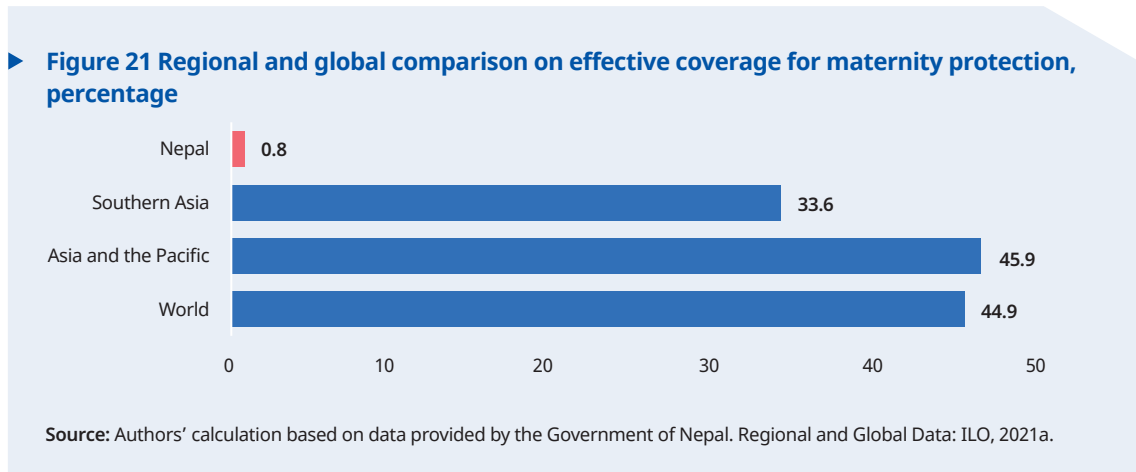
### 6.3.4 Maternity protection and leave benefits

Maternity and paternity protection are key provisions that replaces the income of women and men for the period before and after the birth of a child, to support positive health outcomes for mother and child during the final stage of pregnancy and delivery and to allow for the parents to care for the baby. It ensures that women have the time and resources to stop working during the advanced stages of pregnancy. The provision offers essential income protection for women, in turn, promoting women’s participation in the labour market and reducing the gender protection gap.

<sup>35</sup> As per Nepal, CBS (2019), gender disparities were obvious in the mean monthly earnings gap between males and females of 5,834 rupees in favour of males.

Nepal currently has two key provisions for maternity protection that complement each other, and include:

- **Medical Care, Health, and Maternity Protection Scheme** under the SSF that includes one-month basic remuneration on birth, per child; and, one-month basic remuneration in the event of miscarriage after 24 weeks or a stillborn child. Maternity leave includes 60 days fully paid maternity leave, and 60 per cent of basic salary as maternity leave for an additional 38 days beyond the 60 days.
- **Maternity Leave by Employer Liability** under the Labour Act, 2017 makes provisions for paid maternity leave under the employer-liability system to employees in the private sector that include entitlement to 60 days of fully paid maternity leave, including compulsory leave two weeks prior to the expected date of childbirth (Nepal, MoLESS 2017). The right to maternity leave established by the Labour Act is assumed to be effective only on a minority of jobs in the formal sector. As there is lack of data on the application of the leave, the authors did not include the provision to analyse coverage. Coverage for maternity protection in Nepal under SSF stands at 0.81 per cent of women giving birth. This is significantly lower than regional and global averages. The low coverage can be attributed to the very recent implementation of the contributory schemes under the SSF. While the scheme has the potential to originate substantial changes to the current system once the targeted coverage is reached, significant gaps exist for women giving birth in informal and self-employment. Figure 21 shows the regional and global comparisons of maternity protection coverage.<sup>36</sup>



In addition to the provisions provided under the SSF and the employer liability system, it is important to note that the Government of Nepal also implements the Safe Motherhood Programme that includes cash incentives for pregnant mothers in the form of transportation subsidies for four antenatal care visits, to deliver at health facilities, and one postnatal visit (transportation cost ranging from 1,000 rupees for Terai, 2,000 rupees for Hills, and 3,000 rupees for Mountains). Coverage of the programme stands at 62.1 per cent of women giving birth. The programme has been in implementation since 2005 with a strong institutional presence under the MoHP. Nonetheless, although the programme provides cash support for women to incentivize institutional delivery, and ante-natal and prenatal care, it does not provide financial support after birth, nor serve as an income replacement mechanism. Linkages between the Safe Motherhood Programme, the SSA Child Grant, HIB's and SSF's health insurance and SSF's Maternity Protection Scheme could expand the avenues to which pregnant women and new mothers can enjoy access to healthcare and income security to take care of their new-borns.

### Adequacy of benefits

The adequacy of cash benefits provided during maternity leave can be assessed in terms of their duration

<sup>36</sup> Percentage of women giving birth receiving cash benefits.



and amount. The purpose of maternity leave is rehabilitation; therefore, the leave needs to be sufficiently long for women to rest before and after birth, recover, and offer essential care for the new-born (ILO 2021a).

Based on the ILO Minimum Standard for Social Security, while the benefits for maternity care under the SSF meets the minimum standards, employers must maintain the full pay for the new mother during maternity leave for the first 60 days, and the SSF’s benefits provide 60 per cent of the reference wage for an additional 38 days. Thus, the protection offered by the SSF combined with the employer liability amounts to more than the 45 per cent of income replacement prescribed in ILO C102 and C183. However, the employer liability system is not fully in line with ILO social security principles and the country should proceed towards maternity protection that is fully based on the social insurance system.

The cash incentives provided to mothers under the Safe Motherhood Programme to deliver at health facilities, to improve their health outcomes and those of their babies include subsidized transportation costs ranging from 1,000 rupees to 3,000 rupees. The expenditure of non-food item calculated to derive the MEB is 1,200 rupees/month/person. As a reference to this amount, the subsidy towards the transportation costs appears adequate.

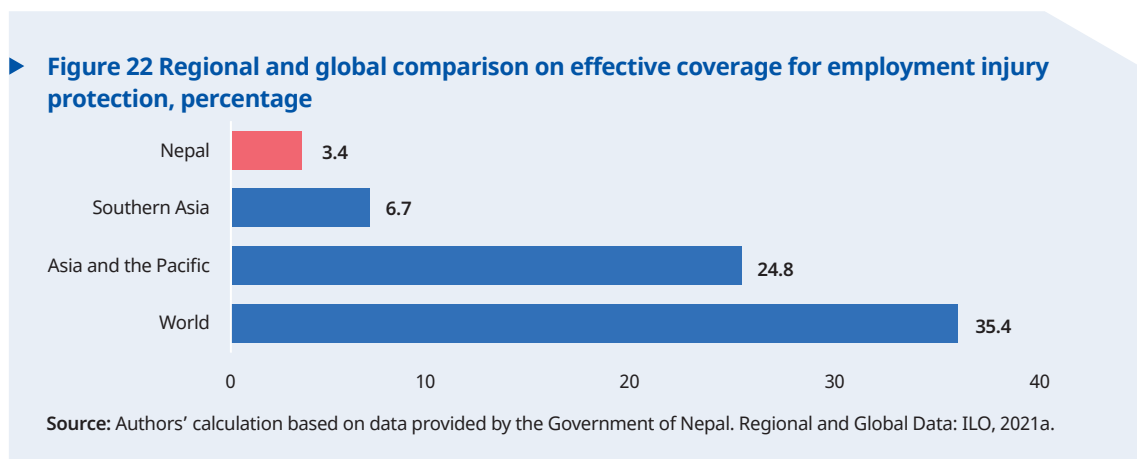
### 6.3.5 Employment injury protection

Employment injury protection in case of injury at the workplace and occupational disease is vital to inclusive and fair redistribution as well as economic success. The cost of employment injury benefits and of safety and health at work, including the prevention of injury or disease and the rehabilitation of injured workers, is part of the overall cost of production and contributes to preventing injured workers, and the families of deceased workers, from falling into poverty (ILO 2021a, 131).

Nepal has been gradually shifting from employer liability for employment injury, including insurance through a private carrier, to social insurance protection in view of the introduction of the employment injury provision (ILO 2021b).

The **Accident Protection Scheme** under the SSF includes the full treatment cost of work injury and/or occupational disease. The income replacement for the time the worker may need to recover from the accident is covered under the “temporary disability” scheme.

The effective **coverage of employment injury protection in Nepal stands at 3.4 per cent** of the labour force, far from the regional and global average and half of the neighbouring countries average (same as per measurement of SDG Indicator 1.3.1). Figure 22 presents details on regional and global coverages.<sup>37</sup>



The number of workers effectively registered in employment injury schemes is much smaller than those covered by law, that should include all workers in formal employment. Currently, employment injury is

<sup>37</sup> Percentage of labour force aged 15+ years covered by cash benefits in case of employment injury (active contributors).

only available through contribution to the SSF – and just to those in formal employment. Low coverage rates are reflective of a young system but also reflective of weak compliance mechanisms to ensure mandatory contributions and enrolment. Extending effective coverage of the SSF, including for workers in the informal economy, is essential to ensure more workers have access to work injury protection.

### Adequacy of benefits

The benefit levels under the Accident and Disability Protection Scheme include full treatment cost of work injury and/or occupational disease, a benefit of 60 per cent of basic salary until return to work in the case of temporary full disability and a lifetime monthly income of 60 per cent of basic salary in the case of full permanent disability (with benefits reduced as appropriate for partial disability). Based on international standards and the ILO Minimum Standard for Social Security, the entitlements offered in Nepal are adequate.

## 6.3.6 Unemployment protection

Unemployment protection schemes provide income replacement for involuntarily unemployed or underemployed people and offers employment assistance to support their return to work, in line with international labour standards (ILO 2021a, 151).

Currently there are no comprehensive provisions for unemployment protection (for example, unemployment insurance), but limited income support and pathways towards entrepreneurship are available to some extent. The Government of Nepal implements two programmes to support the unemployed:

- **Prime Minister Employment Programme (PMEP)** that provides minimum employment guarantee of at least 100 days to the unemployed;<sup>38</sup>
- **Youth and Small Entrepreneur Self-employment Fund (YSEF):** Provides collateral free loans up to 500,000 rupees for self-employment activities in either commercial agriculture, agro-based industries, or service sector, to all unemployed aged between 18 to 50 years.

The **coverage of these two programmes reaches 19.7 per cent of the population** registered as unemployed. It is important to note that while the PMEP is geared towards supporting unemployed workers, no protection is available for the underemployed. Moreover, given the limitations on budget, and on the capacity of local Governments to designate productive projects to be implemented by the programme, workers employed through the PMEP are likely to engage in unskilled work that may not boost their employability.

While the Contribution-based Social Security Act, 2017 makes provision for an unemployment protection scheme under the SSF, it is not in implementation yet. Conversely, the 2017 Labour Act requires employers to provide severance pay to employees that have been dismissed. However, the eligibility for the severance pay is limited to the employees of the establishment employing ten or more workers and the benefit is normally one month of the employee's wages for each year of employment (ILO 2021b). Unemployment benefits play a fundamental role in preventing individuals and households from falling into poverty and vulnerability.

The legal coverage based on the provisions for the PMEP, the YSEF, and the unemployment protection under the SSF is 100 per cent of the unemployed population. However, effective coverage is 19.7 per cent only. Unemployment benefits play a fundamental role in preventing individuals and households from falling into poverty and vulnerability. Currently there are protection gaps that is likely to aggravate in the context of employment shocks, such as those induced by the COVID-19 crisis.

### Adequacy of benefits

The minimum guarantee under the PMEP include at least 100 days of employment for those that are

<sup>38</sup> The PMEP also guarantees a subsistence allowance to the household of the eligible beneficiary that is equivalent to 50 per cent of the total wage if the programme is unable to provide the guaranteed days of work.

unemployed. The programme makes provisions for relevant local Government to determine the minimum wage rate which should not be lower than the national minimum daily wage of 577 rupees/day. Since data on wage standards across the local levels is not available, the report uses the national minimum daily wage as benchmark. Based on this, each beneficiary would receive wages equivalent to 100 days for a total of 57,700 rupees (or, 4,808 rupees/month). However, in FY2020-21, the PMEP provided in average 76 work days to beneficiaries, which would amount to 43,852 rupees/year, or about 3,654 rupees/month.

In comparing the wage value against the MEB (3,450 rupees/person/month), the benefit appears to be adequate. However, it is important to measure adequacy against the national minimum wage which is at 15,000 rupees/month. Considering that the wages paid needs to ensure sustenance of the entire family, the benefit under the PMEP may in fact not be adequate.

Defining and rolling out the unemployment insurance under the SSF could offer more reliable and adequate protection to workers falling into unemployment.

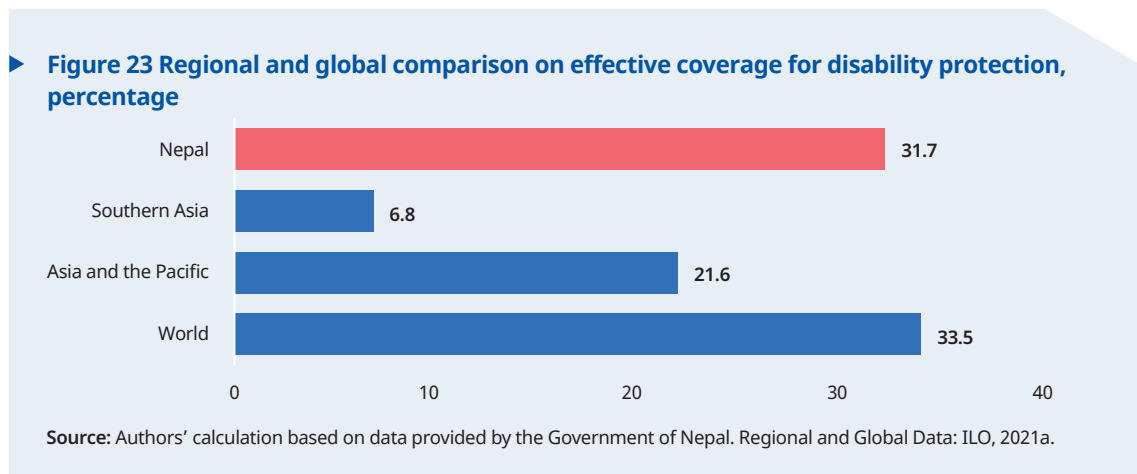
### 6.3.7 Disability protection and disability-inclusive social protection

Disability-inclusive social protection systems guarantee effective access to healthcare and income security, including coverage of disability-related costs, for all people with disabilities. They usually comprise a combination of general and disability-specific schemes, both cash and in-kind, designed in ways that enable people with disabilities to participate actively in education, employment, and society (ILO 2021a, 141).

Currently, Nepal has two provisions for disability:

- **Disability Allowance** under the SSA Programme for those with severe and full disabilities (between 2,128 rupees/month and 3,990 rupees/month depending on the severity of disability).
- **Disability Protection** under the SSF that include entitlement to 60 per cent of basic salary until return to work in the case of temporary full disability and a lifetime monthly income of 60 per cent of basic salary in the case of full permanent disability (benefit reduced as appropriate for partial disability).

The **coverage of social security for persons living with disability in Nepal is 31.7 per cent**, comparable to the global average, but performing better than the regional average for Asia and the Pacific (as per the SDG Indicator 1.3.1 measurement). Figure 23 presents the details of regional and global coverage.<sup>39</sup>



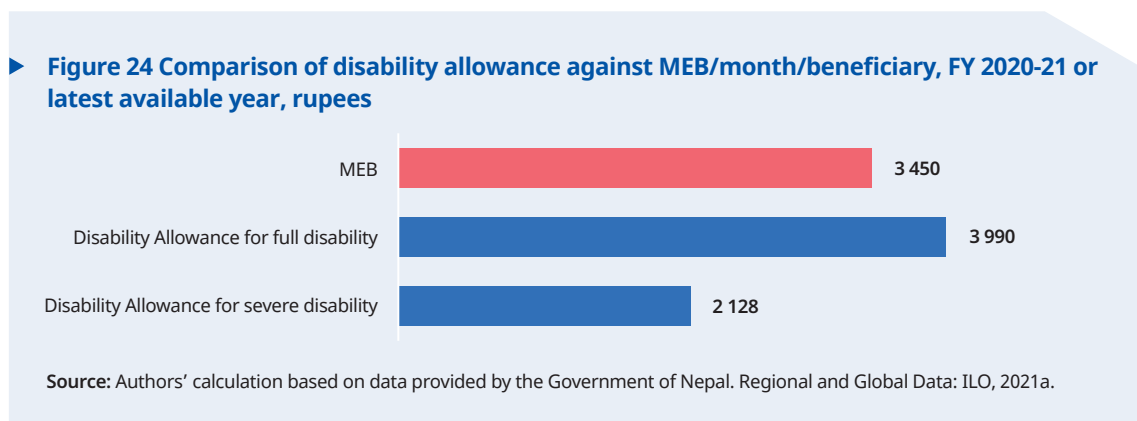
The high coverage of disability protection is mainly due to the SSA's Disability Allowance. Despite the encouraging coverage in comparison with the region, there are reported issues on the identification and assessment of degrees of disabilities, which can severely affect proper access to the benefits. Past coverage studies have estimated that Disability Allowance only reaches about 43 per cent of the intended population

<sup>39</sup> Percentage of persons with severe disabilities receiving cash benefits.

(Bhandary et al. 2020). Furthermore, the authors used the 2011 census estimates of 1.94 per cent of the total population of Nepal living with some kind of disability, which is likely to have changed. At the same time, other studies have also estimated that up to 15 per cent of the population of the country lives with some form of disability – due to differences in definitions or methodologies of accounting (Poudyal 2018). To maintain the consistency with other population indicators, this study has used the 2011 census as the reference for number of persons living with disabilities - this means that the effective coverage here presented could be overestimated.

### Adequacy of benefits

The benefit amount for the Disability Allowance ranges between 2,928 rupees/month and 3,990 rupees/month and provides a comparison of the disability against the MEB. The comparative chart indicates that benefits for severe disability is inadequate in comparison to MEB, whereas benefits for full disability is comparably adequate.



Ensuring adequate social protection requires sufficient resources to be allocated for persons with a disability. However, the value of the MEB does not take into consideration the special allowance needs of persons with disability with the need for benefit value to be higher to allow for the transfer to address the needs of the population.<sup>40</sup>

Considering the Disability Protection offered under the SSF's schemes, the replacement rate offered stands at 60 per cent of the reference wages, above the minimum standards of 40 and 50 per cent (for non-work and work-related disability, respectively) income replacement set in ILO C102.

It is important to note that disability-inclusive social protection needs to also ensure access to health protection. If persons with disabilities do not have health protection, this will affect the efficiency of their cash benefits in adequately meeting needs. This is because persons with disabilities have distinct health needs and globally incur higher out-of-pocket cost than the rest of the population.

## 6.4 Expenditure

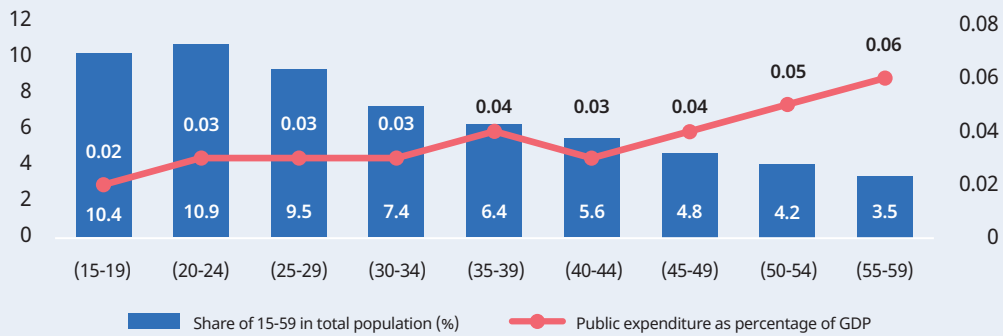
Public expenditure on social protection measures were reviewed for non-contributory and active labour market programmes, given that expenditure for contributory measures is from workers and employers. Under non-contributory programmes, expenditure data for Safe Motherhood Programme was not available due to the devolution of the programme to the local level. As such reported investments per beneficiary is likely underreported.

Social protection (for non-contributory and active labour market programmes) expenditure for women and men of the working age was 14.54 billion rupees in FY 2020-21, equivalent to 0.34 per cent of GDP. In

<sup>40</sup> Likewise, it should be noted that the MEB is not equivalent to a transfer value, i.e. value of assistance given, but the MEB is a critical factor when designing a programme and determining transfer values because it tells us the cost of living (CCG 2020).

comparison to children between 0-14, the total expenditure was higher although the access to at least one social protection programme for those between 15-59 was lower (11.3 per cent for those between 15-59 as opposed to 65.7 per cent for those between 0-14). Figure 25 shows a breakdown of public expenditure as a percentage of GDP by age, which is very low. Expenditure ranged from 0.02 per cent of the GDP for those between 15-19 to 0.06 per cent for those between 55-59. Higher (relative) expenditure as population ages is the result of an increase in number of beneficiaries receiving the Widows Allowance under the SSA.

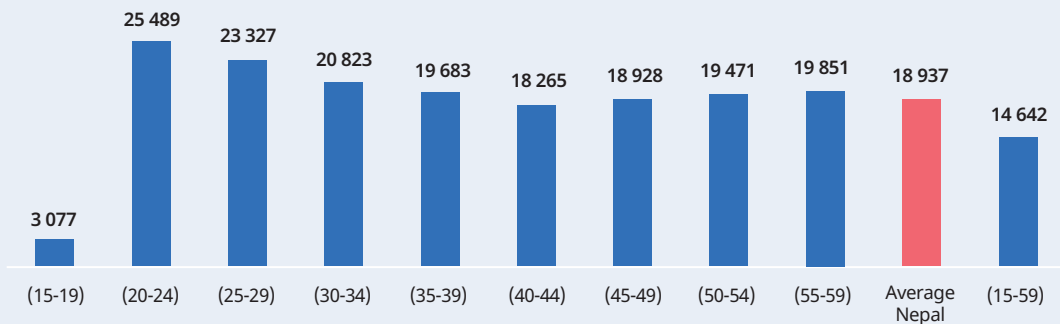
► **Figure 25 Public social protection expenditure on working age (percentage of GDP) and percentage of working age women and men in the total population, by age group, FY 2020-21 or latest available year**



Source: Authors' calculation based on data provided by the Government of Nepal.

Annual per capita expenditure in FY 2020-21 amounted to **14,642 rupees/beneficiary** for the population group, with the lowest investment by far on those between the ages of 15-19, where the reach of social protection programmes is the lowest. For all other age groups from 20 to 59 years old, per capita expenditure remains fairly balanced ranging between **18,265 rupees/year to 25,489 rupees/year** – slightly above the national average social protection expenditure.

► **Figure 26 Average annual expenditure per working age beneficiary, age group, FY 2020-21 or latest available year, rupees**



Source: Nepal: Authors' calculation based on data provided by the Government of Nepal.

## 6.5 Policy priorities and recommendations for building social protection systems for women and men of working age

It is imperative to accelerate the extension of the SSF's coverage to workers within and beyond the formal sector. This is especially important in light of the fact that the social security schemes under the SSF are the most comprehensive set of benefits available for workers in Nepal. By ensuring all workers are protected under the SSF, access to social protection in case of work injuries, disability, sickness, maternity, and death would increase dramatically. Adequate investments on the contributory system needs to be made, particularly for the SSF to fully operationalize the Contribution-based Social Security Act, 2017, continuing to build the institutions' capacities, systems, and infrastructure. Additional measures that need to be considered include:

- Strengthening communications and awareness raising activities targeted to workers and employers on the fundamentals on contributory social security, its benefits and their rights and responsibilities.
- Promoting social dialogue with trade unions and employers' organizations to discuss priorities and issues with the existing schemes and develop an agreed pathway to ensure the SSF schemes are more aligned with the needs and capacities of contributors and employers.
- Improving compliance mechanisms to ensure all workers and enterprises are registered and contributing to the SSF. These measures should be balanced with proper incentives, communication, and flexibility to respect the limitations of workers and employers.

There is a need for coordination amongst social security institutions offering similar schemes, such as the health insurance under the SSF and the HIB. For instance:

- The SSF's health insurance measures need to be aligned with the HIB's scheme to ensure coordination/articulation and to avoid overlap of coverage of those in the informal economy and self-employment. As the SSF extends the coverage of its schemes to all workers, the overlap of the schemes of the two institutions will become more frequent and could lead to a double burden on families being made to contribute to both institutions. Moreover, increased coordination between the SSF and the HIB can bring gains in operational capacity, extend registered medical care service providers' networks, and extend the coverage of both schemes.
- Likewise, the maternity care benefit should be aligned with the Safe Motherhood Programme and the Child Grant under the SSA Programme. The Safe Motherhood Programme also offers financial support to mothers and reimburses costs of delivery and medical care for the new-born, while the Child Grant offers universal cash transfers for children below age five. This offers an opportunity to explore complementarities and coordination between the programmes, for instance, by automatically registering the new-born child for the Child Grant Scheme, while also preventing duplication of benefits (for example, health facilities requesting reimbursement from the SSF and the Safe Motherhood Programme for the same procedure).
- There is also a need for coordination between the SSF, the SSA, and the PMEP, especially given eligibility for the Old Age Allowance, the Widows Allowance, and for the PMEP's subsistence allowance, are linked to provisions related to employment-related benefits, such as the Old Age Pension, and Survivor's Pension in the event of a death of a contributor, gratuity lumpsum in the event of employment termination and so forth.

Extending social security to workers in the informal sector and in self-employment to increase coverage of the working population – may possibly be one of the keys ways for Nepal to achieve its target of 60 per cent coverage of the 15th Development Plan within the available fiscal envelope. Some of the main measures that should be taken into consideration include the following:

- It is important that the extension of the SSF schemes is framed within a broad strategy to promote formalization in Nepal and should recognize and be adapted to cater to the diversity of informal employment.

- There are significant challenges in extending social security to workers in the informal economy and in self-employment and promoting their transition to formal employment due to a number of existing barriers (ILO 2019). For example, most workers in self-employment lack an intermediary – such as an employer– that will register and pay contributions on their behalf, while workers in informal businesses need the enterprise to be formalized first, something they have no control on. Challenges resulting from remoteness, isolation, lack of documentation, a complex registration process, low levels of education, etc. also lead to exclusion from coverage.
- It is important that operational processes for registration, collection of contributions, claims, benefit payments, grievance and redress, and all other relevant procedures, are adapted to meet the needs and capacities of workers outside of formal employment.

Improve the protection of the youth, particularly to facilitate the transition from school to the labour market. This can be done through expanding the coverage of non-contributory programmes, or by creating incentives and conditions for young workers to join the SSF.

The maternity protection offered by the SSF can be improved by substituting the employer liability measure. This would mean that the full 14 weeks of maternity protection would be covered by social insurance, facilitating workers to access the benefit, balancing labour relations on the issue, and reducing the direct costs and bureaucracy for employers – thus, providing more security to women, and reducing the costs for employers.

PMEP should consider flexibility in their eligibility criteria to allow for underemployed workers to also join and participate in the programme, while also increasing the coverage of the programme to allow for all interested unemployed to join. Moreover, PMEP should consider registering the workers participating in the programme with the SSF, to provide them with extended social security beyond the income support through the cash-for-work component.

# 7. Social protection for older women and men: Pensions and other non-health benefits

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Ensuring income security for people in old age is a crucial dimension of the human right to social security (ILO 2021a, 167). As people age, they gradually lose their labour capacity and the ability to earn, and thus require income replacement over their labour (ILO 2021a).<sup>41</sup> Income security in old age maintains dignity and self-reliance of older people and is also closely related to the availability of accessible social services, including healthcare, and long-term care. ILO R202 calls for contributory and non-contributory pension schemes to be combined in an optimal way to protect the entire population.

## 7.1 Situation of older persons

The Government of Nepal has declared senior citizens as those that are 60 years and above and has created legal provisions to protect the rights of senior citizens. The Senior Citizens Act was enacted in 2006 to provide protection and social security of senior citizens. The 2015 Constitution explicitly recognizes the rights of senior citizens in Article 41 stating that *“senior citizens shall have the right to special protection and social security from the State”*.

Existing literature on older persons in Nepal is scarce. Based on available information, it is known that Nepal is rapidly becoming an “ageing society”, with 8.65 per cent of the total population already aged 60 years and over, with the complete transition to an “aged society” expected around 2054 (Nepal, NPC and UNICEF 2017b).<sup>42, 43</sup> While life expectancy at birth is estimated to be 69.1 years for 2020, it shows a steady increase as the population ages (Nepal, CBS 2014). For example, life expectancy at 60 is expected to be at 77.68 years with an increase in three additional years to 80.88 at the age of 70.<sup>44</sup> Furthermore, family structures are changing and moving towards a more nuclear arrangement with the traditional form of societal social protection – whereby, sons are the primary caretakers of older people, is slowly dissolving further reinforcing the need for income security as people age.

These developments will place significant burden on the country and calls for the establishment of social protection systems to improve their resilience to shocks.

Vulnerabilities in old age depends on how trigger events (such as the onset of disability or death of a spouse) and life course experiences (such as work and family) impact the financial well-being, health, and social support and connectedness of older persons (Zaidi 2014). Social protection measures ensure income security and access to essential services that play a key role in preventing poverty and vulnerability among older people.

The history of social protection programming in Nepal shows that the country has given priority to senior citizens, with programmes dating back to the 1880s with the existence of old-age homes. A more

<sup>41</sup> WSPR, p. 169.

<sup>42</sup> According to the Population Council, an “ageing society” is defined where the percentage of people aged 65 years and older (so-called “old-age dependants”) account for seven per cent or more of the total population (Nepal, NPC and UNICEF, 2017). As of 2021, based on the population projection estimates by the CBS, the percentage of people aged 65 years and over constituted 5.8 per cent of the total population.

<sup>43</sup> The speed of ageing the country is experiencing is comparable to that of Japan, which is one of the fastest ageing societies among the member countries of the Organization for Economic Co-operation and Development (OECD).

<sup>44</sup> Estimates based on the National Population and Housing Census 2011(Population Projection 2011 – 2031) (Nepal, CBS 2014).



institutionalized structure for social protection came about half a century later with the establishment of the *Sainik Drabya Kosh* (Army Provident Fund) in 1934 that introduced provident fund schemes. The scheme was extended to provide coverage to civil servants working throughout the country in 1948. In 1959, the EPF was established, and later institutionalized under the Ministry of Finance and Economic Affairs in 1962. The introduction of the senior citizen allowance to all citizens over the age of 75 in 1995 marked the beginning of large-scale cash transfers in Nepal. The rest of the section will provide analysis on coverage of social protection programmes, benefits, and existing gaps to achieve the national objective of universal social protection.

## 7.2 Overview of social protection programmes for older women and men

The ILO social security standards recognize the need for various mechanisms to coexist with a view to achieving universal coverage to guarantee minimum old-age social protection and progressively securing higher levels of protection to as many people as possible (ILO 2021a, 169). Nepal is moving towards universal coverage for old age protection, while the introduction of new schemes, such as those provided by the SSF, can offer higher levels of protection. The Government of Nepal implements a range of non-contributory and contributory pensions for the older population. These include:

### 7.2.1 Non-contributory pensions

- **Social Security Allowance (SSA):** Provides cash transfers to those 60 and over under the following schemes:<sup>45</sup>
  - o **Old Age Allowance** includes a cash transfer of 4,000 rupees/month for those 70 and over and 2,660 rupees/month for senior citizens between the ages of 60 and 69 in the Karnali Districts and for Dalits nationwide.
  - o **Single Women Allowance** provides a cash transfer of 2,660 rupees/month for single women between the ages of 60 and 69.
  - o **Disability Allowance** for those with severe and full disabilities (between 2,128 rupees/month and 3,990 rupees/month depending on severity of disability); and,
  - o **Endangered Ethnicity Allowance** for those belonging to endangered/indigenous ethnicity (3,990 rupees/month).
- **Public Sector Pensions** are available to retired government employees who have completed minimum years of service, including civil servants (20 years), police (16 years), army (16 years), armed police force (20 years) and government teachers, university professors and some public enterprises. The eligibility age for retirement is between 58 to 65 years and pensioners receive a monthly pension equivalent to the total number of years in service times their last salary divided by 50. Until recently (FY 2018-19), pensions were fully financed from the annual budget appropriations.<sup>46</sup> The programme has now become contributory for those who have started their duties from Shrawan 1, 2076 (July 17, 2019), whereby they will be contributing six percent of the salary and the Government contributing another six per cent. Given that workers under the new contributory provision will only qualify for pensions after decades, the programme is categorized under non-contributory schemes in this assessment as pensions for all current and near future beneficiaries will be fully tax-financed.

<sup>45</sup> Beneficiaries falling within multiple categories can choose the scheme providing the highest transfer amount.

<sup>46</sup> In March 2019, the Government approved legislation to create the Pensions Fund which will collect contributions from employees and the Government as the employer, applicable to all new recruits into the civil service. Existing civil servants will continue to be covered by previous provisions (World Bank, 2020).

## 7.2.2 Contributory pensions

- **Social Security Fund** that implements the following key provisions for older women and men:<sup>47</sup>
  - o **Survivor's Pension (or, Dependent Family Protection Scheme)** implemented under the SSF that includes a lifetime monthly pension of 60 per cent of basic salary for a spouse and parents in the event of a death of the contributor. The survivor's pension constitutes 0.27 per cent of the contribution rate.
  - o **Old Age Protection Scheme** that includes a defined-contribution pension and a retirement fund:
    - **Defined-contribution pension** that provides monthly pensions equivalent to the total deposited amount and the accumulated interest divided by 160, from age 60 after 15 years of contributions (if the worker has less than 15 years of contribution, she/he can opt to receive the full amount as a lump sum). The contribution rate for the provision is 20 per cent of the basic salary; and,
    - **Retirement fund** that provides a lumpsum amount equivalent to 8.33 per cent contribution that the contributor can withdraw at any time upon termination of his/her employment.

Currently, the coverage for the Survivor's Pension is negligible due to the recent implementation of the scheme, thus, it is not included in the analysis of coverage. Likewise, the defined-contribution pension has not paid out any benefits given the very recent implementation of the SSF and the minimum eligibility criteria of 15 years and is not included in the discussion below. Finally, approximately 1,000 contributors to the SSF have withdrawn a lumpsum under the retirement fund. Since the functions and objectives of pensions are different from lumpsum pay-outs under the retirement fund, contributors benefiting from the retirement fund have not been included in the coverage discussion.

- **The Provident Fund** includes lumpsum withdrawals for contributors under the EPF for the amount that has been deposited in their individual account that include 20 per cent of their salary for the time they were working (ten per cent from employers and ten per cent from workers). While the authors have included EPF under the general discussion on coverage, it has not been included in the discussion on pensions for those above the age of 60, because similar to the retirement fund provided by the SSF, lumpsum pay-outs under the EPF do not meet the objective or the functions of pensions, which are regular payments over time to provide income security in old age.

In terms of distribution of beneficiaries, the SSA reaches approximately 1.8 million beneficiaries and the Public Sector Pension reaches 273,172 beneficiaries.

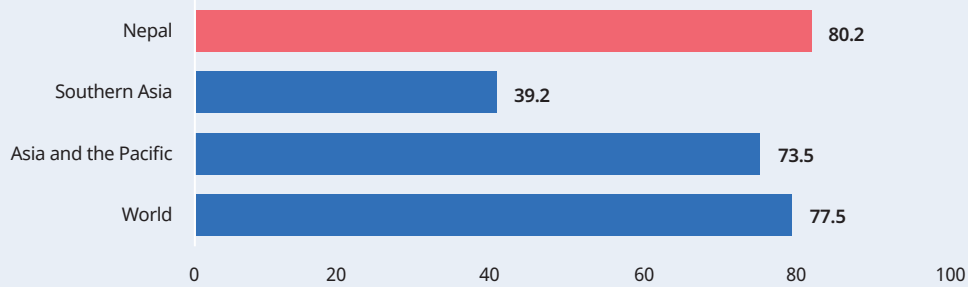
## 7.3 Coverage

### 7.3.1 Effective coverage of non-contributory programmes

Access to old age protection is the most prevalent form of social protection in Nepal, both in comparison to the social protection for children and for working women and men. In FY 2020-21, **80.2 per cent of older persons benefited from at least one social security scheme**, outperforming global and regional averages. Figure 27 presents the international comparisons.

<sup>47</sup> Although there are approximately 6,000 workers currently contributing to the SSF above the age of 60, the authors only calculated the number of workers that have retired and are getting the pensions to report coverage for contribution-based pension for reasons in consistency in reporting pensioners.

► **Figure 27 Proportion of population above 60+ receiving at least one pension at old age, FY 2020-21 or latest available year, percentage**



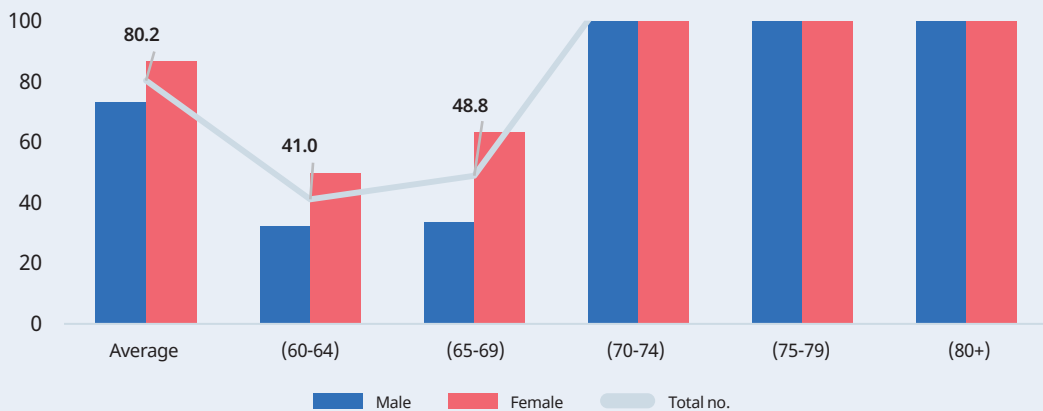
Source: Authors’ calculation based on data provided by the Government of Nepal. Regional and Global Data: ILO, 2021a.

The relatively good coverage of older persons is a result of the successful implementation of the Universal Social Pension under the SSA, representing 86.8 per cent of the total number of beneficiaries receiving old age pensions. This is complemented by the public sector pensions that are available to civil and non-civil servants.

Further disaggregating the data by age group, those above the age of 70 have high coverage – largely driven by the Universal Social Pension under the SSA, reinforcing that targeted programmes often times are not the most effective manner to reach the intended beneficiaries. Programmes for those between 60 and 69 years are more categorical in nature (single women, endangered ethnicity, and persons with disability) leaving large segment of the population without access to benefit.

The Government has implemented the contribution-based social security and pensions under the SSF, and the contributory system is slowly evolving. Its mandatory nature for all workers to have immense potential to increase the share of pensions deriving from contributory schemes, however, coverage gaps for certain segments of the population will continue to persist (further discussion in the sub-section on legal vis-à-vis effective coverage).

► **Figure 28 Effective coverage for older persons, by age group and sex, FY 2020-21 or latest available year, percentage**



Source: Authors’ calculation based on data provided by the Government of Nepal.

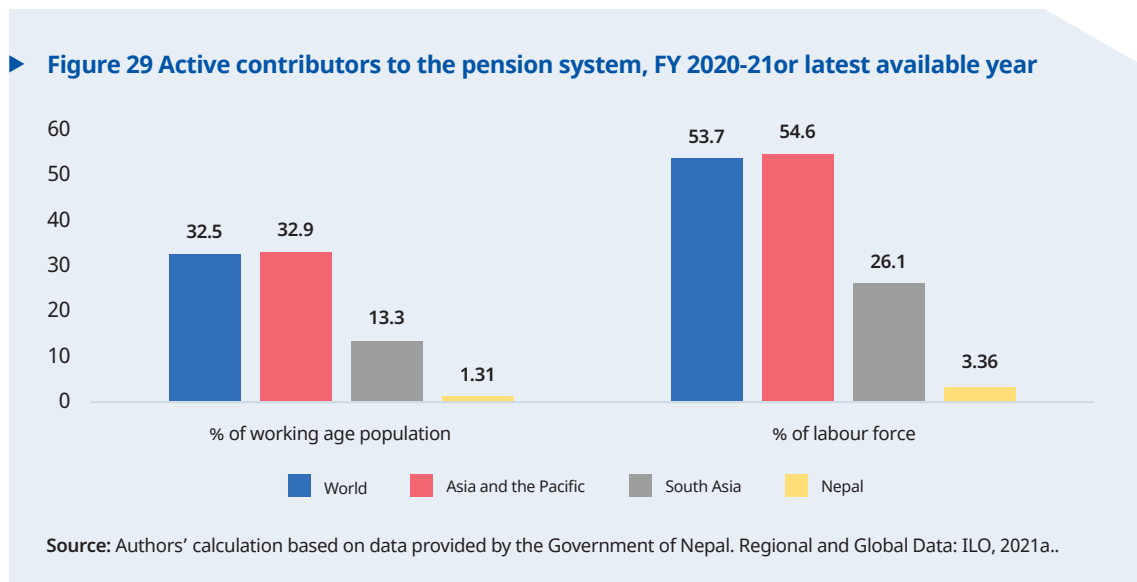
The old age allowance scheme under the SSA is performing well, in general. According to a 2020 OPM study on *Coverage of Social Security Allowances in Areas at Risk of Floods and Droughts* the coverage of the Old

Age Allowance in six districts in Nepal was 85.1 per cent (Bhandary et al. 2020). However, two key issues need to be considered when discussing the high coverage, and a more conservative estimate maybe needed. First, the authors relied on CBS’s Population Projections for 2021 produced from the Nepal, CBS (2014), the total population above 60 maybe higher than the reference.<sup>48, 49</sup> Second, there may be issues of higher number of beneficiaries than real from the reported programmes.<sup>50</sup>

### 7.3.2 Effective coverage of contributory pensions

While the contributory system for pensions under the SSF is very recent with the current contributors not reaching pensionable age yet, an additional measure to understand the coverage of old age protection is to look at the active contributors to the pension system as a percentage of the WAP and the labour force. This can inform policymakers on the future of old age protection and provide insights on how best use contributory and non-contributory programmes to protect this population.

In comparison to the global and regional averages, active contributors as a percentage of the labour force and WAP to the pension system is lower than the average of low-income countries at 1.31 per cent and 3.36 per cent, respectively (see Figure 29 for details). The regional average shows that there is ample opportunity for contributory coverage to increase, but there is a long way to go in extending contributory pension schemes to substantial number of workers in their old age. More importantly, including workers in the informal economy in contributory schemes is essential for a robust coverage of these pensions.



The above analysis does not include contributors from the EPF as the withdrawal of contributions is as a lumpsum and can be done anytime at the end of one’s employment – even before reaching 60 years. Moreover, lumpsum payments do not ensure income security, as managing the money received to provide a steady source of resources throughout old age can be challenging. These include challenges around planning (for example, it is impossible to know how long an individual will live to plan the optimum withdrawal amount), predicting interest rates from investments, occurrence of unforeseen events (such as sickness, family emergencies, disasters), or unpredictability of rate of return on investments (such as land, real estate, businesses) that may not provide equivalent income.

<sup>48</sup> Life expectancy at birth has increased from the projected years of 69.1 for 2020 to 70.78, with life expectancy at 60, initially projected at 77.8 years, also likely to significantly increase. With improved health care and low mortality, the number of those over 70 years in 2020 could be higher than initially projected in 2010.

<sup>49</sup> While the preliminary results of the 2021 census are out, population data disaggregated by age is not available.

<sup>50</sup> As noted by Bhandary et al. (2020), despite significant efforts at digitization by the SSA programmes, local governments and ward offices in remote regions of the country are still relying on manual (or late) entry of beneficiaries’ information. Human errors associated with manual entries often create duplications of beneficiaries, resulting in overreporting of the total number of beneficiaries for the programme.

### 7.3.3 Legal coverage vis-à-vis effective coverage

In assessing the legal coverage of the total population by at least one social protection programme, access to old age pension for those above the years of 70 is universal. However, there are legal gaps for those currently between the ages of 60 and 69 including workers in informal employment before they reach the age of 60.

The Old Age Allowance for those over the age of 70 under the SSA is universal. Legal provisions for contribution-based social security under the SSF extends social protection to all workers in the formal sector, and ultimately pensioners upon retirement. Likewise, the EPF and the Public Sector Pensions are mandated to cover all workers in the public sector. And, while the effective coverage under contributory programmes is currently low, legal coverage is, indeed, universal.

Based on this and assuming implementation of the programme within its full legal capacity, social protection for older person will not have any legal gaps with the exception of those currently between the ages of 60-69. This includes the segment of the population who did not have the opportunity or the capacity to contribute to the recently implemented contributory schemes, and senior citizens other than Dalits and those in the Karnali province who are covered by the Old Age Allowance under the SSA. The legal gaps will also extend to workers in the informal employment once they reach the age of 60 and up until 69.

### 7.3.4 Social protection and older women

It is important to note that the effective coverage of social protection programmes for the older population is higher for women than men with older women constituting 56 per cent of the total number of beneficiaries. **86.9 per cent for women are covered by at least one social protection intervention.** The high coverage of women is driven by the combination of a Single Women Allowance and the Old Age Allowance Scheme under the SSA Programme.

While the SSF Programme has not yet started paying pensions, gender disaggregation of current contributors gives a good indication in analysing coverage from a gender lens. 71 per cent of contributors to the SSF are male in comparison to 29 per cent that are female. This inequity reflects the persistent gender disparity of women in the labour market, even within the workers in the formal sector to whom these schemes target. Even if coverage for these programmes is to improve in the future, the gender disparity will not correct itself and comprehensive interventions to ensure wider reach of these programmes to women will be needed.

## 7.4 Adequacy of benefits

The adequacy of pensions to provide genuine income security for older person is of paramount importance. According to the ILO's C102, contributory pensions should guarantee minimum replacement rates of 40 per cent of previous earnings. Likewise, based on international standards, non-contributory pensions, should guarantee that the provision offered is at least sufficient to maintain the family of the beneficiary in health and decency (ILO 2021a).

Measuring adequacy for non-contributory schemes, Figure 30 shows the value of transfer across the key programmes with comparison against the MEB.

► **Figure 30 Comparison of transfer value across key non-contributory measures for older persons against MEB, FY 2021-22 or latest available year, rupees**



Source: Authors' calculation based on data provided by the Government of Nepal.

The Old Age Allowance, Endangered Ethnicity Allowance, and the Disability Allowance provide adequate benefits in comparison to the MEB. Although it is important to note that the MEB does not take into account the special needs of persons with disability, thus, the adequacy level for the Disability Allowance for full disability may be overestimated. Conversely, benefit levels for the Single Women Allowance and Disability Allowance for severe disability is low.

Regarding the Public Sector Pensions, the replacement rate of the pensions is estimated above the minimum standards prescribed by ILO C102 of 40 per cent, for the majority of cases. For those categories of workers completing the minimum period of 20 years of service, the estimated replacement rate is of 50 per cent, while members of the police and army could receive pensions below ILO minimum standards if they serve only the minimum time of service of 16 years (resulting in a replacement of 32 per cent and above). Nonetheless, considering that minimum retirement ages allow for longer careers, and that the pension formula uses the latest salary as reference earnings (as opposed to average lifetime earnings), it is assumed that in most cases the replacement rates stated above are *de facto* underestimated, and most beneficiaries will get higher replacement rates than the minimum.

While the SSF is still not paying pensions it is estimated that with the current contribution rate of 20 per cent for the old age pensions, the SSF will pay adequate pensions for its pensioners after a full contributory career (for example, 30 years of contribution).<sup>51</sup> Considering that the SSF pensions follow the defined contribution model, by definition the resulting benefits are set at the time of the claim, however estimates predict that the replacement rates could range between around 35 to 60 per cent, depending on real wage growth and interest returns.

However, for lower income earners and workers with shorter contributory careers, the resulting pension levels could prove insufficient for a basic level of income, or even fail to reach the levels of non-contributory pensions. To improve the levels of protection provided by contributory pensions, the Government should explore reforming the SSF pensions. For example, consider a gradual reform towards a defined-benefit pension system, which would allow for more predictable benefit levels, improved solidarity among workers and facilitate setting minimum pensions or other mechanisms to ensure a minimal income level at old age. It is also important to ensure that SSF and SSA pensions complement each other and are coordinated to offer workers adequate levels of protection at old age, independently of the length of their contributory career and their income levels.

## 7.5 Expenditure

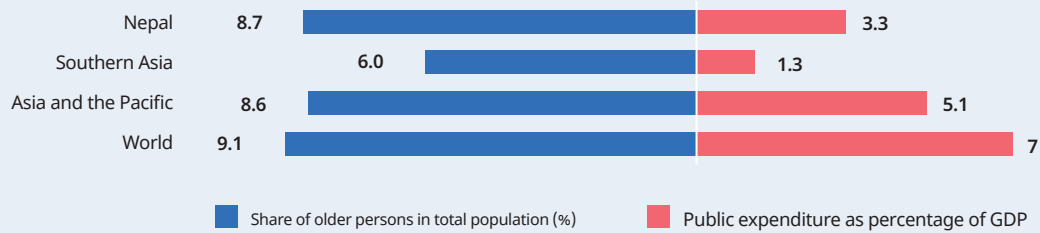
Total public expenditure on older persons in FY 2020-21 was 140.6 billion rupees, which was equivalent to 3.3 per cent of the GDP. The Public Sector Pension constitutes the highest expenditure for a single social

<sup>51</sup> The minimum contribution period to qualify for pensions is 15 years, Workers that do not reach the minimum contribution period can withdraw the full amount deposited plus interest when they reach the age of 60.

protection programme, approximately 2.1 per cent of the GDP, and constitutes 43.1 per cent of the total social protection expenditure.

While the Public Sector Pension Scheme represents the largest social protection expenditure, it only provides benefits to about 10.5 per cent of the population aged 60 years and over of which 71.2 per cent are male. Based on a recent assessment by the World Bank, pensioners are overwhelmingly urban, male and belong to the richer quintiles: 68 per cent of pensioners belonged to the richest two quintiles (only six per cent lived in the poorest quintile), 68 per cent were urban dwellers and 76 per cent were male (World Bank 2021). The expenditure on the SSA Programme is lower than the Public Sector Pension budget, with a total number of old age beneficiaries in the SSA represent 70 per cent of the total population over the age of 60. While the two programmes serve different purposes – the first an income replacement scheme, the second an income support/poverty prevention benefit – a large imbalance on budget allocation can be observed. This imbalance is more evident if the public sector pension budget is compared to the social protection investments made on children, the pensions’ budget amounts to about eight times the expenditure on schemes for those aged below 15. While global and regional averages on expenditure is calculated for those over the age of 65, and a direct comparison may not be possible, nevertheless it gives a tentative understanding on the overall trends. Public social protection expenditures for older persons in Nepal (3.3 per cent of the GDP) far exceeded the South Asian average (1.3 per cent) but remains behind the global and regional average at seven per cent and 5.1 per cent. Figure 31 compares Nepal’s public social protection expenditure on global averages with regional and global averages against the total share of older persons in the total population.

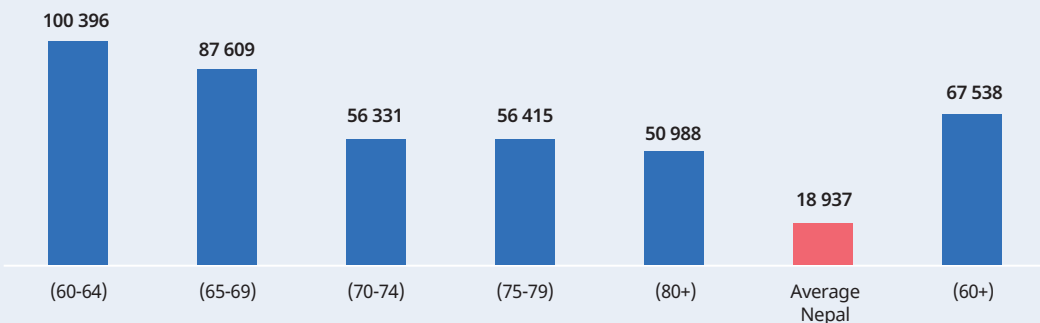
► **Figure 31 Public social protection expenditure on older persons (percentage of GDP) and percentage of older persons in total population, by region**



Source: Authors’ calculation based on data provided by the Government of Nepal. Regional and Global Data: ILO, 2021a.

The average annual per capita expenditure on older persons was 67,538 rupees in FY 2020-21 with some variation across the age group. See Figure 32 for comparisons.

► **Figure 32 Average annual expenditure per older person beneficiary, by age group, FY 2020-21 or latest available year, rupees**



Source: Authors’ calculation based on data provided by the Government of Nepal.

The high expenditure is mainly driven by the Public Sector Pensions – the average **per capita expenditure of the Public Sector Pensions is of 332,285 rupees/year**. Taking into consideration the MEB for 41,400 rupees/year/person, it is clear that the country has made significant efforts in allocating resources for older persons. However, if the Public Sector Pension is removed from the analysis, the average annual per capita expenditure falls to 23,957 rupees, lower than the MEB. Furthermore, levels of benefits for cash transfers under the SSA currently lack a legal basis and increments in the past have often been ad-hoc and politically motivated. Nepal is reaching an “ageing society” and there is an urgent need to understand fiscal implications of the non-contributory pensions. Pension systems are often composed of a mix of contributory and non-contributory measures aimed to ensure fiscal sustainability of the schemes and something increasingly other countries are moving towards.

## 7.6 Policy priorities and recommendations for building social protection systems for older persons

- The Nepali pension system includes a mix of contributory and non-contributory schemes, with each playing a different function, in line with international best practices (Durán-Valverde). However, the contributory system in Nepal is new, with elements of the previous systems including lumpsum payments and defined contributions through individual accounts still in existence – streamlining the different schemes and promoting the new system is essential to gain the trust of the population and improve service delivery.
- In addition, to improve the levels of protection provided by contributory pensions, the Government should consider reforming the current schemes. Among the options available, the gradual reform towards defined-benefit pensions system would allow for improved predictability of benefits and solidarity among members.
- Furthermore, there needs to be a coordinated approach between the contributory and non-contributory measures. The SSA and the SSF pensions should work together and complement each other – particularly for vulnerable workers. As it stands, the Old-Age Allowance under the SSA is pension-tested. Workers with lower contributory capacity and a shorter contributor career may not meet the minimum benefit level of pension upon retirement. In such cases, the SSA pension could balance the pensions received under the SSF to meet the benefits and maintain minimum standards of protection. Such complementarity also reduces the burden on the state for fully financed tax-funded programmes.
- Nonetheless, the investments on old age protection and corresponding results in coverage and adequacy showcases the effectiveness of the combination of contributory programmes with universal schemes. This is significant progress that could be taken as a good example to be applied to other age groups – particularly to extend social protection for children, by ensuring benefits are adequate and investments are made towards universal coverage.
- To ensure long term fiscal sustainability of the social protection systems, Nepal should eventually adopt a multi-pillar pension system, whereby contribution measures build on and complement the existing non-contributory systems.





# 8. Towards universal health coverage

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The 2015 Constitution makes legal provisions for the right relating to health in Article 35, where it is stated that *“Every citizen shall have the right to free basic health services from the State, and no one shall be deprived of emergency health services.”* The Health Sector Strategy (2015-20) was introduced with the goal of institutionalizing universal health care coverage, with a particular focus on the most vulnerable.<sup>52</sup> The 15<sup>th</sup> National Development Plan also recognizes health protection as a key priority and sets the target of achieving 60 per cent health coverage of the entire population through enrolment in health and life insurance schemes by 2023-24.

Nepal has made impressive gains in health outcomes in the past few decades, especially, when compared to other lower-income countries. Some of the key health indicators include the reduction in maternity mortality rate (from 901 per 100,000 live births in 1990 to 239 per 100,000 live births in 2016), increased proportion of births attended by skilled health personnel, improvement in under five mortality rates (from 226 deaths per 1,000 live births in 1977 to 33 in 2017), and high rates of vaccination coverage of children aged 12-23 months (with at least four provinces with 80 per cent coverage).

Despite impressive gains universal health care coverage in Nepal is yet to be achieved. One of the key barriers to accessing healthcare remains in the form of high out-of-pocket (OOP) payments on health services. In 2017, health spending was more than ten per cent of total income of consumption for more than 10.71 per cent of the total population (ILO Forthcoming). Universal health coverage and equitable access to affordable and quality health services is an important element to the attainment of a number of the SDGs, including social protection goals under 1.3 and health targets under Goal 3.

## 8.1 Overview of social health protection programmes in Nepal

To operationalize the right to social health protection as envisioned in the Constitution, Nepal has enacted key pieces of legislations that include the Health Insurance Act, 2017 that provides the legal framework for social health protection, and the Contribution-based Social Security Act, 2017 that include provisions for eight social security branches as set out in C102 (ILO Forthcoming). In addition to these, in-kind services have been in implementation since 2005.

The key interventions implemented by the government of Nepal on social health protection include:

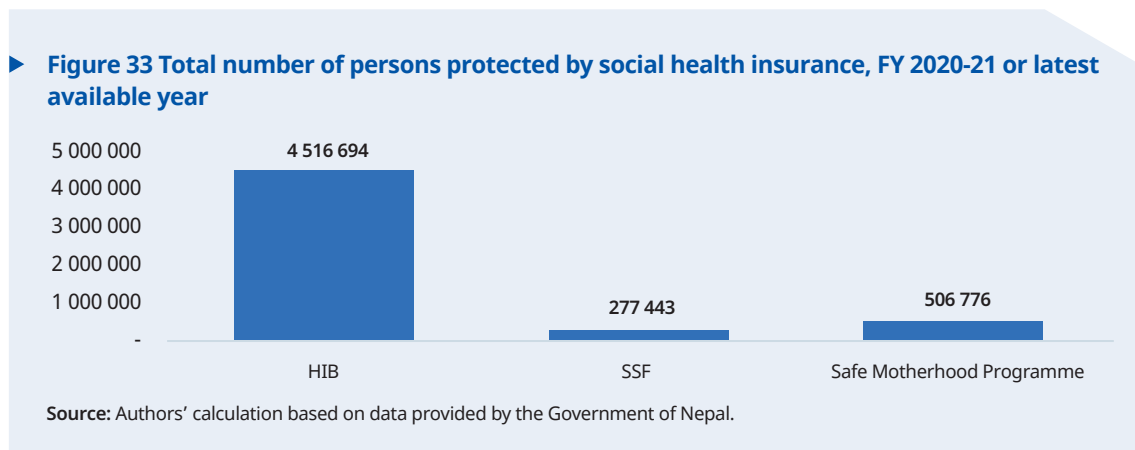
- **Basic Health Service Package (BHSP)** implemented by the MoHP aims to provide free basic health to all through taxation. Currently the package entails outpatient curative care for sick children, child growth monitoring, child vaccinations, any modern method of family planning, antenatal care, and services for sexually transmitted infections.
- **National Health Insurance Programme** under the HIB is a contributory social health insurance scheme which intends to cover all citizens on a mandatory basis with Government subsidization of contribution for poor households. HIB provides annual benefits of up to 100,000 rupees per family of five members. New members can be added with an additional 20,000 rupees for each person with maximum number of benefits available per year for 200,000 rupees. Elderly persons have a spending ceiling of 100,000 rupees plus

<sup>52</sup> The main source for the following section is the ILO, Forthcoming report on *Social Health Insurance Coverage in Nepal: Towards Universal Extension of Coverage*.

and an additional 100,000 rupees if diagnosed with any of the targeted severe diseases (ILO Forthcoming). Services are free at point of service, making it a cashless system (ILO Forthcoming).

- **Social Security Schemes:** include short-term protection for work-related risks under the SSF for a total contribution of 2.4 percent from workers and employers and include:
  - **Medical Care, Health, and Maternity Protection Scheme** includes two key provisions: Medical care that includes medical treatment of up to 100,000 rupees paid and up to 25,000 rupees for prescription medication in a year with a 20 per cent co-payment. The benefit also includes 12 days sick leave annually. Maternity protection includes one-month basic remuneration on birth, per child; and, one-month basic remuneration in the event of miscarriage after 24 weeks or still borne; the Medical Care, Health and Maternity Protection Scheme constitutes one per cent of the total contribution rate.
  - **Accident and Disability Protection Scheme** includes full treatment cost of work injury and/or occupational disease, a benefit of 60 per cent of basic salary until return to work in the case of temporary full disability and a lifetime monthly income of 60 per cent of basic salary in the case of full permanent disability (benefit reduced as appropriate for partial disability). The 'Accident and Disability Protection Scheme' constitutes 1.4 per cent of the total contribution rate.
  - **Safe Motherhood Programme** aims to reduce maternal and neonatal morbidity and mortality and improve maternal and neonatal health through preventive and promotive activities by addressing avoidable factors that cause death during pregnancy, childbirth, and postpartum period. The programme includes reimbursement to facilities for institutional delivery; iv) blood transfusions; v) emergency referrals, including air lifting; vi) abortion services; and vii) free sick newborn care. Administrative data for only institutional delivery and abortion services were available.

Figure 33 shows the distribution of beneficiaries/contributors across the three programmes where administrative data was available.



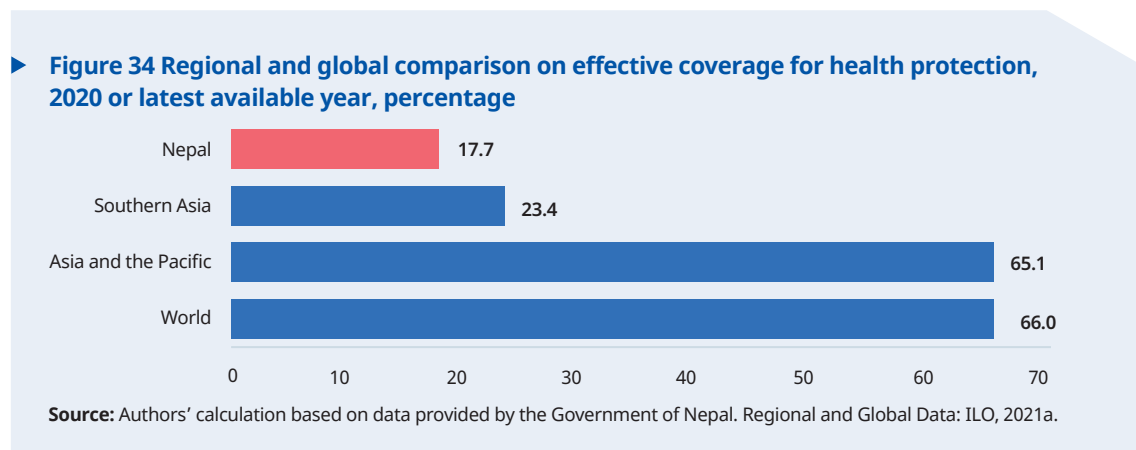
## 8.2 Coverage

### 8.2.1 Effective coverage

Despite impressive gains, universal health care coverage in Nepal is yet to be achieved. Coverage of social health protection is increasing rapidly, **but only 17.7 per cent of the population** is affiliated to a social health protection scheme, significantly below regional and global averages (see Figure 34 for details).

While the BHSP aims to provide universal access to basic health services, a recent assessment found that only three quarters of all health facilities in Nepal offer the full BHSP, which is an improvement from 2015, when only around 60 per cent of facilities offered the full package (Nepal, MoHP 2022). The effective coverage in terms of access of the BHSP by the population was not available in the preparation of this report. However, data for some of the package's components, such as the Safe Motherhood Programme, were available and are part of the analysis presented.

The introduction of the National Health Insurance Scheme has increased access to health protection to thousands of Nepalis since 2016-17. Participation in the HIB is mandatory for all, but contributions from low-income households are subsidized. The SSF offers a similar package of health benefits – which is also mandatory – but it is limited to the worker, except in a few circumstances. The low levels of coverage are also a result of the recent implementation of the two insurance programmes.



There are significant urban/rural disparities in geographical access and quality of care which has limited the attractiveness of social health insurance (ILO Forthcoming). According to the ILO (Forthcoming), for example, in 2012, only 34 per cent of Nepalese households had access to medical facilities within 30 minutes of their house. Issues around access is further exacerbated by the lack of quality care – in 2015, less than one per cent of public health facilities met minimum standards of quality care at point of delivery.

There is some level of gender equity in access to health protection with women comprising 55.2 per cent of the total beneficiaries/contributors.<sup>53</sup> However, the key driver for this is the Safe Motherhood Programme that targets women. When analysing contribution-based social protection only, women comprise 50 per cent of the total contributors receiving health protection – however, as outlined in the discussions on the protection of working age women, coverage under the SSF is tilted towards men as a reflection of inequalities in access to better jobs. The same is observed for the health protection component provided by the SSF.

## 8.2.2 Legal coverage vis-à-vis effective coverage

The Health Insurance Act, 2017 the Government has established entitlements to healthcare for the whole population. However, coverage rates are low given the recent implementation of the programmes with effective coverage reaching 15.06 per cent of the total population. Likewise, legal coverage of the health and accidental and disability schemes extends protection to all employed workers, which accounts to 3.75 per cent of the total population, compared to the 0.92 per cent effectively covered. In the other hand, the Safe Motherhood Programme is not rooted in law, and does not establish rights to access the programme.

<sup>53</sup> The authors summed the coverage of the three schemes, considering the reimbursement to health facilities of the Safe Motherhood Programme as the coverage of that programme. The authors assume little overlap between HIB, SSF and the Safe Motherhood Programme beneficiaries/contributors, as all three schemes reimburse the health facilities for the health expenditure incurred by the member – thus, particularly for the Safe Motherhood Programme, it is assumed that mothers delivering with support from the programme do not have coverage from the SSF or HIB, otherwise the Safe Motherhood Programme would not need to reimburse the health facility for the delivery, as the insurance programmes would be used for that.

### 8.3 Adequacy of benefits

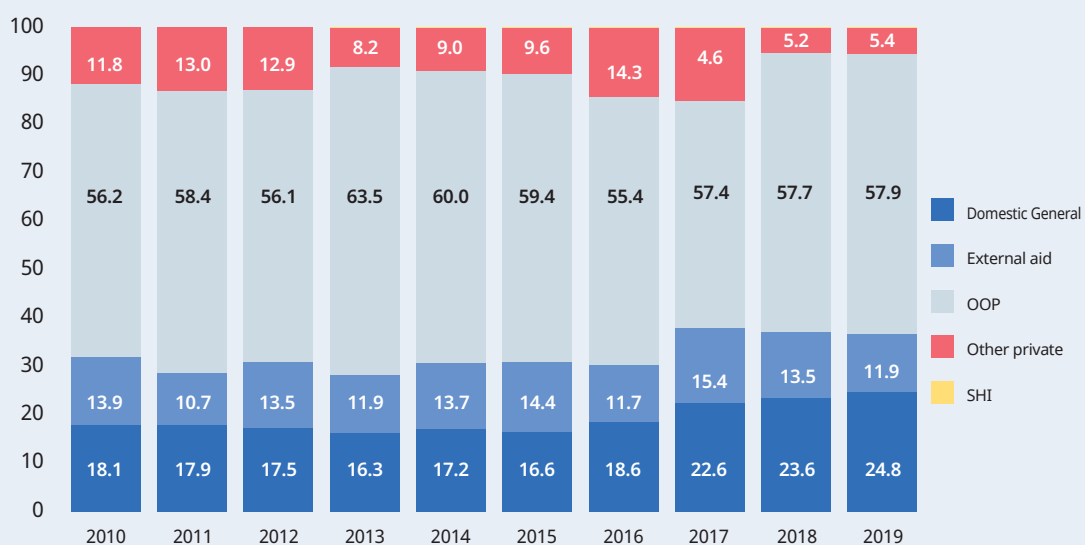
While the HIB schemes are comprehensive in terms of the scope of service covered, the imposed spending ceiling limits the financial protection provided by the scheme to families. *“Coupled with limited levels of financial protection, quality of services also hampers on the adequacy and responsiveness of benefits under HIB”* (ILO Forthcoming). Similar to the health insurance schemes under the SSF has a spending ceiling that limits protection available to contributors. The ceiling on medical treatment costs is not aligned to the key objective of this type of scheme, which is to prevent financial hardship due to medical care costs, especially catastrophic health expenditures. While the population share with household health expenditures greater than ten per cent of their total expenditure (SDG 3.8.2) has decreased since 2010, it still stands at a high level at 10.71 per cent (ILO Forthcoming).

In terms of quality of service and access, provision remains a weak point in the Nepalese health care system. Less than one per cent of public health facilities met the minimum standards of quality in 2015, and the different social health insurance schemes do not have quality criteria in place. Limited health staffing on public health facilities, and large inequalities of access between rural and urban areas also remain (ILO Forthcoming). The maternity and accident and disability entitlements meet the ILO minimum standards for social security.

### 8.4 Investments in health protection

Despite laudable efforts at extending health protection, there are significant financial burdens to access to health care (ILO Forthcoming). OOP expenditure in 2019 was almost 58 per cent of health expenditure and accounted for the largest share of health financing paid directly to health facilities (ILO Forthcoming). There are four main sources of funding of the health system in the country: (i) OOP expenditure; (ii) social security contributions; (iii) general government revenues from taxes; and, (iv) external aid (ILO Forthcoming). Free basic health care services are funded by taxes while social health insurance is funded through employer and employee contributions as well as government subsidies (ILO Forthcoming). While domestic public expenditure in the sector is growing as a share within total health expenditure, health insurance expenditure remains a small part of total expenditure as both HIB and SSF expenditures in health as still limited given the short time since their implementation and the time it will take to reach maturity of the schemes, both in terms of coverage and claims. See Figure 35 on the health expenditure across the different sources.

► **Figure 35 Health expenditure by source at different years, percentage**



Source: ILO, Forthcoming.

*“The current health profile of the country calls for additional investments in social protection notably through the universal provision of income security in times of ill health and pregnancy as well as essential health care services, including primary health care and maternity care” (ILO Forthcoming). Expenditure information for the Safe Motherhood Programme was not available due to the fact that the programme has been devolved to the local governments.*

## 8.5 Policy priorities and recommendations for building health social protection systems

- **Coordination between the HIB and the SSF institutions and leveraging their strengths is key to ensure complementarity and to reduce uncertainty and duplications between programmes.** Integration also broadens the risk pool and fosters cross-subsidization between all segments of the society, especially when the SSF will expand schemes to workers in the informal sector.
- Review benefit and contribution levels and perform actuarial calculations and conduct beneficiary and potential beneficiary surveys to determine adequate levels that respond to populations needs and ensure the sustainability and viability of the scheme (ILO Forthcoming).
- Moreover, the Government could conduct an analysis of the available data to consider the removal of spending ceiling limits of HIB and SSF’s health protection schemes to ensure adequate financial protection against health risks and prevent that catastrophic health expenditures are borne by individuals or households.
- The selection criteria for the subsidy of contributions to the HIB should be reviewed, as international experience shows that exclusion and inclusion errors, common with poverty targeting mechanisms, risk mislabelling poor households with no contributory capacity as not ‘ultra-poor’, excluding them from subsidies and thus deterring them to enrol in the HIB scheme. Irrespective of this, efforts to accelerate the registration of households without contributory capacity on the HIB should be pursued.
- The HIB and SSF should coordinate with the MoHP for the strengthening of the health work force, health service delivery as well as efficient leadership and management through increased incentives for staff retainment and recruitment, trainings as well as monitoring.
- Moreover, service quality monitoring mechanisms for health care providers registered with the HIB and SSF with should be strengthened to promote quality of care, reasonable cost of care, encourage efficient management of both public and private providers, and a user-friendly administrative system.



# 9. Conclusions

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The Government of Nepal is making robust strides to guarantee the constitutional right to social protection for all in the country. The establishment of several rights-based schemes, such as the SSA, the SSF and the National Health Insurance are strong foundations that are allowing the coverage of Nepal's social security system to expand quickly. Nonetheless, the country has set itself ambitious targets for the short and medium terms, while facing challenges to fully operationalize the legal coverage of schemes set in law and fiscal constraints that were further exacerbated by the COVID-19 pandemic and the several climate-related and natural shocks the country has endured over the past few years.

This report analysed Nepal's social security system from the lens of the national targets, and international standards and principles, and has identified the key coverage and adequacy gaps that remain to be addressed. At the same time, it also has identified several opportunities to extend the coverage, improve the adequacy and enhance the effectiveness and sustainability of existing programmes and the system. This final section summarizes the key take-aways from the report.

## 9.1 The social protection system of Nepal

- In 2020-21 about **32.9 per cent of Nepalis were covered by at least one social security benefit**, past the halfway mark to the national target of 60 per cent coverage by 2023-24. This is the result of recent efforts to expand the coverage of key programmes, such as the SSA and the HIB, and demonstrates that the Government's commitment towards extending social protection for all is gradually showing positive results.
- There are more than 70 social security programmes in operation in Nepal, implemented by several ministries and government agencies. A lack of coordination in policy design or schemes' operations between programmes has resulted in a loss of opportunities in creating a comprehensive and efficient social protection system. **A robust mechanism for coordination at the policy and operational spheres that involves the Government at all three levels is essential to improve the system's efficiency.**
- The majority of these programmes are not anchored in law, thus do not create rights nor guarantee schemes' long-term operations or sustainability.
- When observing the protection of specific groups or against specific risks, there are large disparities. More than 80 per cent of persons above the age of 60, and about two out of three children have access to at least one social protection benefit, while some vulnerable groups remain unprotected. **Only 0.8 per cent of mothers with new-born have access to income protection, and less than four per cent of workers are protected in cases of sickness, employment injury, or have access to ALMPs.**
- Measuring social protection coverage as per SDG Indicator 1.3.1 provides a more negative outlook. As per the indicator, only **16.9 per cent of the population in Nepal have access to any social protection**, where barely one in ten children have access to income protection. Improving the coverage of income protection schemes is essential to guarantee that people in Nepal will have security to overcome income shocks and to replace their earnings once they lose their capacity to work.
- From a life cycle and vulnerability perspective, the existing programmes cover most individual risks at least on a basic level – however, protection varies enormously through the life cycle.
- Protection against covariate shocks, such as natural disasters, climate- or economy related shocks, is still very limited and depends on humanitarian mechanisms to protect the population. **Nepal should invest in making the social protection programmes more shock-responsive** to quickly



channel support to individuals and families during emergencies – including setting up early and anticipatory response plans.

## 9.2 Social protection for children and families

- The coverage of children by social protection programmes is relatively high, with 65.7 per cent covered. However, **income support remains very limited with just 13.7 per cent of children accessing any cash benefits.** Increasing coverage of income support programmes for children, particularly by expanding the Child Grant under the SSA to all children, is essential for Nepal to facilitate them to access essential goods and services that allow their full development to achieve their potential.
- The income support provided to children remains limited for those aged naught to four years old. During school years, support is mainly provided through school meals and scholarships, aimed at improving school performance and attendance. However, **Nepal should continue to provide income support during school years to help prevent a series of risks for children, such as child labour or early marriage,** while further supporting them to stay in school and have a smoother transition into the labour market.
- Despite the relatively high coverage, social protection for children is far from providing adequate support – showcasing an investment per capita six times smaller than the national average. The benefit levels of the Child Grant are insufficient to provide substantial income security to families with children, and the small investments made on school meals restrict how nutritious and healthy the meals could be. Increasing investment in social protection for children will yield short- and long-term gains in terms of development and poverty reduction for Nepal and should be at the top of the country's development agenda.

## 9.3 Social protection for women and men of working age

- **Persons at working age have the lowest levels of social protection coverage in Nepal, with only 9.9 per cent having access to any type of social security benefit. Coverage is lower for younger workers** and increases gradually as they get older. On the other hand, women have slightly better coverage than men, but mainly for non-contributory programmes, which in general have lower benefit adequacy than **contributory schemes, that cover three times more men than women.**
- When observing protection against specific risks of the working age, **almost all new mothers do not have access to adequate income protection schemes,** leaving them vulnerable to losses in income and forcing many to choose between taking care of their new-born baby or returning to work early. Even women receiving income replacement for their maternity leave still depend on a combination of employers' direct payments and social insurance for their protection – **the maternity protection scheme offered by the SSF should fully substitute the employer liability obligations, making the full 14 weeks of maternity protection covered by social insurance.**
- Protection in case of sickness and work injuries remains limited to a very small number of workers. About **one third of persons living with disabilities have access to at least one social protection benefit, but adequacy of the support and issues on the identification of beneficiaries must be addressed** to improve the protection of the group.
- While approximately one in five unemployed had access to unemployment protection through the PMEPP, the programme does not provide regular income replacement and is limited on the number of beneficiaries it can take in. **Implementation of SSF's unemployment insurance should be considered sooner rather than later.**
- While coverage of the working age is mainly through non-contributory schemes, the extension of the social insurance schemes under the SSF is the most sustainable and feasible path to offer all workers and their families in accessing comprehensive social security. This should include **accelerating the extension of SSF's coverage by improving communications and implementing reforms to the schemes to better suit the needs and priorities of workers and employers,**

**while extending the legal and effective coverage of contributory schemes to workers in informal arrangements.**

- To allow the expansion of contributory social security, **adequate investments must be made to allow the SSF to operationalize fully the Contribution-based Social Security Act, 2017**, setting up sub-national level infrastructure, building institutional capacity and systems to effectively manage and implement the schemes. Improving the coordination between the SSF, EPF and HIB and as well as between SSF, PMEP, and SSA will also improve the effectiveness of the national social security system and facilitate workers and employers to better understand their rights and obligations.

## 9.4 Social protection for older women and men: Pensions and other non-health benefits

- **80.2 per cent of the population that is 60 years of age and above have access to social protection** through a mix of contributory and non-contributory schemes. Coverage is lower for those between 60 and 69 years old, but benefits reach almost 100 per cent of those above the age of 70, with women's coverage being consistently above that of men. This reflects the outstanding performance of the Old Age Allowances under the SSA, and a testimony of how universal programmes are effective in reaching those most in need.
- The introduction of contributory old age pensions through the SSF can further help close the coverage gaps and ease the need the tax financed SSA pensions in the future. **Coordination between the SSF and SSA pensions is essential to ensure benefit adequacy and ensuring long-term fiscal sustainability of non-contributory schemes.**
- However, the existing defined-contribution pensions and lumpsum payments do not offer predictable income security to workers. **The gradual reform towards a more predictable and equitable pension system should be explored. For instance, defined-benefit pensions should be considered.** The most effective way to ensure adequate protection for all older persons is through pension systems that effectively combines elements of non-contributory pensions and predictable and adequate contributory pensions, which can be further complemented by provident funds and saving schemes, within a **multi-pillar pension system.**

## 9.5 Towards universal health coverage

- Despite the fast expansion of the National Health Insurance Programme and the introduction of health protection for workers under the SSF, **only 17.7 per cent of the population has access to public social health protection schemes.** The limited coverage is compounded by issues of quality of health services and limited financial protection due to spending ceilings of HIB and SSF's insurances. **Expanding coverage of health insurance schemes should also be accompanied by the removal of spending ceiling limits** to ensure adequate financial protection against health risks and to prevent catastrophic health expenditures borne by individuals or households.
- **Coordination between the HIB and the SSF institutions is essential and must be pursued** to leverage their strengths, ensure complementarity, and reduce uncertainty and duplications between programmes. Integration also broadens the risk pool and fosters cross-subsidization between all segments of the society, especially when the SSF will expand schemes to workers in the informal sector.
- The HIB and SSF should coordinate with the MoHP for the **strengthening of the health work force, health service delivery as well to set up a service quality monitoring mechanisms for health care providers** to promote quality of care, reasonable cost of care, encourage efficient management of both public and private providers, and a user-friendly administrative system.

## 9.6 Social protection expenditure and financing

- Nepal's commitment to social protection is reflected on the levels of public investment in the sector,

**4.9 per cent of the GDP or 16.6 per cent of total government expenditure in FY 2020-21** – already above the target of 13.7 per cent set in the 15th Development Plan, but not achieving the coverage target.

- Almost half of the total expenditure is concentrated in Public Sector Pensions, which alone amounts to 2.1 per cent of GDP, but reaches about 273,000 beneficiaries – less than three per cent of the total population covered by social protection in Nepal. The gradual shift to a contributory scheme implemented from 2019 onwards will reduce the need for public resources for Public Sector Pensions, and facilitate reallocation of investment to other social protection programmes in the future.
- Other than the beneficiaries under the Public Sector Pensions, most groups of the population receive limited investments through social protection – with children receiving the least (only about six per cent of social protection expenditure), despite representing almost 60 per cent of the beneficiaries. **The Government should prioritize increasing the investment in social protection for children, particularly improving the adequacy levels of existing schemes and extending the coverage of income support programmes, such as the Child Grant.**
- Investments in older persons and those of working age are more adequate. Per capita expenditure on older persons (excluding the Public Sector Pensions) represents more than half of the MEB, while the per capita expenditure on the working age is about one third of MEB. **Increasing expenditure on these groups can be done primarily through the expansion of contributory social security,** which can simultaneously improve adequacy and comprehensiveness of protection while reducing the need for tax financed investments over time.
- Furthermore, considering the current levels of expenditure vis-à-vis the coverage levels of the population, it is difficult to assume that the Government will be able to fully close the coverage gaps solely with non-contributory schemes. Therefore, contributory schemes, such as those implemented by the SSF and HIB, are of utmost importance to continue the extension of social protection coverage in Nepal within a limited budget envelope. **Proper investments must be made to build the institutional capacities required to extend the schemes' coverage, and facilitate the participation of all, including those with lower contributory capacities** (for example, providing subsidies or contribution waivers).
- Nonetheless, **a detailed costing of the policy options for closing the coverage gaps and a rigorous fiscal space analysis must be conducted** to support the Government in moving towards a more balanced allocation of public resources in social protection, which remains sustainable and affordable. These will be the subjects of the follow up studies from this report.

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## ► Annex I: List of social protection programmes

The report relied on the pre-existing mapping of social protection programmes undertaken by the World Bank in the Public Expenditure Review report 2020. Of the 32 programmes, the authors identified 16 programmes for an in-depth review based on the following criteria:<sup>54</sup> (i) those with expenditure of over 1 billion rupees; (ii) those whose legal coverage represents a large segment of the population (broad coverage rather than narrowly targeted); and (iii) those with currently significant number of beneficiaries/contributors. While labour market programmes represented low expenditure and low effective and legal coverage of the total population, they were included in the analysis to understand existing gaps and barriers to protection during the working-age.

The 16 programmes were then cross-referenced against the stages in the lifecycle they aim to support and mapped against the monitoring guidelines for SDG indicators 1.3.1 and the social security branches defined in C102. The following table details the programmes with information on beneficiaries/contributors, expenditure, and assumptions on projection for disaggregated data where information was not available.

Programmes/schemes	Type	Brief description	No. of beneficiaries/contributors FY 2020-21 <sup>55</sup>			Expenditure millions rupees <sup>56</sup>	Assumptions on data projections, if any
			Total	Male	Female		
<b>Contribution-based social security programmes</b>							
1. Employees Provident Fund (EPF), Ministry of Finance	Income support	Provident fund based on contributions equivalent to ten per cent of a worker's salary from both the employer and the employees, with mandatory participation for public sector employees only. Contributors can withdraw a lumpsum of the contributed amount plus interest upon retirement or end of employment.	571 000	453 760	117 240	-	Disaggregated data by age and sex available.

<sup>54</sup> The assessment included retirement and other benefits under the overall Public Sector Pension and the Higher Education Scholarships under the University Grant Commission and Higher Education Reform Project under the Scholarships.

<sup>55</sup> Unless otherwise stated.

<sup>56</sup> Nepal, Ministry of Finance. 2021. Red Book 2077-78. Unless stated otherwise.

Programmes/schemes	Type	Brief description	No. of beneficiaries/contributors FY 2020-21 <sup>55</sup>			Expenditure millions rupees <sup>56</sup>	Assumptions on data projections, if any
			Total	Male	Female		
2. Social Security Fund (SSF), Ministry of Labour, Employment, and Social Security	Income support and health protection	Contributory social security schemes for private sector workers created by the Contribution-based Social Security Act, 2017. The four schemes in implementation include: (i) Medical, Health, and Maternity Protection Scheme; (ii) Accidental and Disability Protection Scheme; (iii) Dependent Family Protection Scheme (Survivor Pension); and (iv) Old Age Protection Scheme. The schemes are financed by a contribution of 20 per cent of a worker's salary from the employer and 11 per cent from the employee.	277 443	197 305	80 138	196.8 <sup>57</sup>	Disaggregated data by gender was available for the entire group of contributors and data by age group was only available for contributors who had updated their <i>know-your-customer</i> form. The authors calculated disaggregated data by age group and gender through a two-step process:  The authors used the available disaggregated contributors' data by age group to proportionally distribute total no. of beneficiaries across the various age group.  Once contributors by age was calculated, the gender disaggregation available for the entire group was used to calculate gender distribution for each age group.

<sup>57</sup> Administrative data from the Social Security Fund.

Programmes/schemes	Type	Brief description	No. of beneficiaries/contributors FY 2020-21 <sup>55</sup>			Expenditure millions rupees <sup>56</sup>	Assumptions on data projections, if any
			Total	Male	Female		
3. Public Sector Pension (includes retirement and other benefits), Ministry of Finance	Income support	Pension programmes for retired government employees who completed minimum years of service including civil servants (20 years), police (16 years), army (16 years), armed police force (20 years) and government teachers, university professors and some public enterprises.  Pension programme has become contributory for new employees joining service after Shrawan 1, 2076 (July 17, 2019), where workers and the government (as the employer entity) contribute six per cent each of the worker's salary to a defined-benefit pension.	273 172	194 614	78 553	90 771.2	Disaggregated data by age group was not available. The authors used the population distribution for ages 60 and above to proportionally disaggregate data by age group. Data by age group was available for the total number of male and female beneficiaries was used to calculate gender distribution across the age group.
<b>Health protection</b>							
4. National Health Insurance under the Health Insurance Board, Ministry of Health and Population	Health protection	Health insurance for all Nepali citizens with entitlement up to 100,000 rupees/member household/year.	4 516 694	2 175 498	2 340 629	5 018.0	Disaggregated data by broad age group and sex available.



Programmes/schemes	Type	Brief description	No. of beneficiaries/contributors FY 2020-21 <sup>55</sup>			Expenditure millions rupees <sup>56</sup>	Assumptions on data projections, if any
			Total	Male	Female		
<b>Social assistance (cash and in-kind)</b>							
5. Social Security Allowance Programme (SSA), Ministry of Home Affairs	Income support	Tax-funded cash transfer programmes that include five schemes: (i) Old Age Allowance; (ii) Single Women's Allowance; (iii) Disability Allowance for persons with full and severe disability; (iv) Endangered Ethnicity Allowance; and (v) the Child Grant	3 483 227	1 419 165	2 064 062	74 903.4	Disaggregated data by age group and sex available.
6. Scholarships (includes Higher Education Scholarships under the University Grant Commission and Higher Education Reform Project), Ministry of Education, Science, and Technology	In-kind support	Targeted scholarships for students between grade 1 and 12.	3 157 823 FY 2019-20			1 518.0 <sup>58</sup>	Distribution of beneficiaries by age group was calculated based on total number of students enrolled in ECD and PPE, lower basic, upper basic and secondary, and higher secondary education as per the School Sector Flash Report 2019-20. Disaggregated data by gender was not available.
7. Midday Meals, Ministry of Education, Science, and Technology	In-kind support	Provision of mid-day meals in schools to improve nutrition benefiting all children from early childhood development (ECD) – typically between the ages of 2 and 5, to grade 5 in all public schools. The Ministry of Education, Science and Technology (MoEST) delivers the school meals in 71 districts and the WFP covers the remaining six districts (McGovern-Dole Programme).	3 125 339 FY 2019-20	1 534 115	1 591 224	6 541.0 <sup>59</sup>	Disaggregated data by grade available and number of beneficiaries by the different age groups was derived as proxy from information on grade. Disaggregated data by sex available.
8. Food for Education (managed by WFP), Ministry of Education, Science, and Technology	In-kind support		156 410	73 670	82 740		Disaggregated data by broad age group and sex available.

<sup>58</sup> Scholarships are devolved and the total expenditure reported may not capture the full extent of the budget allocation for the programme.

<sup>59</sup> While budget details on the Food for Education Programme was available on Red book, the budget for school meals managed by the programme has been taken from their annual plan that included total allocation of 7.8 billion rupees. The authors calculated there was 6.2 billion rupees as expenditure given the budget utilization of the programme in the past ten years that has been on average above 80 per cent. The increase in the expenditure of the School Meals Programme from previous years has been due to the expansion of the programme to all public schools in the 77 districts.

Programmes/schemes	Type	Brief description	No. of beneficiaries/contributors			Expenditure millions rupees <sup>66</sup>	Assumptions on data projections, if any
			FY 2020-21 <sup>65</sup>				
			Total	Male	Female		
9. Safe Motherhood Programme, Ministry of Health and Population	Income support and health protection	The aim of the programme is to reduce maternal and neonatal morbidity and mortality and improve maternal and neonatal health through preventive and promotive activities by addressing avoidable factors that cause death during pregnancy, childbirth, and postpartum period. The programme includes: (i) cash transfers to mothers as transportation cost for four antenatal visits, delivery at health facilities, and one postnatal visit; ii) reimbursement to facilities for institutional delivery; iv) blood transfusion; v) emergency referrals, including air lifting; vi) abortion; and vii) free sick new-born care.	336 417 FY 2019-20	-	336 417	N/A <sup>60</sup>	Disaggregated data by age group calculated based on age specific fertility rate for that specific age group times the total number of beneficiaries.
10. Prime Minister Employment Programme, Ministry of Labour, Employment, and Social Security	Income support	Minimum Employment Guarantee Programme aiming to provide at least 100 days of employment or a subsistence allowance (50 per cent of total wage for unworked days) for those registered as unemployed.	172 879	90 320	82 545	2 240.8	Disaggregated data by age group and sex available.

<sup>60</sup> The programme has been devolved to the local level and aggregated expenditure data was not available at the time the report was prepared.

Programmes/schemes	Type	Brief description	No. of beneficiaries/contributors FY 2020-21 <sup>55</sup>			Expenditure millions rupees <sup>56</sup>	Assumptions on data projections, if any
			Total	Male	Female		
<b>Labour market programmes</b>							
11. YSEF Fund, Ministry of Youth and Sports	Active labour market support	The fund provides collateral free loans up to 500,000 rupees for self-employment activities, which should be in commercial agriculture, agro-based industries, or service sector, available to all unemployed aged between 18 to 50 years.	17 039 FY 2017-18	8 712	8 327	122.9	Disaggregated data by age group derived based on unemployment rate for that specific age group times the total number of beneficiaries. Disaggregated data by gender available.
12. EVENT II, Ministry of Education, Science, and Technology	Active labour market support	The programme aims to expand the supply of skilled and employable labour by increasing access to quality training programmes, and by strengthening the technical and vocational education and training system in Nepal. It provides skills training and access to apprenticeships and job placements.	11 379	944	10 430	1 495.9	Disaggregated data by age group and sex available.

## ► Annex II: Method of computation of coverage ratios

This annex discusses the various methods of computation of coverage ratios, expenditures, and adequacy values.

### Coverage ratios

The coverage of programmes was measured against the following ten categories (i) proportion of population covered by at least one social protection benefit; (ii) proportion of children covered by social protection benefits; (iii) proportion of women giving birth covered by maternity benefits; (iv) proportion of persons with disabilities receiving benefits; (v) proportion of unemployed receiving benefits; (vi) proportion of the population with access to sickness and employment injury; (vii) proportion of older persons receiving a pension; (viii) proportion of vulnerable persons receiving benefits; (ix) proportion of population with access to health protection; and, (x) proportion of population covered by active labour market schemes. The calculation methods for the different categories were adapted from the SDG indicator metadata (UN, 2022) for SDG indicator 1.3.1. Table i includes detailed methodology for the calculation of the coverage ratios.

In addition, the report also reported coverage based on three broad age groups: children (0-14); working age men and women (15-59); and older persons (60+). For each case, coverage was expressed as a share of the respective population.

► **Table i : Computation of coverage ratios.**

Indicators/categories	Numerator	Denominator <sup>61</sup>
<b>Social protection for the entire population</b>		
1. Proportion of population covered by at least one social protection benefit.	Population receiving cash or in-kind benefits.  <i>Contributory and non-contributory (cash or in-kind benefits).</i>	Total population.
2. Proportion of persons with disabilities receiving benefits.	Beneficiaries of disability benefits	Persons with disabilities.
3. Proportion of vulnerable persons receiving benefits.	Total number of beneficiaries receiving non-contributory cash and in-kind benefits.	Total population minus those contributing to social security and receiving public sector pensions.
<b>Social protection for children</b>		
4. Proportion of children (0-14) covered by social protection benefits.	Number of children receiving cash or in-kind benefit support.	Total number of children between the ages of 0 and 14.
<b>Social protection for women and men of working age</b>		
5. Proportion of women and men of working age (15-59) covered by social protection benefits.	Number of women and men of working age receiving cash, in-kind benefit, or active labour market support.	Total number of women and men of working age between the ages of 15 and 59.

<sup>61</sup> Nepal, Central Bureau of Statistics, *National Population and Housing Census 2011(Population Projection 2011-31)*, 2014 unless specified otherwise.

Indicators/categories	Numerator	Denominator <sup>61</sup>
6. Proportion of women giving birth covered by maternity benefits.	Number of women giving birth receiving maternity cash benefit. <sup>62 63</sup>	Women giving birth.  <i>Based on age-specific fertility rates and population by sex.</i>
7. Proportion of unemployed receiving benefits.	Contributory and non-contributory. Number of unemployed people receiving cash benefits or with access to active labour market interventions.	Number of unemployed persons.  <i>Based on Nepal Labour Force Survey 2017/18.</i>
8. Proportion of population with access to sickness and employment injury.	Number of persons covered against sick and employment injury. <sup>64</sup>	Number of people in the labour force.  <i>Based on Nepal Labour Force Survey 2017/18.</i>
9. Proportion of population covered by active labour market schemes.	Number of persons with access to labour market programmes.	Number of people in the labour force  <i>Based on Nepal Labour Force Survey 2017/18.</i>
<b>Social protection for older women and men</b>		
10. Proportion of older persons (60+) receiving a pension.	Number of older persons receiving old-age contributory and non-contributory pension.	Total number of older persons that are 60 years and over.
<b>Towards universal health coverage</b>		
11. Proportion of the population with access to health protection.	Number of persons receiving social health protection and affiliated to the health system.	Total population.

## Adequacy and value of transfer

The study also provides assessment on the adequacy of each of the programmes, where information is available. The authors relied on the Minimum Expenditure Basket (MEB) and the Multipurpose Cash Transfer Value Technical Note produced by the Cash Coordination Group, Nepal in 2020, to use as measure to compare the value of transfer.

The value of the transfer of the programme/month/beneficiary was used as a measure to understand adequacy levels for each programme.

<sup>62</sup> The calculation does not include the transportation subsidy provided by the Safe Motherhood Programme because although the programme provides cash support for women to incentivize institutional delivery, ante-natal care, and one pre-natal care, it does not provide financial support after birth nor serve as an income replacement mechanism.

<sup>63</sup> The calculation also does not include the number of workers covered solely by the maternity leave as employer liability (as per the Labour Act), as there is no verifiable data on the number of women effectively benefiting from the provision. Moreover, for the monitoring of the category under SDG indicator 1.3.1, the international practice has been to not consider employer liability provisions as effective coverage.

<sup>64</sup> The calculation does not include the number of workers covered solely by sickness leave as employer liability (as per the Labour Act), as there is no verifiable data on the number of workers effectively benefiting from the provision. Moreover, for the monitoring of the category under SDG indicator 1.3.1, the international practice has been to not consider employer liability provisions as effective coverage.

Programmes/schemes	Value of the transfer	Source/comments
<b>Contribution-based social security programmes</b>		
1. Employees Provident Fund (EPF).	NA	EPF provides a lumpsum amount at the time of termination of employment and as such does not constitute a regular benefit.
2. Social Security Fund (SSF).	NA	
3. Public Sector Pension (includes retirement and other benefits).	Replacement rate is estimated to be above 40 per cent. For those categories of workers completing the minimum period of 20 years of service, the estimated replacement rate is of 50 per cent.	
<b>Health protection</b>		
4. National Health Insurance under the Health Insurance Board	NA	
<b>Social assistance (cash and in-kind)</b>		
5. Social Security Allowance Programme.	<ol style="list-style-type: none"> <li>1. Child Grant: 532 rupees/month/beneficiary.</li> <li>2. Disability Allowance for full disability: 3 990 rupees/month/beneficiary.</li> <li>3. Disability Allowance for severe disability: 2 128 rupees/month/beneficiary.</li> <li>4. Endangered Ethnicity Allowance: 3 990 rupees/month/beneficiary.</li> <li>5. Single women allowance: 2 660 rupees/month/beneficiary.</li> <li>6. Old Age Allowance (60-69): 2 660 rupees/month/beneficiary.</li> <li>7. Old Age Allowance (70+): 4 000 rupees/month/beneficiary.</li> </ol>	Value of transfer of the programme.
6. Scholarships (includes Higher Education Scholarships under the University Grant Commission and Higher Education Reform Project).	33 rupees/month/beneficiary.	2019 World Bank Report on <i>Public Expenditure Review</i> .
7. Midday Meals	390 rupees/month/beneficiary.	Authors relied on the World Bank report on <i>Public Expenditure Review</i> , that costed the midday meals on average of 15 rupees per meal per day provided each day throughout the school year (World Bank 2021). In a given month, with an average of 26 school days, the value of transfer was computed at 390 rupees/month.
8. Food for Education (managed by WFP).		
9. Safe Motherhood Programme.	1,000-3,000 rupees for transportation, depending on the location (the Terai region offers lower transfer amounts, while the Mountain regions provide the maximum transfer amount).	Value of transfer of the programme.

Programmes/schemes	Value of the transfer	Source/comments
10. Prime Minister Employment Programme.	577 rupees/day, up to 100 days of work per year.	The authors relied on the national minimum daily wage as benchmark for the daily transfer amount. Based on this, each beneficiary would receive wages equivalent to 100 days for a total of 57,700 rupees per year, or 4 808 rupees/month.
<b>Labour market programmes</b>		
11. YSEF Fund	NA	Determining the value of services provided under the labour market programme was not possible with the information available.
12. EVENT II	NA	

## Public expenditure

Public expenditure on social protection measures were reviewed for non-contributory and active labour market programmes, given that expenditure for contributory measures is from workers and employers. Calculation for public expenditure included administrative expenditure, where information was available.

Indicators/categories	Numerator	Denominator
<b>1. Expenditure</b> : Total expenditure on social protection as a percentage of GDP.	Total expenditure on social protection programmes (including administrative expenditure, where available). <i>Redbook, Ministry of Finance.</i>	Gross Domestic Product (GDP). <i>Central Bureau of Statistics.</i>
<b>2. Annual average investment per beneficiary</b>	Total expenditure (including administrative expenditure).	Total number of beneficiaries.

Social protection is at the forefront of the development agenda in Nepal, given its positive social and economic impacts. In addition to the Constitution of 2015 recognizing social security as a right to all citizens in Article 43, the 15th National Development Plan sets the goal “...to make social security and protection sustainable, universal, and accessible, for the implementation of civil rights and to strengthen the trust of citizens towards the state.” The Plan sets ambitious targets to achieve its goals, including covering 60 per cent of the population with basic social protection schemes and the allocation of 13.7 per cent of the national budget for social protection by Fiscal Year (FY) 2023-24. At the same time, the Plan also acknowledges the limitations of the existing system including low levels of coverage, fragmentation between programmes, and lack of an overarching framework to better coordinate the sector.

The key objective of the report is to assess existing protection gaps based on the analysis of social protection programmes in implementation in Nepal. Key aspects covered include: analysis of coverage (effective and legal); the adequacy of benefit levels; and public investment and expenditure. The analysis also discusses how Nepal’s progress compares with other countries in the region and globally. The report provides a set of recommendations to close the coverage and adequacy gaps in the system and to move towards achieving Government targets for the sector and the sustainable development goals. This report is part of a series of studies on the potential pathways to extend social security for all in Nepal within a sustainable fiscal framework under the European Commission-Directorate-General for International Partnerships financed project on *Enhancing Social Protection System: Towards Investments for Results in Nepal*.

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