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# Around the World: A Look at Nepal's Unconditional Child Grant Program and How Universal Cash Grants Can Provide Social Protection for Children Around the World

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# *Around the World:* A Look at Nepal's Unconditional Child Grant Program and How Universal Cash Grants Can Provide Social Protection for Children Around the World

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## I. Introduction: Nepal's Child Grant Program

Almost half of the world's population—over three billion people—live on less than $2.50 per day. Children make up one-third of this statistic. Not only is living in poverty detrimental to a child's physical, social, and educational development, but it is also deadly. According to the United Nations International Children's Emergency Fund (UNICEF), 22,000 children die each day due to poverty. For those who survive, the effects of poverty are oftentimes difficult, if not impossible, to overcome later in life. For example, undernutrition can permanently impact a child's growth, resulting in stunting and reduced mental development. Further, a lack of education has a strong impact on a child's lifetime earnings. The extent, depth, and consequences of childhood poverty requires an appropriate policy response that is directed at improving the conditions and opportunities for children living in poverty.

One such policy response is cash transfer programs, or programs that provide monetary transfer to poor families. These have become among the most important anti-poverty programs in some countries around the world. The programs are aimed at achieving the dual goal of breaking the cycle of poverty for an individual family while also alleviating poverty within the community at large. To achieve these goals, cash transfer programs employ a variety of objectives that intend to support both children and their families. Typically, cash transfer programs incorporate a variety of objectives into their policies to support children. These objectives may include, facilitating and encouraging the employment of mothers, discouraging child labor and encouraging school attendance, and supporting and facilitating household investment.

In 2009, Nepal developed its own cash transfer program to support vulnerable children and improve children's nutritional outcomes. The program is called the Child Grant Program. In Nepal, the poverty rate for children under the age of five is 36%, and as many as 80% of children under the age of five live in households with a total per capita consumption of less than NRs 40,000 ($374 USD) per year. Thus, when Nepal first developed this program, it specifically targeted children under the age of five who lived in the remote area of Karnali or those who belonged to a marginalized group called Dalits. Under this program, mothers of eligible children receive an unconditional cash transfer of NRs 1,600 ($14 USD) every four months to cover some of their most basic needs. Since its inception, the Child Grant Program has led to dramatic increases in birth registration rates and has improved the ability of vulnerable families to buy food, clothes, and other basic needs.

In 2016, Nepal made a commitment to expanding the Child Grant Program beyond the initially targeted groups and to doubling the benefit level. To date, the Child Grant Program has reached over 560,000 children in the eight most deprived districts in Nepal. Given the success of the program, the government is now considering accelerating its expansion to reach every family with children under the age of five in three years.

## II. Improving Children's Future: The Positive Impact Cash Transfers Have on Children's Lives and Beyond

While Nepal is not the first to develop a cash transfer program, it is unique in that it offers families who qualify an unconditional payment. Unlike conditional cash transfers, which provide payment in exchange for a commitment to keep children in school or provide them with basic medical care, unconditional transfers are not contingent on any obligation by the family. Instead, unconditional transfers are time-bound and are given to households who make spending decisions consistent with their basic needs. The rationale behind conditional cash transfer programs is that requiring families to commit to a specific health or education obligation will result in better outcomes and improvements in these areas of a child's life. The data, however, suggests that the existence of conditions does not necessarily lead to better results compared to those who receive an unconditional cash transfer.

The lack of disparity between conditional and unconditional cash transfer lends credence to the overall nature of these types of programs: monetary grants are an effective policy tool that help families sustain and survive in the face of poverty. More importantly, cash transfer programs have a positive impact on several aspects of children's lives. Further, a country's decision to invest in the lives of children has long-lasting effects that go beyond the present and extend to the community at large.

One important area in which cash transfers have the greatest impact is nutrition. These programs have a positive impact on children's diets and sustenance because they provide households with additional resources to meet families' food, health, and other needs. For example, cash transfer programs lead to more diverse and nutrient-rich diets, as families are able to buy healthier and non-staple food items. This, in turn, helps children become stronger and healthier, as evidenced by reductions in growth stunting and higher birth rates in countries that have adopted cash transfer programs that are similar to the one in Nepal.

Cash transfer programs also help remove financial barriers to accessing education. Even in contexts where education is free, cash transfers help relieve families from additional out-of-pocket costs for school-related expenses, such as travel, books, and uniforms. Further, cash transfer programs have also been shown to increase enrollment and attendance in both primary and secondary schools.

Beyond the direct positive impacts that cash transfer programs have on children's lives, they also can have a greater impact on economic growth. Evidence shows that cash transfers increase individual and household activity by increasing innovation and risk taking, enabling the accumulation of productive assets, and influencing labor force participation. Overall, the commitment to invest in children through cash transfer programs represents a major financial investment in building stronger generations and creating a better future for a country as a whole.

## III. THE IMPORTANCE OF DESIGN: FACTORS THAT AFFECT THE EFFECTIVENESS OF CASH TRANSFER PROGRAMS

The extent to which cash transfer programs have a positive impact on nutrition, education, and the wider economy depend on the design and quality of implementation of the program. Three important factors of cash transfers include: the amount of the cash transfer, the frequency and predictability of the transfer, and its timing and duration.

The amount of cash distributed to recipients in any cash transfer program is a critical determinant of the success and impact of the program. Higher transfer amounts are associated with greater improvements in household and food expenditure; increased savings and investment in productive assets; and larger primary and secondary school enrollment. In Nepal, the Child Grant was found to be too small—equaling just 12% of the per capita poverty line which, itself, equates to the bare minimum for basic needs—to make a big difference in households' overall economic status. While the government made a commitment to double the grant amount, it remains to be seen whether it is feasible, as well as sufficient to achieve sustained impacts for children.

Further, frequency and predictability also impact the effectiveness of cash transfer programs. Frequent and predictable cash transfers facilitate consumption and spending on smaller assets. If cash transfers remain predictable over a longer term, individuals are more encouraged to make larger investments in assets and human capital. On the other hand, ad hoc or lump-sum payments at critical moments aid in important investments in household assets. Regardless of frequency, the effectiveness of cash transfer programs is greatly hindered if payments are irregular or absent all together.

Finally, the timing and duration of cash transfers are also important characteristics. For cash transfers to be most beneficial to children, early intervention is crucial. This is because the most critical period for children's nutrition and development is the period between conception and the child's second birthday. For example, a review of South Africa's Child Support Grant found significant differences in children's schooling outcomes, work, and risky behaviors based on whether the child received grants early enough in life.

## IV. Conclusion

The data on cash transfer programs, like Nepal's Child Grant Program, suggests that cash transfers are an effective policy tool in reducing child poverty. By giving families the resources they need to properly invest in their children's lives, countries who employ cash transfer programs are helping to interrupt the vicious cycle of poverty. Of course, cash transfers alone are not effective. In order for families to be able to fully benefit from these programs, countries must be committed to investing in basic services, including water, education, housing, health, and transportation, to ensure that they are adequate and accessible for families hoping to spend their cash transfer on such services. Nonetheless, countries, like Nepal, who have chosen to take a stand against poverty and invest in children, demonstrate a commitment to not only working to improve the life of an individual child, but also a commitment to improving society as a whole. This is exactly the type of policy response the world needs to overcome poverty.

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