Social Inclusion and Social Protection in Nepal

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Abstract

This PhD thesis explores the contribution of social protection to building an inclusive state in the post-conflict democratic era in Nepal. However, it has found useful insights into the issues of state-building, social inclusion, post-conflict recovery, and donor relations that are so germane to the issues of development in fragile and conflict-affected states. The theory of adverse incorporation and social exclusion is combined with political settlements to provide the theoretical framework.

A grounded theory methodology is used to understand the roles of different actors including development partners, civil servants, politicians, the private sector, trade unions, journalists, academics and how recipients of five government funded cash transfers perceive these funds and view their own sense of citizenship. "Inclusivity" cannot only be understood from the top – the view of the state. Citizens play a role in state building and 'inclusion' involves perceptions and experiences. Researching the relationship between social inclusion and social protection enabled a focus on the subjective and experiential aspects of structural discrimination, rather than the more traditional focus on the material dimensions of deprivation.

Since Nepal's 10-year conflict ended in 2006, social inclusion is a political discourse and policy response that is meant to overcome centuries of discrimination based upon caste, ethnicity, religion, gender, and region. However, the current "social inclusion agenda", understood to mean affirmative action, federalism and inclusive democracy, is contested. The research reveals the nature of the political settlement and how it has changed from what was reached immediately post-conflict. Limitations towards constructing a democratic welfare state is shown to be imposed by clientelistic and patronage-based party politics which continue to dominate the political landscape in the country, despite the civil war and democratic transition. This changing socio-political landscape reveals the state to be fragmented and exclusive, as is the rest of society.

Social protection in Nepal cannot be separated from the broader struggle to achieve a more inclusive *naya* (new) Nepal. Some of the major transformative structural change initiatives undertaken in Nepal such as affirmative action and federalism have immense significance to Nepal's excluded groups and provide the background against which social protection (a

specific set of instruments), its evolution and its stalling must be understood. Detailed and comprehensive insights into the political struggles in Nepal post-conflict and the structural and procedural challenges of building a more inclusive society are revealed. The thesis provides evidence on how a development approach such as social protection could make a contribution to inclusive state building (understood as the social inclusion agenda in Nepal) and how social protection is connected to the political settlement.

What emerges from the research is insights into how structural and practised forms of exclusion are reproduced and changed, and the roles of the different actors involved. It gives a sense of the pace of change and the time required to build an inclusive state and a realistic understanding of how social protection may contribute to social inclusion and state building in a post-conflict, traditionally exclusive state transitioning from a monarchy to a federal democratic republic.

Acknowledgements

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List of Abbreviations

ADB	Asian Development Bank
ANTUF	The All Nepal Federation of Trade Unions
BOG	Basic Operating Guidelines
CA	Constituent Assembly
CCT	Conditional cash transfer
CEDPA	The Center for Development and Population Activities
CNRI	The Contemporary Nepal Research Institute
CPA	Comprehensive Peace Agreement
CPIA	Country Policy and Institutional Assessment
DDC	District Development Committee
DFID	Department for International Development
FEDO	The Feminist Dalit Organisation
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FPTP	First-past-the-post
GBV	Gender-based violence
GDP	Gross Domestic Product
GEFONT	General Federation of Nepalese Trade
GESI	Gender equality and SI
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNI	Gross national income
GoN	Government of Nepal
GT	Grounded theory
HDI	Human Development Index
HDR	Human Development Report
HDSPP	Human Development Social Protection Pilot
HR	Human resources
ICG	International Crisis Group
ILO	International Labour Organisation
INGO	International non-government organisation
IRO	Inland Revenue Office
KDC	Karnali Development Commission

KTM	*The Kathmandu Post*
LDC	Least developed country
LDO	Local development officer
LGCDP	Local Governance and Community Development Program
LSSCC	Local Social Security Coordination Committee
MEI	Multidimensional Exclusion Index
MoF	Ministry of Finance
MoFALD	Ministry of Federal Affairs and Local Development
MoGA	Ministry of General Administration
MoL	Ministry of Labour
MoLT	Ministry of Labour and Transport
MoWCSC	Ministry of Women, Children and Social Welfare
MSII	Multidimensional social inclusion Index
MTS	Management Test Survey
NC	Nepali Congress
NEFIN	Nepal Federation for Indigenous Nationalities
NEPAN	Nepal Participatory Action Network
NGO	Non-government organisation
NLSS	Nepal Living Standards Survey
NPC	National Planning Commission
NSPF	National Social Protection Framework
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OPM	Oxford Policy Management
PAF	Poverty Alleviation Fund
PLA	People's Liberation Army
PLS	Plain language statement
PM	Prime minister
PR	Proportional representation
PRSP	Poverty Reduction Strategy Paper
PSC	Public Service Commission
RC	Resident coordinator
SDC	Swiss Agency for Development and Cooperation
SIAG	Social Inclusion Action Group

SLRC	Secure Livelihoods Research Consortium
SNV	Netherlands Development Organisation
SPA	Seven Party Alliance
SPF	Social Protection Floors
SPTT	Social Protection Task Team
SSDCC	Social Security District Coordination Committee
SSF	Social Security Fund
SSOP	Social Security Operational Procedures
TA	Technical assistance
TI	Transparency International
TOR	Terms of reference
TYP	Three Year Plan
UCPN	Unified Communist Party of Nepal
UML	Unified Marxist Leninist
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDAF	UN Development Assistance Framework
UNDP	UN Development Program
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples
UNICEF	United Nations Children's Fund
UNMIN	UN Mission in Nepal
VAT	Value-added tax
VDC	Village Development Committee
WFP	World Food Program
WHO	World Health Organisation

Chapter 1: Thesis Introduction

This thesis explores the contribution of social protection to building an inclusive state in Nepal. Nepal presents a timely case study to explore the research question. A ten-year civil war brought the plight of Nepal's traditionally excluded groups into policy. A once exclusive state reached a new political settlement with new political actors to end the conflict in 2006. Since the signing of the Comprehensive Peace Agreement (CPA), everyone talked about building a '*naya* [new] Nepal' that was democratic and inclusive. The 2006 CPA preamble discussed a commitment to 'a progressive restructuring of the state to resolve the existing problems based on class, caste, region and sex.' The 2007 Interim Constitution committed Nepal to become an inclusive, multi-ethnic, and equitable state. In fact, social inclusion was analogous with building a federal democratic republic, at least in the initial post conflict years.

Social protection is an area of social and economic policy involving cash and in-kind transfers and social security for workers. 'Welfare' in higher income countries is considered 'social protection' in low-income countries and is relatively new. It has increased in popularity since 2000 as a credible international development instrument but the broader development potential of social protection in terms of synergies, spill over and multiplier effects is still being understood (Kabeer 2009c:34). How social protection instruments like cash transfers can be used to overcome durable problems of exclusion and inequality in countries with deep, historical forms of exclusion is unknown. Thus Nepal presents a useful proposition to study social protection and inclusive state building.

Social inclusion is understood as a policy manifestation of a broad, post-conflict social and political agenda as well as extensive political struggle. The issues have deep historical roots in caste, class, and other structures of social distinction. The social inclusion project in Nepal is also situated within a setting of aid dependence and popular demands for economic and social development. The changing political landscape from personalised power relationships to a more democratic system suggests that the social inclusion project will face challenges. Moreover, the social inclusion project directly confronts the traditional and hierarchical social and religious stratification system that has dictated social, state and political relationships.

Even those citizens that fought with the Maoists for a modern, equitable state may find certain aspects of the social inclusion project confronting.

Social protection can be expected to contribute to social inclusion in Nepal. The caste system dictates who has power and wealth and even the right to speak. Nepal is also a Least Developed Country. Poverty and gross inequalities are endemic to the old Nepal. Post-conflict *naya* Nepal promises to build an inclusive state. Therefore, many policies and programs, such as social protection instruments, implemented during this changing structural context would incorporate the inclusive state-building agenda. For these reasons, social protection in Nepal cannot be separated from the broader struggle to achieve a more inclusive *naya* Nepal. The evolving 'inclusive' political settlement in Nepal represents the detailed context within which social protection efforts must be interpreted.

Nepal remains on the World Bank's Fragile State List[1] and the peace process at various times has been described as 'stalled', 'failing' and at a 'political impasse' (see ICG reports). Despite the Unified Communist Party of Nepal (Maoist)[2] party gaining a majority in the 2008 Constituent Assembly (CA) elections, Nepal's 2013 election brought the traditional conservative Nepali Congress (NC) party back into power, along with many former politicians from the conflict years. This signified a shift away from the inclusive political settlement reached at the end of the conflict. This thesis provides timely research as it reflects on some of the ways social inclusion was attempted during the peace process, how it was undermined, the role different actors from development partners to trade unions played in this transformation and what contribution, if any, social protection made. In fact, the focus on social protection enables a deeper understanding of the way the state and society functions and how exclusion is reproduced. This thesis is set within the fluid context of a changing political settlement and demonstrates how affirmative action, federalism and social protection have the ability to maintain or challenge elite bargains.

In order to answer the research question, two additional subsidiary research questions are needed that are unique to Nepal – in what ways can social inclusion be achieved in a

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[1] According to the World Bank (2014), 'fragile situations' have either a) a harmonised average Country Policy and Institutional Assessment (CPIA) country rating of 3.2 or less (in FY14 Nepal had 3.27), or b) have had the presence of a UN and/or regional peace-keeping or peace-building mission during the past three years.

[2] Known commonly as 'the Maoists.'

traditionally exclusive, low-income post-conflict state? A comparison of other social policy approaches is necessary in order to situate the contribution of social protection. Additionally, what does building an inclusive state mean in post-conflict Nepal? It appears to mean different things to different people and is highly contested. It is important to understand the way redistribution through cash transfers may help build an inclusive state in Nepal because many other efforts at social inclusion have been undermined.

A phased approach was taken to data collection to enable critical reflexivity and improved reliability in terms of the grounded theory methodology. From July 2012 to February 2014, sixty-six key informants were interviewed (50 Nepalese and 16 foreigners, 41 males, 25 females) predominantly residing in Kathmandu. Key informants included, elite decision-makers, policy influencers, political cadres, politicians, journalists, academics, non-government employees, private sector employees, trade unions and development partners (foreigners or Nepalese). Data was also collected in the district of Sarlahi over a two-week period in January 2014. A total of 48 cash transfer recipients[3] were interviewed, plus nine local level informants and 14 non-recipients. Half of the recipient respondents were Dalit. A mix of in-depth, open-ended questions and surveys were conducted. The grounded theory methodology uses 'theoretical sampling' to identify respondents and codes the data for emerging themes.

Chapter two reviews the literature on social protection and social exclusion and inclusion and the ways it can be resolved. It includes literature on citizenship, states, affirmative action and federalism. The social protection literature focuses mainly on poverty and how it is alleviated through cash transfers and other social protection approaches, rather than discussing the ways social protection may assist to overcome some of the structural problems that cause inequality and exclusion. By focusing on social inclusion and how it contributes to social protection in Nepal, a richer appreciation about the way cultural differences come to be policed and enforced through public policies is gained because even when these policies have the official intention to protect groups from crises or life cycle factors, they can be undermined. The notion of citizenship can help to highlight how people are both constrained and enabled by structures (McGregor 2004:343).

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[3] Recipients received either: the child grant; widow's allowance; old age allowance; endangered indigenous allowance; or the disability allowance.

While the state building literature tends to use the term 'horizontal inequalities', the literature on inclusive state-building is in fact about social inclusion and the need to better understand different social groupings and how to incorporate them into new state structures. In terms of understanding what contribution social protection can make to inclusive state building, the literature is scarce and contradictory. While there is considerable literature on social protection in fragile and conflicted affected states heavily reliant on donor assistance such as in Africa and elsewhere, these countries do not have a caste system and have very different historical experiences of political reform and state building to Nepal. While the literature on social protection in Nepal is embryonic, it does suggest a relationship with social inclusion exists.

Chapter three explores the way the theoretical framework of adverse incorporation and social exclusion can assist in analysing and collecting data. The theoretical framework applied in this thesis also includes political settlement typologies. There are various ways that groups wield power in Nepal and this will impact on: development initiatives such as social protection and social inclusion; the actors involved; and how decisions are made. Institutions and the policies they implement, including social protection and social inclusion, may function to maintain the advantage of a particular patron-client network. A political settlements framework can illuminate why a state chooses to protect its excluded citizens because it examines the interests of power that impact on, and interact with, the state. Overcoming historical exclusion in a highly stratified state like Nepal will take time and different initiatives. The way welfare regimes and political settlements interact is still unknown.

Chapter four covers the methodology. Social inclusion is a complex lived experience. The purpose of developing a theory of social inclusion, and the ways in which social protection may contribute from the ground up, rather than just testing a hypothesis, conducting quantitative research over time or engaging in more general abstract theorising, is that the process of inclusion needs to be deeply understood. A methodology that looks for averages will not be appropriate in this study. A grounded theory approach is useful when exploring events and processes as it focuses on identifying key components and categories of phenomena and their relationship. The subjectivity of the researcher is overcome in grounded theory by testing the theories identified from the data analysis with participants and allowing

them time to reflect on the researcher's observations or performed strategically in a group setting.

The state of Nepal is changing, or at least some parts or images of the state are changing. Studying social inclusion and social protection in such a fluid context was challenging. Additionally, a range of stakeholders needed to be interviewed. The methodology was mindful of the power that elites wield over the state and thus getting to 'the truth' required a mixed methods approach to data collection and triangulation. Secondary data such as news articles were compared to the primary data collected to improve the quality of the data analysis. Furthermore, obtaining the subjective view of recipients provided a more robust understanding of the phenomena of social inclusion and social protection, as opposed to solely examining the state. Given such an approach to research is time-consuming, the number of interviews conducted and cases analysed was restricted to a smaller sample size.

Chapter five provides a historical synopsis of Nepal. It examines the complex nature of social relations and their deep historical roots. Many informal systems are still practiced in Nepal including: a caste hierarchy; 'untouchability' and the exclusion of Dalits[4]; patriarchy; cultural domination; *aafno manchhe*[5]; and nationalism that promotes certain caste and geographical values as normal and aspirational, denigrates or makes deviant the characteristics of marginalised groups, or does not even recognise them as Nepalese (in the case of Madheshis[6]) (Lawoti 2010a). These systems and practices are so entrenched that they reinforce the social hierarchy and permeate the state (Lawoti 2010a). State fragility and 'elite capture' emerge as central themes.

Chapter six examines social protection policymaking and the history of the National Social Protection Framework (NSPF) that remains in draft form six years after it was initiated. The politicised nature of the bureaucracy highlights the way the rules, monitoring and enforcement arrangements governing institutions are 'built around the specific identities (and threat potential) of the parties involved' rather than for ease of public provision (Levy 2014:48). The chapter reaffirms that in Nepal the state is not a static, homogenous body. It is in transition

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[4] Low caste 'untouchable' social group.

[5] Nepalese term that translates as looking after "one's own people."

[6] A geographical region in Nepal that borders India. For more information, see the methodology section 4.4.2.

and a period of great change where various, powerful actors have the opportunity to influence state and policymaking processes. Civil society actors and development partners may try to influence policy reform and policy outcomes but politicians and those who wield power ultimately decide.

This chapter confirms that Nepal has an informal security regime. Under such a regime, poorer people will trade short-term security for longer-term vulnerability and dependence and thus the welfare regime can reinforce patron–client relations and breed insecurity (Gough 2004:33-4). Social protection can be used as 'a political strategy for maintaining regime stability and legitimacy, rather than a means of achieving development' (Lavers & Hickey 2015:12). It is extremely hard to transform a traditionally exclusive society into an inclusive state through welfare.

Chapter seven on the political economy of social protection analyses political party manifestos and the stalemate between trade unions and private sector over the *Social Security Act* and *Labour Law*. Critical junctures for social protection reform in Nepal include democracy and emerging communist political parties[7] both gaining power and seeking to augment their power through third party actors and citizen votes. If the power in a settlement is vertical, then social protection will be expanded and the power of third sector actors will increase. If the power distribution is horizontal, then social protection coverage will be low and shallow because the political settlement still largely involves the elite who have few incentives to see social protection become more substantial. Highly divided states like Nepal with deep historical and structural forms of exclusion use instruments like cash transfers to maintain power and legitimacy and reach citizens quickly. Building an inclusive state may depend upon changing the political settlement, or at least the distribution of power, in a slow and deliberate manner, more than changing social protection policies and programs.

The *Social Security Act* and *Labour Law* data demonstrates the way third sector actors such as trade unions can increase their power under a vertical distribution of power and then hold the powerful propertied class in a stalemate in order to secure more rights for workers. Elites need to be forced to concede power in an informal security regime. Nepal is moving towards

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[7] Throughout this thesis the term 'political party' this is really a proxy for a very small number of elite Brahman/Chhetris who lead the various party factions, run the parties and often make last minute backroom deals between each other to settle on a range of major decisions from the Constitution, to who gets to be PM.

a corporatist user-pays form of welfare regime. This is not the most inclusive option as only 3.8 percent of the population are engaged in the formal sector. Welfare regimes are negotiated and renegotiated into existence over time.

Chapter eight examines social inclusion in policy, constitution drafting and federalism as this contextualises social protection and its evolution and stalling. The data suggests that clientelism at the level of the political settlement influences the scope for mobilisation on issues of exclusion and state-building. Although in state policy, building an inclusive state means 'the state' will value, respect, include, protect and share power with the excluded, what this means in practice is disputed. Federalism debates that occurred during the drafting of the new constitution brought this disjuncture into public discourse and fuelled identity politics. Excluded groups were resolute about ethnic-based states, because insisting on a politics of identity and difference is an attempt to turn categorical exclusions into categorical rights. Collective rather than individual rights are necessary in Nepal because groups are excluded on the basis of their identity category (Tilly 2007:63).

The politics of representation and accountability become more important in an exclusive state because the power differences and diversities that exist between and within groups need to be restructured in a fairer manner (Scoones 2010). Often this requires support from external actors like donors, that can play a mediating role or altruistic political entrepreneurs. Donors can help create spaces for the legitimate application of rights and can ensure that marginalised and silenced voices are heard and participate in decision-making processes (Eyben 2005) and conversations about identity construction. Development partners can correct imbalances but too easily condone exclusionary practices and engage in passive exclusion as they rely upon Western assumptions about how states and societies should function. This situates social protection and the views of recipients within a context of high identity politics and major state transformation efforts.

Chapter nine examines affirmative action. While resistance to identity based federalism was public and dramatic, resistance to affirmative action was more covert. Affirmative action is difficult to apply in any country. In a clientelistic state with a competitive clientelist political settlement and low educational attainment rates, gains will be slow. A political settlement framework exposes the rise of intermediate classes to power and their stake in an exclusive state. Combining this with a social exclusion lens illuminates the way affirmative action

challenges the power of elites and intermediate classes and the way that informal institutions and practices of clientelism and the *aafno manchhe* system influence decision making, social protection and state institutions.

Even when a state 'sees' or recognises excluded citizens, the practice of including them through affirmative action will reinforce their subordinate status. Patron-client relations operate as a pyramid, as does the caste system; those higher up enjoy many privileges and these privileges multiply by excluding others. This affects all policies from federalism to social protection and even constitution drafting because the bureaucracy and the courts work for elite patrons and only include those who are well networked. Certain forms of inequality and exclusion merge with class to create deep an intractable forms of exclusion in Nepal. This limits the way social protection can contribute to inclusive state building.

Chapter 10 on cash transfer recipients brings together issues of social inclusion and social protection and in many ways contradicts the evidence presented so far on whether social protection can contribute to inclusive state building. This chapter shows how being in receipt of a cash transfer can help local poor and excluded people to understand what democracy is about, and what it means to be a citizen of a state, and as such suggests that certain social protection instruments can contribute to inclusive state building and an individual's subjective sense of inclusion and citizenship. The chapter also outlines the cash transfer implementation process and local government opinions. Cash transfers are an effective way of reaching large numbers of formally excluded citizens and letting them know that the state includes them now.

The research confirms that the relationship citizens have with their state is important, not just for state legitimacy but to people themselves and their sense of inclusion and well-being. It is not that states are the only or primary agent of justice, but rather that in this instance the allocation of the cash transfer provides a social mechanism that publicly demonstrates equality. Waiting in a line at a public space to collect government benefits is associated with stigma and state exercise of power (Scott 1998). Yet in Sarlahi, cash is rare and being seen to receive cash leads to other opportunities. Additionally, being seen interacting with the government allows people to feel a sense of equality, respect and inclusion that is difficult to find elsewhere.

The analytical value in collecting recipient views is because the way excluded groups feel and perceive events cannot be assumed. Citizenship formation is a complex and highly subjective experience and essential to overcoming exclusion. Transformative social protection argues that poor people need to be seen as active citizens. How they see themselves in society and act in the construction of that society is important to their emancipation and inclusion. However, dependency and citizenship can combine in cash transfer recipients. Dalit responses are emphasised in this chapter for they encounter the most extreme forms of exclusion and intersecting inequalities and yet claim the most inclusive benefits.

The thesis concludes (Chapter 11) that building an inclusive state requires a number of initiatives and reflects on the usefulness of the methodology and the theoretical framework. State building should occur from the ground up as this will allow for a truer localisation and a pace of change that aligns with the everyday lives of excluded citizens. Coercive contentious tactics by excluded groups and backlash by elites and upper castes should be anticipated and appropriately managed. Building states is inherently political and should be an inclusive process.

The conclusion summarises the way social protection—specifically cash transfers—and other approaches such as affirmative action and federalism may contribute to social inclusion and the role of various actors. Although it is understandable that the social inclusion project has overlooked the value of redistribution, the research reveals that it is not just political inclusion that can lead to recognition. Redistribution in the form of cash transfers has unexplored potential in a post-conflict, transitioning, exclusionary state. Cash transfers can make a unique contribution to excluded citizens and their perceptions of being included and increase the opportunity available to them for social mobility. For these gains to be realised, synergy, design and sequencing is relevant.

What emerges from the research is insight into how structural and practised forms of exclusion are reproduced and/or changed. The role the political settlement and power distribution plays in an exclusive state and the shape social protection takes is enormous but it is not the only variable. The method gave a breadth of understanding on social inclusion, social protection and inclusive state building. It has revealed gaps in the data where additional research depth is needed, reflecting the limitations of the grounded theory method and the research design.

Chapter 2: Literature Review

2.1 Introduction

This thesis sets out to answer the question: what is the potential of social protection to make a contribution to inclusive state building? The relationship between social protection and inclusive state-building in the literature is linked to peace. Yet the contemporary Nepalese setting seeks more than peace; it is after a major transformation that will deliver an inclusive state and society. While the state building literature tends to use the term 'horizontal inequalities, the literature on inclusive state-building is in fact about social inclusion and the need to better understand different social groupings and how to incorporate them into new state structures. This review chapter establishes what is meant by 'inclusive state-building' in the literature, and explores the presumed links between social inclusion, social protection and state-building.

However, social protection can be regarded as a solution to, or buffer against, exclusion and inequality. Social protection programmes are often targeted to groups that are excluded such as the unemployed or disabled who miss out on other benefits of citizenship. Social protection's use of the term "inclusion" has a specific meaning; an exclusion error is the number of poor people who should access a benefit but are missed out and an inclusion error is the number wealthy people or people who are not entitled to a benefit that get one.

Many exclusion vectors (caste, geography, language, education level, race, gender, religion, and ethnicity) combine in Nepal to create intractable intersecting inequalities, vulnerability and poverty. The processes of exclusion in Nepal, that is historical and deeply entrenched in the state and citizen consciousness, could be related to processes of impoverishment and disempowerment. Thus, the non-material and the economic dimensions of inclusion, marginalization, vulnerability and power could produce a complex relationship of entwined and collectively reinforcing dynamics.

Social protection's potential contribution to social inclusion in Nepal's contemporary context may be limited. Social protection in Nepal is largely understood to be the distribution of cash.

However, cash alone is unlikely to overcome Nepal's group-based disparities. Moreover, certain advantaged groups accustomed to power and privilege are expected to find ways to redirect protection to the well-off. The way highly divided and post conflict states like Nepal use social protection to address exclusion and inequality is under-researched.

This chapter covers the literature on: social exclusion and inclusion; social protection and its definitions and debates; cash transfers (including in fragile and conflict affected states) and social inclusion; social protection and cash transfers in Nepal; citizenship; federalism and affirmative action. The chapter concludes that a theoretical framework such as adverse incorporation and social exclusion is relevant to framing the empirical data collected and advancing the theory further.

2.2 Social Exclusion and Inclusion

Social inclusion is hard to achieve. Allan (2003) notes that social inclusion "is one of the most complex notions, characterised by a lack of shared understanding about what it means to be socially included and about the necessary conditions to achieve social inclusion." Other terms such as social closure, social capital, horizontal inequalities, social cohesion and social justice are needed to explain social inclusion in practice.

Social exclusion is relational. It is manifested "in recurrent patterns of social relationships in which individuals and groups are denied access to goods, services, activities, and resources" (Gore & Figueiredo 1997:8). In some cases, exclusion may be 'open and deliberate', 'unofficial', or 'subtle and unintended' (Beall & Piron, 2005). Some forms of exclusion are unconscious or accidental and others are an exercise of power. Power is multidimensional and includes 'agenda-setting power' as well as various forms of domination, intimidation and violence (Lukes 2005). As de Haan (1998) highlighted, social exclusion often implies that someone or something is doing the excluding and this makes it contestable and laden with power. Social exclusion has individual elements because the way exclusion is understood and experienced varies (Beall & Piron 2005). Discrimination constitutes a central dimension of social exclusion (de Haan 1999).

In Nepal, the excluded are frequently exploited and dominated. Most inequality-generating relationships consist of a combination of exploitation, domination and exclusion (Silver 1994:543; Tilly 1999). Those who are excluded may also be exploited but exploitation 'is a process that usually involves the extraction of some kind of "surplus value," within a productive relationship, where one party draws disproportionate benefit from the relationship' and exclusion may not involve such extraction (Davis 2001:100). Exploitation is linked to the term 'adverse incorporation' whereby people are included but in an unequal and often dependent manner. Max Weber (1964) introduced the idea of 'social closure' whereby groups with power prevent others from having the same opportunities through various processes such as monopolising resources or creating relationships of dependence and adverse incorporation (Mosse 2010:1173; Weber 2010).

Different forms of exclusion require different solutions. Kabeer (2009) explains that the economically disadvantaged demand a redistribution of resources such as social protection. In contrast, the culturally disadvantaged mobilise around the question of identity and demand recognition through affirmative action and other special measures (Kabeer 2009). Or, as Fraser (2003:49–50) explains, class injustice requires redistribution as a remedy whereas status injustice requires recognition. Those groups that experience economic and cultural disadvantages, such as the Dalits, ethnic groups and religious minorities (described by Kabeer (2009) as 'bivalent collectivities') demand both redistribution and recognition, and the right to retain their identity. As Kabeer found, social cultural categories such as ethnicity or caste are particularly intractable when entwined with forms of economic disadvantage such as adverse incorporation (e.g patron-clientelism) that are hard to escape (Kabeer, cited in Hickey & du Toit 2007:18).

The theory of social capital and social cohesion can help explain the importance of social inclusion to Nepal. People who are poor are often a part of, and dependent upon, other people's social capital (Mosse 2010:1158). Bourdieu and Wacquant (1992) regard social capital as 'the sum of the resources, actual or virtual, that accrue to a group by virtue of possessing a durable network of more or less institutionalised relationships of mutual acquaintance and recognition.' Social inclusion is different to social capital and yet social inclusion can lead to social capital. According to Durkheim (1897:210), a cohesive society has stocks of social capital and 'mutual moral support, which instead of throwing the individual onto his own

resources, leads him to share in the collective energy and support.' Social inclusion, social capital and social cohesion (e.g. peace) are connected.

In some interpretations and contexts, such as in Nepal, social inclusion becomes synonymous with social cohesion and the need to create a society where each member feels they have a stake in maintaining order to avoid future conflict. In Nepal social inclusion was associated with the recognition of identity and the need for greater representation in state and political structures for excluded groups. For upper caste groups and elites, it was associated with social cohesion only. Focusing on social cohesion may result in more complicated forms of exclusion being overlooked or reinforced. Fighting for social inclusion began in the 1950s in Nepal suggesting it is a difficult agenda to achieve in such a highly exclusive and heterogeneous state.

Assessing social inclusion requires moral judgements about social justice. For Sen (2009) social justice is about good social outcomes and these will be individually determined. Equality of what, and for whom, along with the values and principles that promote justice concern Sen. Whereas for Rawls (1971) social justice is about institutions operating for everyone and incorporating them in a fair and equitable manner free from prejudice and partiality. If the basic structures of a society (e.g. constitution, bureaucracy) are just, then they will work for the greatest benefit of the least advantaged. Who you are will not determine the quality of services you receive or limit your opportunities.[8] For Kabeer (2005a) social justice involves a notion of fairness that revolves around when it is acceptable for people to be treated the same and when they should be treated differently.

Social inclusion can be considered an international norm as it is widely used in multiple forums including official policies, laws, treaties or agreements and in academic literature (Wiener 2009:183ff). Most notably, the Sustainable Development Goals have turned 'inclusion' into a development buzzword and goal 16 calls for building more "inclusive institutions at all levels." Norms are ideas of varying degrees of abstraction and specification with respect to fundamental values, organising principles or standardised procedures (Wiener 2009:183ff). Zwingel (2012) and True (2010) argue that global norms change meaning when applied to different domestic settings—some gain more relevance through this process and

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[8] Although Rawls also emphasises that rights and liberties should not be traded for greater equalities.

others suffer from limitations. All societies have some degree of exclusion and thus a consensus about the acceptable standards of inclusion or exclusion needs to be reached nationally (Davis 2001:101).

Western normative assumptions about how social life should be organised often underpin social exclusion research and solutions to the detriment of local ownership (du Toit 2004a; Hickey & du Toit 2007:3). It often presents simplistic dualisms such as those concerning power—the included are powerful and the excluded powerless but understanding subjectivity and choices matter more (Jackson 1999). The inclusion of poor people into larger relational wholes or even development projects may not produce clear and predictable or equitable outcomes because 'the terms of inclusion can be problematic, disempowering or inequitable' especially if included in a hostile environment (Hickey & du Toit 2007:2-3). As such, not all inclusion is good and not all exclusion is bad (Hickey 2007). The agency of the excluded can create conundrums for development partners when they act in ways deemed inappropriate. The way development partners should engage on matters of social inclusion in fragile states is undocumented in the literature, although the Sustainable Development Goals have made a recent contribution to the inclusive development literature.

2.3 Social Protection

Social protection, is better known as 'welfare' or 'social security' in high-income countries. It encompasses social assistance, social security, employment-assistance, and social safety nets. Redistribution or welfare involves using taxes and other state resources to help those who are poor or vulnerable to poverty and hardship. As such, welfare regimes exist to manage risk. Social protection is not recent as it can be dated to the *Poor Law Act 1601* in England (Midgley 1984) and appears in the 1948 Declaration of Human Rights.

Initially it was thought that low income countries could not afford to protect their citizens as deprivation affects the majority. However, the success of social protection programs in middle-income countries, such as India's *Maharashtra Employment Guarantee Scheme[9],* Brazil's *Bolsa Familia* and Mexico's *Opportunidades,* has increased social protection's

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[9] Know known as The MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act).

popularity in low-income countries. Where there is a funding gap, donors tend to fund social protection programs in low-income countries.

There are different social protection approaches that can be used to achieve different objectives. Child grants, safety nets, disability benefits and non-contributory pensions are protective forms of social protection involving a cash transfer from a government to its citizens. These types of programs protect 'the minimum acceptable consumption levels of people who are already in difficulty' (Ellis et al. 2009:7). Preventive programs include social insurance and unemployment benefits. They prevent 'people who are susceptible to adverse events and shocks from becoming more vulnerable (Ellis et al. 2009:7). Promotive social protection programs improve people's ability to become more resilient by enhancing livelihoods and building assets, and include microcredit and public works programs.

Meanwhile, 'transformative social protection' is a more recent concept that is often rights based and seeks to transform existing inequities through sensitisation, empowerment and advocacy along with transfers (Ellis et al. 2009:7). There is some debate in the literature about what 'transformation' actually means. It may change the structural distribution of power and resources that keep people poor and excluded or it may be more about personal empowerment and the meaning of citizenship. All social protection approaches can have impacts on social inclusion depending on how it is designed and the country context.

Esping-Anderson (1990) most famously highlighted the need to identify and explain the variations across welfare state 'regimes' and their relationship to distinct political settings. Esping-Anderson (1991) identified three typologies of states in terms of the welfare they provide: liberal welfare states have low decommodification[10] and provide relatively low flat benefits to all citizens so that individual self-help and market outcomes are not influenced; conservative-corporatist welfare states have a medium level of decommodification and provide various occupational and social groups with extensive transfers but these are largely based on employment and are funded by self or employer contributions; social-democratic welfare states provide universal coverage and public services to all citizens (Ebbinghaus and

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[10] In the context of welfare provision, decommodification is the degree to which welfare services are free of the market. In a predominantly decommodified system, welfare services such as education and healthcare are provided to all and are not linked to market processes. **http://www.encyclo.co.uk/local/20212**

Manow 2001:9). A welfare state regime is a distinctive combination of democracy, welfare and capitalism that is practiced differently in different country contexts (Marshall 1981).

How different political parties use and rely upon policies for their survival and legitimacy, versus clientelism, history or economic growth may determine why certain social protection approaches are adopted (Lavers & Hickey 2015:11). Midgley (2010:17) offered the first empirical argument that political parties have won and lost elections based on the social protection stance they have taken. Since then a range of researchers have looked at the linkages between political parties and social protection.[11] Social protection's popularity with constituents has resulted in social protection being described as a 'political tool' in the literature. Several drivers, including global agreements and donor support, could also lead to social protection reform and the literature suggests 'a good deal of variation in the extent to which social protection is embedded in the politics of different countries.'[12]

2.3.1 Social Protection Definitions and Debates

According to Devereux and Sabates-Wheeler (2007:1) and Kidd et al. (2010), two schools of thought underpin social protection debates and trends: activism (social policy paradigm) and instrumentalism (safety net paradigm). 'Activist' arguments view the persistence of extreme poverty, inequality and vulnerability as symptoms of social injustice and structural inequity, and campaign for social protection as an inviolable right of citizenship.[13] Instrumentalists believe a certain amount of welfare can be instrumental in achieving economic growth if it is provided to those classes that play a role in the production process and require new skills or assistance to become more productive (Kwon 2005a:4f). They believe the state should provide only minimal benefits or a residual, targeted safety net, with the market and private insurance providing the greater share of protection (Holzemann 2009). Development partners have

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[11] See: Pribble & Huber 2008; Narayan 2011; Ellis et al. 2009.

[12] See: Barrientos 2009; Barrientos & Pellissery 2012; Beck 1994; Deveurex & McGregor 2014; Ghellab et al. 2011; Hickey, 2005, 2008, 2009, 2011, 2014; McConnell 2010; McGregor 1994; Midgley 2010; Musalem & Oritz 2011; Picot 2012; Townsend 2009; Walker et al. 2011; Schuring and Lawson-McDowall 2011.

[13] See: Devereux & Sabates-Wheeler 2007:1; Kohler 2014; Mkandawire 2004; Townsend 2004, 2009; Walker et al. 2011.

different ideological stances on social protection and this can be reflected in their financial support (see: de Haan 2011).

Activists from the social policy paradigm seek to maximise freedom of choice and the right to social protection, and therefore support cash rather than food assistance. They support unconditional transfers and universal entitlements as they feel these are the most inclusive approaches. According to Peter Townsend, universal entitlements create solidarity between the poor working class and the middle class, rather than ostracise certain social groups as less or more deserving than others which targeted approaches do (Walker et al. 2011). In contrast, those who subscribe to a safety net paradigm are concerned with incentives and creating dependency (Grosh et al. 2008); They support the use of conditionality and effective and efficient targeting that maximises efficiency in resource transfers and minimise leakages to the non-poor (Devereux & Sabates-Wheeler 2007:1; Kidd et al. 2010). Social protection is ideological because it is political and involves moral judgements about inequality and poverty. In this way the ideology underpinning social protection programs can have a bearing on how included a citizen can hope to become.

For the purpose of this research, social protection is defined or used as an umbrella term for policies and assistance associated with the state that involve in-kind or cash transfer, and insurance – or employment-related assistance that protects citizens against the vulnerability, and poverty deemed unacceptable by society. Thus social protection is a type of intervention but its typology (and success) is often evaluated or categorised by the outcome it produces. Social assistance, social insurance and social security are part of a social protection approach that can also include wider areas of poverty reduction such as food security programs and employment schemes. Some scholars have argued that affirmative action should be considered social protection as it involves employment assistance. This is compelling especially in the case of Nepal. However, in this research affirmative action is analysed separately as it is specifically mentioned in the CPA as an initiative of the government's social inclusion project. Social protection has come to refer to a family of approaches and programs that include but are not limited to cash transfers.

2.3.2 Cash Transfers and Social Inclusion

Cash transfers are a social protection instrument. They are a grant given by governments to their citizens facing adversity. Cash transfers are a highly specific modality of achieving social protection and popularly considered to be the extent of social protection in Nepal. In the short term, cash transfers reduce poverty and ameliorate suffering. In the medium term they enable poor people to exercise agency and plan ways to increase productivity and income. In the longer term they create a generation of healthier and better educated people able to seize economic opportunities and contribute to economic growth (Hanlon et al 2010:165). Cash transfers can buy the poor and excluded time to do other things. These include becoming involved in civic or political action, learning new skills or knowledge, and recovering from crisis, all of which contribute to poverty alleviation and potentially social inclusion. Yet, cash transfers are a relatively recent development in low-income countries and therefore the literature is nascent.

Cash transfers are designed and delivered in different ways in different country contexts. Conditional cash transfers link their instalments to meeting mandatory conditions such as child attendance at school or immunisations (see de la Brière & Rawlings, 2006; Fiszbein & Schady, 2009). The five cash transfers explored in this research are unconditional and Townsend (2009) would argue this is best for social inclusion. The benefits of unconditional cash transfers are highlighted by Hanlon et al (2010) and include allowing the poor to take decisions that will most improve their lives. However, the amount transferred needs to be sufficient to deliver human development impacts. For cash transfers to have the greatest effect, they need to be delivered in full, on time, and at minimum inconvenience (in terms of distance to pay-points, queuing time, access costs and security risks).[14]

Not enough is known about the relationship between income and subjective well-being indicators like social inclusion, except that it is complex (Easterlin, 2010 cited in Lloyd-Sherlock et al 2012) and context specific (Kingdon & Knight, 2006). Evidence from deprived urban neighbourhoods in Buenos Aires indicates that cash transfers have not tackled components of social exclusion such as long-term unemployment, drug abuse and endemic violence (Lloyd-Sherlock & Locke, 2008). Understanding pathways out of poverty is more complex than just in terms of income. Low caste people may not be able to spend money in

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[14] See: Devereux 2013:21–2; Samuels and Jones 2013; Farrington and Slater 2006; Barrientos and Holmes 2007.

certain shops or may not be able to pay to send their children to certain schools because of traditional discriminatory practices. As Sen (2001) aptly asserted, it is what people do, and are able to do with money that is more important – money is not good in and of itself. While poverty and exclusion are interconnected they involve different dynamics. Thus, understanding the subjective and experiential aspects of structural discrimination rather than merely focusing attention on the material dimensions of deprivation and the way this can be overcome will be required to understand the way social protection contributes to social inclusion in Nepal.

2.3.3 Cash Transfers in Fragile and Conflict-affected States

Cash transfer amounts were increased after Nepal's conflict ended and some new ones announced, rendering the literature on cash transfer delivery in fragile states relevant. Cash transfers have been used in a number of post-conflict countries as a peace dividend (Kohler et al. 2009; Jayasuriya 2000). Andrews et al. (2012:7) explain that transfer programs help communities to re-establish their livelihoods, restore lost assets and possibly create sufficient incentives for people to be productive rather than take up arms again. Justino (2008) claims that public and private transfers are more effective at achieving peace in post conflict states than expenditure on security.

However, adverse effects can arise when providing social assistance in fragile and conflicted-affected situations, specifically in terms of targeting, social cohesion and patterns of domination—all of which have a bearing on social inclusion (Carpenter et al. 2012; Lange & Rueschemeyer 2005:242). Targeting can be divisive, where the conflict has roots in social divisions (Slater & Farrington 2009). It can lead to greater stigmatisation of vulnerable groups and can create new forms of social tensions depending on how effectively it is implemented (Ellis 2008). Social protection programs have the potential to entrench local power structures through the distribution of cash and commodities, especially if accountability is low.[15] Targeted forms of social protection can effectively be used to maintain patronage networks or 'buy' constituent votes in weak states (Harland 2011).

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[15] See: Harvey 2007; Mattinen and Ogden 2006; and Save the Children 2009b.

Moreover, citizen expectations can be different in fragile states: often there is a lack of trust, especially in state and public institutions (World Bank 2011a). Oosterom (2009) found that strong claims on local governments without the capacity to respond were counterproductive and even fostered hostility. Managing the gap between expectations and what it is realistically able to be delivered is a unique challenge in fragile environments that affects social protection delivery and the way citizens perceive cash transfers (CfBT et al. 2011; OECD 2010). Fragile and conflict-affected states face greater challenges than other states because the state is often weak and lacks transparency and accountability. If cash transfers are irregularly given, then the relationship between state and citizen may not grow.

Whether the effect of cash transfers on state–society relations in conflict-affected and fragile states is the same or different to that in peaceful and stable states remains undecided in the literature.[16] Cash transfers are a service delivered by governments and encounter the myriad of service delivery failures that more generally plague low-income countries. A number of evaluations in fragile and conflicted-affected situations[17] compare social protection programs and their influence on state–citizen relations but rarely incorporate data from the most conflict-affected areas and have not explicitly examined social inclusion (Carpenter et al. 2012). This research will need to visit conflict-affected areas because aside from the literature gaps, this is where the state will have been absent and thus the most excluded citizens will reside there.

Conflict-related forms of insecurity, and wider human security issues that include protection from intimidation and coercion—and not just economic protection—have not been well considered by social protection programs in fragile states.[18] The state building literature scrutinises ways to achieve state legitimacy and how to foster positive, mutually constructive relations that improve the political and social fabric of society more than the social protection literature in post-conflict states (Benequista 2010; Cornwell et al. 2011; Haider 2011). Vij (2011) suggests that social protection programs implemented in states with patronage-based systems should use participatory governance and social accountability tools to ensure

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[16] See: Carpenter et al. 2012; Darcy 2004; Holmes 2011; Longley et al. 2006; McConnell 2010.

[17] See: Osofian 2011; Beath et al. 2010; Golooba-Mutebi and Hickey 2010:1229; Casey et al. 2012; Jennings 2006:6.

[18] See: Darcy 2004; Holmes 2011: 224–5; Carpenter et al. 2012.

effectiveness and social inclusion whereas, Devereux and White (2012) argue that 'there is little to be gained from attempts to either bypass or work with entrenched patronage systems.'

The anthropology of 'the gift' emphasises the way cash transfers cannot be assumed to be given without return or expectation. Mauss (2011) focuses on the way that exchanges or "gifts" between groups builds not just wealth and alliances but relationships and social solidarity between humans. Gifts create obligations to give, to receive, and to reciprocate. Mauss (2011) argues that social welfare programs within modern market economies may be recovering some aspects of the morality of the gift. It is more likely in fragile and conflict-affected states with weak state-society relationships that cash transfers may create obligations and permanent indebtedness, possibly without reciprocity. In this way, social protection can be used to embed capitalism in social relations based on mutual obligations and clientelism, rather than rights.[19] Social protection approaches like cash transfers may be endogenous to the level of development and the relationship a state has with its poor and excluded citizens.

According to Gough and Wood's (2004) welfare regime classifications for low-income counties, if welfare exists it reinforces the existing structure of inequality. On this classification, Nepal is ranked as a 'less effective informal security regime' (Gough 2004:37). In an informal security regime:

> a crucial aspect of poverty is uncertainty, and therefore more risk to manage. Risk for poor people is typically covariant and experienced, as well as managed in small pools. Risk is concentrated on the poor. They are more vulnerable to hazards as they have less room to manoeuvre to prepare for them (Wood 2004:51).

In an informal security regime, the poor rely on their community and family to meet their security needs more than the state (Gough 2004:33–4).

If welfare is given in such a state it will be in meagre amounts with weak or irregular coverage as the literature on Nepal's cash transfers suggests. Moreover, problematic inclusion into hierarchical relationships that govern a poor person's day-to-day existence means the provision of security may come at the price of adverse incorporation into asymmetrical relationships or clientelism (Wood 2004:51). Under such a regime, poorer people will trade short-term security for longer-term vulnerability and dependence and thus the welfare regime

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[19] See: Hickey and Golooba-Mutebi 2010:1140; Hickey 2011:431; Dagnino 2007

can reinforce patron–client relations and breed insecurity (Gough 2004:33-4). In fact, social protection may be used as 'a political strategy for maintaining regime stability and legitimacy, rather than a means of achieving development per se' (Lavers & Hickey 2015:12). This seems fitting in the case of Nepal but needs to be explored more closely.

2.4 Social Protection and Cash Transfers in Nepal

Nepal is a unique country to study. It has a national social inclusion project, peace process, state building strategy, government-financed and led social protection programs, and is developing a national social protection strategy— yet is fragile and conflict-affected. The fact that Nepal finances most of its social protection programs independently of donors suggests that the right conditions are in place for using social protection to strengthen the state-citizen contract and build inclusive states. Yet compared to many other low-income, conflict-affected countries, there is a shortage of literature on Nepal's social protection programs. Nepal's uniqueness is part of the reason for focusing on Nepal.

Social protection in Nepal is not necessarily designed to achieve social inclusion. Prior to 1994, only a privileged minority employed in the Nepalese army or civil service was able to access protection. An army provident fund has existed since 1934 and was extended to all civil servants in 1948 (Harris et al. 2013). Employers and employees contribute ten percent of employees base salary and this accrues interest and is paid out when the employee leaves.[20] This was regarded as a privilege for government workers and not a form of social security or welfare (Gautam 2007). The *Civil Service Act 1992* and *Regulation 1997* outline the benefits enjoyed by civil servants, which are generous compared to other industries.[21] Filgueira (2005)

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[20] The provident fund is different to the pension. According to the *Civil Service Act 1993* 'a civil employee who has been in government service for a period of twenty years or more shall be entitled to a monthly pension at the following rate: Total year of service X amount of the last salary/50' (p41). Civil servants are also entitled to a gratuity: 'If any civil employee, who has served for five years or more but has not completed the period required for pension, retires or leaves service by getting resignation accepted or is removed from the post without being disqualified for government service in the future, he/she shall receive gratuity at the following rate: (a) In the case of the civil employee who has served from five years to ten years, half the last month's salary for each year of his/her service; (b) In the case of a civil employee who has served for more than ten years up to fifteen years, the last one month's salary for each year of his/her service; (c) In the case of a civil employee who has served for more than fifteen years but less than twenty years, the last one and half month's salary for each year of his service.' (*Civil Service Act 1993:*41)

[21] Mathema (2012) explains, 'Under the health security of the Act, the employees are entitled to enjoy health expenditure benefits of 12, 18, and 21 months of equal salary benefits respectively (p60). In addition, the

describes an 'exclusive' welfare regime typology that appears fitting - an exclusive welfare regime is built by 'predatory elites' and those who benefit are a restricted minority that can be described as 'insiders' or clients of these elites (Filgueira 2005).

There are now eight major programs of social insurance in Nepal,[22] including the civil service pension that collectively constituted 56 per cent of total annual social protection expenditure in FY2009 (ADB 2011). The civil service pension scheme alone cost USD127 million in FY2010 (ADB 2011). In contrast, employment-related assistance expenditure constituted only two per cent of the government's social protection expenditure in FY2009 (ADB 2011). The largest programs (possibly imported from India's successful MGNREGA model) are the Rural Community Infrastructure Works and the Karnali Employment Program. According to Tiwari (2010), NPR26 billion was allocated in total to public work schemes geared towards improving rural infrastructure and generating employment opportunities for the poor in 2008/09. Judging by these figures Nepal's welfare regime still benefits the well-off classes (those in formal employment) the most. Table 1 confirms that many programs still do not reach the poorest as only five out of fifteen social protection program have more than half of their recipients living below the national poverty line.

Table 1 Social Protection Poverty Coverage Rate by Program

Name of program	% Poverty targeting
Public service pension	0
Medical benefits (public service)	0
Employee provident fund	0
Citizen investment trust	0
Senior citizen allowance	25
Single women's allowance	80
Endangered indigenous allowance	90

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employees can have special health expenditure benefit in case of treatment for the serious diseases amounting to NRP 500,000 and also the provision of health treatment outside the country. The employees enjoy health insurance benefit of NRP 100,000. Further, the employees are entitled to a disability benefit. The other benefits they enjoy are education expenditure for two children and education leave for three years for themselves, festival bonus together with gratitude and pension after retirement, every civil servant is entitled to pension if the service period is twenty years and gratuity if the service period is less than twenty years.'

[22] A recent general health insurance pilot scheme launched in 2014 is not included in this social insurance amount.

Disability allowance	90
Transportation subsidy on essential food	75
Child grant	46
Scholarships	25
Food for education	50
Aama program (maternity care)	50
Karnali employment program	90
Rural community infrastructure works	90

Source: ADB 2011

Social protection in Nepal did not really begin until the birth of democracy in 1990 and the onset of a market economy (Gautam 2007). Nepal's first cash transfer was a non-contributory universal age pension that started in 1994 without development partner assistance. This makes Nepal a unique case study as many other countries start cash transfers upon donor requests or financial support. The aged pension was introduced by Nepal's first communist party government, the United Marxist Leninist (UML) party. India and Bangladesh introduced aged pensions around the same time but these were targeted to the poor. A widow's and disability allowance were introduced the year after the aged pension because these categories also defined vulnerability.

There are now nine social assistance programs in Nepal, which totalled 41 per cent of the government's social protection expenditure in FY2009 (ADB 2011). The government's five main cash transfers are: the old age allowance, disability allowance, single women's allowance, child grant and endangered indigenous allowance.[23] All these cash transfers can contribute to social inclusion, although the endangered indigenous allowance is the only one to have social inclusion as an objective. The child grant aims to improve child nutrition and survival, particularly in the Karnali region where food insecurity is severe. It is also given to Dalits (low caste) nationwide because in 2009, at the time of the child grant's announcement, caste and ethnic groups were recognised as excluded and the Maoists were in power and favoured a social inclusion agenda.

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[23] The Nepal Federation of Indigenous Nationalities classified indigenous groups into five categories based on a set of socioeconomic indicators: 'endangered', 'highly marginalised', 'marginalised', 'disadvantaged' and 'advantaged.' Endangered groups have small population sizes and poor human development indicators. More than 90% of endangered and highly marginalised groups live in remote rural areas and rely on subsistence agriculture or hunting and gathering. For more information, see: http://un.org.np/oneun/undaf/endangered

There are other allowances given by the government of Nepal which may be considered a form of social protection because they involve cash or skills transfers from the government and have an explicit objective of social inclusion. For example: education scholarship for girls and Dalits; the controversial 'marriage allowance' which gives between NRP50,000 and 100,000 for inter-caste marriages and widows who remarry from socially excluded groups; a loan of up to NRP200,000 for deprived youths engaging in self-employment related activities; a loan to rickshaw drivers; skills assistance to low-caste Dalits; and special opportunities for income generating projects for slum dwellers and bonded labourers (Khanal 2013).

Attempts were made to consolidate these programs in a National Social Protection Framework (NSPF) in 2009 but the document remains in draft form. Under the Maoist leadership, expenditure on social protection went from 0.6 percent of GDP in 2008 to almost 3 percent by 2014 (World Bank 2010). Different governments have since gained power and the appetite for social rights and protection has dwindled. A number of other Maoist initiatives have also gained a reputation as politically aligned programmes that subsequent governments did nothing to improve. These events suggest a link between social inclusion and social protection under the Maoist regime that will be further examined.

Transfer amounts are low but reach a large number of citizens. In total, the five main cash transfers reach more than two million people or 7.9 percent of the population (Table 2). The international poverty line is US$1.25 per day or US $37.5 per month. According to Nepal's National Living Standards Survey conducted in 2010–2011, a Nepalese person needs an income of at least NPR 19,261 (USD208) a year, (or USD0.57 per day) to obtain essential non-food items and food equivalent to a nutrition level of 2,200 calories per day, which consists of a food poverty line of NRP11,929 and non-food poverty line of NRP7,332 (NPC 2010). Protective forms of social protection are meant to protect "the minimum acceptable consumption levels of people who are already in difficulty" (Ellis, Devereux, & White 2009:7). Given that the average cash transfer in Nepal is US$5 per person per month (less than half the minimum amount needed to survive) and US$10 for endangered indigenous and fully disabled, all transfers fall below the amount needed for survival for the poor or disadvantaged when the transfers are the sole source of income or livelihood. According the literature this means they are "poor benefits" and the transformation potential is limited.

Table 2 Cash Transfer by Eligibility Criteria, Benefit Amount and Number of Recipients

Cash transfer	Benefit per month	No. of recipients 2013/14	Eligibility[24]
Senior citizen	NRP500	922,741	Dalits nationwide and Karnali residents over the age of 60; all over the age of 70.
Single woman	NRP500	654,719	Single women 60 years or older; widows of all age.
Full disability	NRP1000	25,492	Those who cannot go about daily life even with help from others. [25]
Partial disability	NRP300	6,863	Those who can go about daily life but need some help from others.[26]
Endangered indigenous	NRP1000	19,223	Those that belong to one of 10 endangered ethnic groups.[27]
Child grant (nutrition grant)	NRP200	537,118	Children under 5 in Karnali and poor[28] Dalit children under 5 everywhere; max of two children per mother.
Total		2,166,156	

Source: author's own tabulation from data collected from the MoFALD 28th November, 2013.

Additionally, Jones et al (2009) found the delivery of cash transfers was plagued by elite capture and corruption and recipients do not receive their full year's entitlement (THT 2012). According to ADB's 2011 social protection Index, only 16.1 per cent of all potential recipients receive a benefit, with men receiving 2.2 times more benefits than women (ADB 2011). A study conducted in the Karnali region revealed that only 63 per cent of recipients had received the full value of the transfer in the previous 12 months and on average, they received only 82 per cent of the correct amount. In addition, 33 per cent of recipients paid money to apply for the child grant when it should be free (Adhikari et al. 2014:42). If a citizen is entitled to a cash transfer but cannot receive it, regardless of the reason, this is likely to have a negative impact on how included they feel. The Secure Livelihoods Research Consortium (SLRC) (2014)

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[24] Taken from SSOP 2012.

[25] For example, completely blind and deaf, intellectually disabled or paralysed. The number of recipients is subject to a quota per district based on the population size. Must hold a red identity card issued by the district office of the MoWCSW.

[26] The number of recipients is subject to a quota per district based on the population size.

[27] Must have citizenship papers and therefore an address—something some nomadic groups listed as endangered do not have.

[28] Poor Dalits are defined in the SSOP as households who don't own a house, own land under two *ropanis* (hills) or one *kattha* (Terai), or households with food sufficiency under 3 months.

found that the way in which services are being delivered (participatory, accountable etc.) is as important as what is delivered.

Perhaps surprisingly, cash transfers are having 'important social effects' as well as 'indicative implications for notions of citizenship' (Holmes and Uphadya 2009). Upreti (2010) found that the senior citizen allowance recognises 'the importance of older people in Nepali society' and contributes to their inclusion in family and community life and reduces dependence. Thus, cash transfers can make a contribution to how included a citizen feels in Nepal, but it is not clear why.

The literature on social protection in Nepal suggests evidence of corruption, a lack of predictability and reliability which means the contribution of cash transfers to poverty alleviation, transformation and social inclusion is reduced. It also suggests that the state's intention to reduce exclusion through social protection or at least cash transfers is not genuine because the amounts are so meagre and miss the poorest. There are also indications that the state is captured by elite interests and citizens are unable to claim their rightful entitlement. According to the social inclusion literature this would mean cash transfer recipients are only partial citizens. Yet, the minimal literature of Nepal's cash transfers suggests they do somehow contribute to inclusion. Given this the research seeks to understand why social protection has the potential to contribute to social inclusion.

2.5 The state

A state has responsibility for assuring the welfare[29] and well-being of its citizens (Kohler 2014:10). While the state is one unit of analysis, it is theorised differently. Migdal (2001:12) argues that the state is a collection of organisations that have their own interests and face different constraints and that Weber's idea that states are 'coherent, integrated, and goal oriented' is an 'ideal' state. Fuller and Harris's (2001:15) work on India gets closer to describing Nepal by suggesting that states are 'bundles of everyday institutions and forms of

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[29] Although the term 'welfare' is used more dominantly in this chapter to reflect its use in the literature, the terms 'social protection' and 'welfare' are used synonymously.

rule.' States are characterised by their type such as weak or fragile, and, by the nature of their regime.

According to Tilly and Tarrow (2007:45) 'regimes consist of regular relations among governments, established political actors, challengers, and outside political actors, including other governments' and aid interest. Nepal's state is transitioning to an inclusive federal democratic republic and is weak, thus different interest groups are likely to influence Nepal's policies, including development partners. Rent-seeking tends to accompany weak states. 'Rents' are defined by Levy (2014:22) as 'returns that exceed the opportunity cost of resources that might otherwise be deployed in a competitive market.'

The capture of informal incomes like off-budget resources, land and other types of rents are typical strategies of informal political power, along with changing formal laws to benefit favoured groups (Khan 2010:60). In such an ineffectual state, even when formal institutions guarantee incomes and rights, these can be effectively challenged through informal processes (Khan 2010:54). This is particularly the case when pre-capitalist empires like the Rana monarchy collapse. In such situations, the emerging capitalist sector and property owners use the 'intermediate class' to capture rents, dominate society and maintain their power (Khan 2010:56). This is done by using informal organisations and/or informal rules such as patron–client networks: 'systematic hierarchies and relationships of exchanges that are "personalised" because they are not formal contracts that can be enforced by the application of a 'rule of law'' (Khan 2010:60-64).

As the balance of power in society changes, so will political demands; winners and losers will emerge (Lange & Rueschemeyer 2005:241). So despite attempts to consolidate democracy, formal institutions may remain weak and rule may still be personalised (Levy 2010:16) but competition between former power holders will be tense. The source of legitimacy of regimes during such transition periods may be associated with the backing of powerful interest groups and elites, rather than the views of the public through elections (Khan 2010). It may also involve bargains and the distribution of rents to buy support (Khan 2010). Power holders may utilise statecraft tools, especially cash transfers, inappropriately to maintain power, or extend the reach of the state.

A number of theorists have discussed the state and statecraft as a performance or an illusion (Pierce 2006). States can hide the interests of the powerful and may be isomorphic mimics – an entire state machinery can pretend to function for citizens, or pretend to reform when it actually only functions to serve elites and informal structures of power (Andrews et al., 2012). The idea of 'shadow states' touches on the theatre or puppetry of the state whereby the performance of state power (elections, legislation drafting, policies etc.) conceals the real powerbrokers.

The interface between state and society is characterised by diverse spaces for exchange (Cornwall & Coelho 2007) and entangled power relations (Corbridge et al. 2005). Corbridge et al. (2005:252) discuss how the 'faces of the state' that people encounter forms their opinion of the regime in power. Most people encounter the 'everyday state' (Fuller & Benei 2009); that is the 'dull, routine, business-as-usual … state [that manages] literally millions of transactions at the grassroots level' (Oldenburg 2005:28I). Corbridge et al. (2005) argues local services provide an opportunity for 'sightings' of the state and it is through these that people's expectations and interpretations of their broader rights and obligations with regard to the state are formed. These 'sightings of the state' are mediated by past experiences, conversations with friends or relatives, newspapers read and so on, and as such are connected to citizenship and can be subjective (Corbridge et al. 2005:246). Cash transfers are delivered manually by the lowest tier of government office in Nepal and thus offer a 'sighting of the state.' Cash transfers delivered by the government can shape a citizen's opinion of the state as well as their place within a state.

Cash transfers are a social protection instrument and the reasons for the adoption of different instruments may change over time and what is written in policy may not be the reality. Building an inclusive state requires changing patterns of exclusion that dictate the state's behaviour and social relations of discrimination and exclusion. While this may be attempted through various policies and initiatives, the politics and practices of exclusion work to ensure that policy measures that are meant to protect, include and empower may not reach the intended recipients or deliver the anticipated results. If included at all, then the excluded will be 'adversely included' in order to benefit the wealthy and those with power.

State formation is a historical process that is open-ended and continually subject to contestation (DFID 2010:22). As Di John (2008:3-6) notes, state building and state

effectiveness exists along a continuum in which conflict and violence are an integral reality of these processes. As a country transitions towards democracy, elites that control states will need to mobilise different supporters in order to gain social legitimacy (Eyben and Ladbury 2006). There may be some resistance to this transition as it will involve new political and civil rights and if it is a post-conflict state then external actors will be involved (DFID 2010:22) resulting in some changes feeling imposed (Zwingel 2012).

The state building and conflict literature examines 'horizontal inequalities' as they are often considered a cause of conflict (See Stewart 2008:3). Horizontal inequalities refer to differences between groups and this may require different solutions to vertical inequalities that exist between individuals (Stewart 2015). Finding ways to overcome horizontal inequalities is harder than overcoming vertical inequalities because the political order can reinforce, shape and 'deepen horizontal inequalities between various groups' through 'vicious circles and self-perpetuating traps' (Anten et al. 2012:28–9). Peace processes frequently involve technocratic interventions based on instrumentalist views of social relations and change (Westendorf 2016).

Social inclusion is a more politicised term than horizontal inequalities because it engages directly with a solution, rather than stating the cause of conflict. Development partners[30] struggle to engage in politically difficult issues such as social inclusion, when it involves group-based rights. Development partners are inclined to 'depoliticise' their practice in the face of complex social relations.[31] Inclusive state-building requires maintaining a focus on marginalised groups and social relations of power that may hinder accountable and peaceful state building. While the state building literature tends to use the term 'horizontal inequalities', the literature on inclusive state-building is in fact about social inclusion and the need to better understand the needs of different social groupings and how to incorporate them into new state structures.

2.6 Citizenship

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[30] Development partners include multilateral organisations such as the UN, donor countries, international financial institutions such as the World Bank and the ADB, international NGOs such as Save the Children and Oxfam, and foundations like the Asia or Ford Foundation.

[31] Ferguson 1994; Eyben 2012; Ruckert 2008

To access a cash transfer, one must first be recognised as a citizen. Citizenship has historically been about both inclusion and exclusion.[32] Citizenship is used as a basis to exclude poor and powerless groups and 'struggles over citizenship have always been not only about the progressive expansion of rights and identities, but also about counter pressures or trends which serve to limit the rights and identities of others' (Gaventa and Tandon 2010:15). Nepal is a highly stratified society. Limiting the rights and identities of excluded groups is likely to maintain the power of a privileged minority.

For many excluded groups, their identity and allegiance will be connected to their local area, mother tongue, or familial group, rather than the nation (Kabeer 2005a:21). A societal understanding of citizenship shows how someone can belong to different kinds of collective associations and can define their identity on the basis of participation in activities associated with these different kinds of membership (Kabeer 2005a:22). This suggests different areas of Nepal and even different social groups may have a different understanding of citizenship and this could affect the way social protection impacts on social inclusion.

Citizenship can be linked to encounters and experiences.[33] The structures of society are in a continuous state of contestation and reproduction that work on, and are influenced by, individual agency (McGregor 2004:343). The rights-based literature confirms this; 'rights are shaped by actual struggles informed by people's own understandings of what they are justly entitled to' (Nyamu-Musembi 2005:31). Nyamu-Musembi (2005) describes this as an actor-oriented approach to citizenship. The way excluded groups come to define their identity and their citizenship status can be based upon their exclusion experience (Laclau 1990; Laclau & Mouffe 1985). Similarly, Eyben and Ladbury (2006) describe a 'seeing like a citizen' approach that seeks the perceptions of citizens in terms of how they interact with and view the institutions of the state that are expected to bring them benefits. Thus, a citizen's own perspective on the matter of inclusion and protection should be examined.

Excluded groups are accustomed to using unofficial channels and informal practices to have their day-to-day needs met as formal processes may not function in their interests. For

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[32] See: Kabeer 2003, 2005; Maski, 2010; Cornwall et al. 2008; Yashar 2005.

[33] See: Ekeh 1975; Ndegwa 1997, cited in Hickey & du Toit 2007:11.

excluded groups to begin to use legitimate channels they need to be aware of their rights and see an increase in accountability. Government processes and the repercussions of using legitimate channels cannot be higher than using the more familiar informal practices and unofficial channels. This is relevant to social protection because transformative social protection suggests citizens need to claim their rights to benefits to feel empowered and included. However, transformative social protection also seeks changes to the structural distribution of power and resources that keep people poor and excluded. Thus, it implies that poor people should use state sanctioned channels to claim their rights because it seeks structural transformation.

Nonetheless, using state processes may not be the only way citizenship is constructed. The horizontal view of citizenship stresses the relationship between citizens to be as important as the vertical relationship between the individual and the state (Kabeer 2005a:23; Cornwall et al. 2008). Citizens may interpret state actions in terms of their identity group. Thus if Nepal distributes cash transfers to Dalits then this may empower Dalits, regardless of how much of the transfer goes missing or their ability to demand their rightful entitlement. Depending on how different groups encounter and interpret these schemes may 'result in a (re)negotiation of their sense of self as a citizen vis-à-vis the state' (Chopra et al. 2011:243–5).

Political forms of exclusion and incorporation can be entwined in complex and multiple ways (Hickey & du Toit 2007:13). Clientelism has been described as a form of citizenship practice, whereby clients engage 'with the state in the person of the politician' (Lazar 2004). Through clientelism (a set of strategies), citizens attempt to make politics, and politicians, more representative and responsive (Lazar 2004). Therefore, there can be a relationship between dependency and a sense of subjectivity in clientelist states (Hickey & du Toit 2007:9). Adverse incorporation into patron–client relationships may create dependency; however, if incorporating into a patron's web is the only way to access more opportunities, then it may bring a sense of achievement and security. This may explain why the social protection literature on Nepal cites some cash transfer recipients claiming a sense of social inclusion despite not receiving their full entitlement.

2.7 Federalism

Federalism disputes in Nepal highlight some of the structural and procedural challenges of building a more inclusive society. The 2006 CPA mentions:

> [A] progressive restructuring of the state by eliminating the current centralised and unitary form of the state in order to address the problems related to women, Dalit, indigenous and ethnic (Janajatis) people, Madheshi, oppressed, neglected and minority communities and backward regions by ending discrimination based on class, caste, language, gender, culture, religion and region.

In a highly centralised country such as Nepal, devolution of power through decentralisation and power sharing through federalism can increase people's access to the government (Lawoti 2007:335). Federalism and the decentralisation of power was a part of Nepal's social inclusion project. In theory federalism should reduce the risk of exclusion.

Lawoti (2007:335) argues that 'when power is distributed among different levels and agencies of government, they could become more effective in their own spheres of operation' simply by being closer and thus more accountable to local people. Lawoti (2007:335) extends his argument to federalism being able to contribute towards promoting law and order and lessening the harmful contentious activities that stall Nepal's progress and stability (Lawoti 2007:335). While in theory this might be true, evidence from elsewhere suggests regimes do not automatically become more pro-poor and accountable just because they are local (See: Jeffrey and Lerche 2001; Jeffrey 2001; Hasan 2014). So the ability of federalism to contribute to social inclusion and democratic consolidation remains a question.

Decentralisation should be able to contribute to political and economic inclusion but Crook and Sverrisson (2005:254) found this depends on political parties and their ideological character. In the global case studies reviewed by Crook and Sverrisson (2005), decentralisation was only able to produce 'more pro-poor outcomes when a national (or state-level) party and government was elected with a commitment and a program for social and economic redistribution and the capacity to prevent locally hostile elites from sabotaging such a program.' They argue that central governments have to be prepared to actively engage with local politics and even challenge local elite resistance if necessary to ensure the successful implementation of policies at the local level. Harriss (2005) found that where states have challenged locally dominant castes/classes, poverty reduction was greater, even with a more fragmented party system than an institutionalised one. As such, the way power is negotiated

and shared or held during the decentralisation process influences the degree of inclusion achieved.

To be beneficial to inclusion overall federalism would need to be accompanied by other strategies such as an increase in accountability and affirmative action (Crook and Sverrisson 2005:254) – if more poor people win seats in local politics then federalism may enhance the political capabilities of the poor (Crook & Sverrisson 2005:254; Moore 2005). Therefore, the combination of affirmative action and federalism may improve the outcomes of democratic consolidation for poor and excluded citizens. Sequencing is important: Cook & Sverrisson (2005) argue that political inclusion and pro-poor regimes need to be in place before federalism will produce inclusive transformation.

Federalism comes with risks. A sense of belonging can be geographically located (Migdal 2004). Belonging involves one's status and one's sense of identity and 'tremendous emotional capital' (Migdal 2004:14). This can render federalism and the reconstruction of state boundaries an emotionally fraught process, particularly when popular politics creates competing and sometimes conflicting roles of citizenship and identity (Tilly 1996). Racial, class, ethnic, religion or other forms of identity can be connected to federalism claims. Migdal (2004:15) asserts that 'struggles over the construction of boundaries involve the most fundamental personal and social processes' (Migdal 2004:15). Federalism may bring to the surface deep festering beliefs about identity and belonging. Identity politics is a risk with federalism in a heterogeneous, historically exclusive state.

2.8 Affirmative Action

Representation in the civil service and political parties is a priority concern for excluded groups in Nepal because upper castes held a leadership monopoly and possibly, because it's giant neighbour India had implemented a reservation system since 1947. The CPA states:

> both sides respect the right of every citizen to take part directly or through one's nominated representative in the matters of public concern, to caste vote, to be elected and to enjoy the right to equality of entering into public service.

Additionally, Article 35 (14) of the interim constitution commits the state 'to pursue a policy of making special provisions on the basis of positive discrimination.' Consequently,

affirmative action was a component of the state's social inclusion project that also reduces the risk of exclusion.

Affirmative action is associated with quotas[34] and preferential policies that target specific groups, (especially women or minorities) to redress the effects of historical discrimination against specific groups (Beauchamp 2002:210). Although initiatives can vary, affirmative action usually involves plans to safeguard equal opportunity, to protect against discrimination, to advertise positions openly, and to create scholarship programs to ensure specific groups are recruited in the future (Pojman 1992).

Implementing affirmative action effectively is immensely challenging whether it focuses on women only or also caste, race and ethnicity as Nepal does. Domingo et al (2013) examined post-conflict countries and found an increase in women's participation in politics through formal quotas. However, they identified challenges and barriers that hinder women's substantive participation including: customary rules, negative cultural attitudes, male and elite dominated political parties and structures, lack of financial resources for women, violence and insecurity, backlash reactions, illiteracy and political inexperience and lack of support for capacity building (Domingo et al 2013). The barriers listed here for women appear to equally affect efforts to improve caste, race and ethnic representation.[35]

The literature on India is highly relevant to Nepal, not only because the countries share a border but because India incorporates caste, ethnicity and gender into its affirmative action policies and has tremendous influence over Nepal. Borooah et al (2007) performed a statistical analysis of Indian employment data from 1999-2000 and found a 5 percentage point increase of scheduled caste and scheduled tribe people in regular salaried and wage employment. Senapati (2013) reviewed central government employment data from 1960 - 2010 and found that the figures fluctuate from year to year but that overall the share of jobs has increased for scheduled tribes since 1990 and remained about the same for scheduled castes. Both groups remain under represented in senior roles. Even in India where affirmative action was

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[34] According to Merriam Webster dictionary, a quota is "a proportional part or share; *especially*: the share or proportion assigned to each in a division or to each member of a body." Whereas a preferential policy "gives an advantage to a particular person or group." http://www.merriam-webster.com/dictionary/quota

[35] See: PwC, 2013; Thorat and Senapati 2006, 2007; Senapati 2013

implemented in 1947, the results can be slow and varied suggesting the combination of caste, ethnicity and gender-based exclusion is particularly intractable.

Affirmative action policies can do harm. Shah (2010) warns from ethnographic research in India, that affirmative action can serve to reinforce difference, misrepresent, stereotype and hurt the very groups it is meant to help as well as mask or inflame class inequalities within identity groups. Elsewhere affirmative action has also been linked to escalating conflict and entrenching, rather than overcoming differences (See: DFID 2010: 73, 95; Kabeer 2010). In Nepal where exclusion has many dimensions and the state is disproportionately represented by upper caste groups, it is likely that policies that try to tackle structural forms of exclusion such as caste will also generate adverse or zero sum outcomes for the groups they aim to assist.

2.9 Conclusion

The literature on social inclusion, social protection, citizenship, states, federalism and affirmative action, highlight the major effort and combination of approaches and policies that will be required to ameliorate the vast inequalities that plague Nepal and build an inclusive state. Nepal is a post-conflict country struggling to transition into a modern inclusive federal democratic republic. The lack of research around the specific ways cash transfers can contribute to social cohesion formation, citizenship and inclusion in fragile states is a barrier for understanding ways that social protection can contribute to building inclusive states; yet there are links between state building and social inclusion. The role of state building processes is to present opportunities to redefine or strengthen citizenship for marginalised groups and include their voice and rights in new policies and legislation under development (Castillejo 2009).

If social protection is able to achieve peace, then it should also be able to contribute to building an inclusive state. The chronic poverty literature, particularly the work by du Toit and Hickey (2009) suggest that people remain poor and thus in need of inclusive polices because they are marginalised and excluded from economic, political and social opportunities or adversely included via a patron-client type arrangement. Providing public services, social protection and special measures to such groups is meant to help reduce exclusionary tendencies and help

them to access opportunities that can break the inter-generational cycle of poverty. The literature on transformative social protection concurs (See: Devereux and Sabates-Wheeler 2004; 2007a; 2007b). Social protection can empower poor people to overcome some of the obstacles that keep them poor and dependent such as by giving them an opportunity to organise collectively, to become familiar with state actors and processes, and to make demands of the government based upon their rights or entitlements. However, the ability of instruments like cash transfers to contribute to well-being issues such as social inclusion has been assumed and over-simplified.

Literature on other social policies designed to reduce inequality such as affirmative action reveals that when special measures are put in place to overcome exclusive tendencies they are often met with resistance and face numerous other challenges. The politics and practices of exclusion work to ensure that policy measures that are meant to protect, include and empower may not reach the intended recipients or deliver the anticipated results, or may be too meagre or short lived to deliver lasting changes. As Sen (1995:14) explains: 'benefits meant exclusively for the poor often end up being poor benefits.' Understanding state capacity for implementation and how cash transfer recipients perceive the cash transfers will be needed to answer whether social protection contributes to inclusive state building, especially given the literature on 'the gift.'

Social protection can reflect state-society relationships and promote a certain kind of citizenship. The type of citizenship promoted may keep people trapped in dependency relationships, be transformative, alleviate poverty or promote human development. Even though the literature suggests clientelism or at least corruption may exist in Nepal, how this is practiced and understood cannot be assumed. Political forms of exclusion and incorporation are entwined in complex and multiple ways as the literature on adverse incorporation and citizenship highlights. Losing some cash transfer benefits may be accepted in exchange for being included in a patron's network, or feeling recognised by the state because excluded groups may define their identity based upon their excluded status. A host of other reasons may explain why the embryonic literature on social protection in Nepal suggests that social protection can lead to social inclusion despite misappropriations.

Social protection must be understood to have a relationship to social inclusion (or inclusive state-building) in Nepal. Social protection in Nepal cannot be separated from the broader

struggle to achieve a more inclusive *naya* Nepal. Some of the major transformative structural change initiatives undertaken in Nepal such as affirmative action and federalism are explored because these have immense significance to Nepal's excluded groups and provide the background against which social protection (a specific set of instruments) and its evolution and stalling must be understood. An additional subsidiary research question is needed to answer the research question because a comparison of other social policy approaches is needed in order to situate the contribution of social protection to social inclusion. Thus the question, in what ways can social inclusion be achieved in a traditionally exclusive, low-income post-conflict state is relevant, along with the meaning of social inclusion in Nepal.

The social policy literature suggests a time lag for results. However, making comparisons over time is not possible in Nepal due to the lack of research on social protection and because the state's social inclusion project only began in earnest in 2006 when the CPA was signed. There may be a link between social policies that try to contribute to social inclusion in states with structural and intractable exclusion and the outcomes of such policies. Sequencing, resourcing, a progressive approach and a combination of measures are needed to minimise risks but what this combination looks like in Nepal and how social protection may contribute to this agenda is unknown. The role of external actors also needs to be factored into the research as they have an influential role in post-conflict, low-income states.

The literature shows that non-material and the economic dimensions of inclusion, marginalisation, vulnerability and power may be entwined and reinforced by the state and political-religious and cultural elements. The processes of exclusion could be related to processes of impoverishment and disempowerment making them particularly intractable in Nepal. Donors may well overlook these dynamics in their 'depoliticisation' and support of social protection and state-building and this would enable the growth of a 'shadow state' and the institutionalisation of exclusion. After all, the literature suggests that people who are socially excluded would never get enough cash to compensate for their exclusion because the politics of exclusion continually work to ensure their subordinate status.

The framework of Adverse Incorporation and Social Exclusion by Hickey and du Toit (2007) incorporates many of the crucial dimensions highlighted in this review chapter. Using adverse incorporation and social exclusion as a theoretical framework and expanding it to incorporate

political settlements could help shed light on the empirical data collected and advance the theory further. The next chapter outlines the theoretical framework applied in the research.

Chapter 3: Theoretical Framework

3.1 Introduction

This chapter provides a theoretical framework to help frame the data and answer the research question 'what is the potential of social protection to contribute to inclusive state building'; and the two subsidiary research questions: 'what building an inclusive state means in Nepal' and 'what are some of the ways social inclusion can be achieved'. The literature review highlights the pivotal role of relationships, especially the role of power between and among state and society/citizen. The relationship between a state and its citizens can be described as a contract whereby people willingly give up some of their autonomy in exchange for security and protection (Di John & Putzel 2009:4). This touches on the idea of adverse incorporation developed by Hickey and du Toit (2007). In order to untangle the different dimensions of exclusion and exploitation that exist in Nepal due to the caste system and traditional practices of bonded labour and patron-clientelism, the theoretical framework of adverse incorporation and social exclusion has been chosen.

As Hickey and du Toit (2007:1) note, it is important to examine the causal processes that lead poverty to persist, and to the politics and political economy of these processes and associated relationships over time. adverse incorporation and social exclusion has political, economic, socio-cultural and spatial dimensions that can involve long-term historical processes, including the nature and forms of capitalism, different stages and types of state formation, and institutionalised patterns of social norms and attitudes (Hickey and du Toit 2007:1). However, a political settlements framework has been added to this to help understand the balance of power that lies behind the state of Nepal and shapes its development direction.

3.2 Adverse Incorporation and Social Exclusion Framework

Adverse incorporation and social exclusion (Hickey and du Toit 2007) takes a long term, political and multidimensional view to understanding chronic poverty's casual processes over time. It examines: political dimensions (state formation, citizenship, clientelism and its links); economic dimensions (adverse incorporation, capitalism and markets); socio-cultural

dimensions (discrimination, gender inequality, although this thesis looks at a range of social categories); and spatial and geographic dimensions. For Hickey and du Toit (2007: 1), the value of the adverse incorporation and social exclusion framework is that it allows for a 'closer interrogation of the linkages between the state of chronic poverty and the processes of adverse incorporation and/or social exclusion that trap people in poverty.'

According to Hickey and du Toit (2007), social exclusion is understood to have five important contributions to the study of deprivation: poverty must be considered in relation to social systems and structures (not just an economic condition); a focus on causality is needed so that the underlying contextual factors that explain why some experience these conditions and vulnerabilities while others do not is examined; it focuses on multi-dimensionality and incorporates culture and political economy and meso-level concepts such as class, ethnicity and gender; acknowledges the central role played by politics in the reproduction and reduction of poverty; and finally, that history plays a key role in people's opportunity pathways.

In a similar vein, adverse incorporation 'captures the ways in which localised livelihood strategies are enabled and constrained by economic, social and political relations over both time and space, in that they operate over lengthy periods and within cycles, and at multiple spatial levels, from local to global' (Hickey and du Toit 2007: 4). Adverse incorporation involves power and emphasises structure and agency inter-relationships (other than those that shape economic relations and social class). Adverse incorporation analysis considers the exploitative aspects of relationships such as patron-client and examines the institutional arrangements and cultural frameworks that make it difficult for clients to leave. Clientelist systems can paradoxically integrate all participants into networks of exchange relations; but the forms of inclusion of lower status groups is founded upon, and reproduces, their exclusion (Gore 1994).

The dynamics that drive both social exclusion and adverse incorporation are inequities of power. However, social exclusion considers the dynamics of being left out (of markets, development projects, the state, etc.). Adverse incorporation is concerned with the terms of inclusion or the relationships that exist between people. Thus, one can be socially included but not adversely incorporated and the reverse, and even a mix of the two. Adverse incorporation and social exclusion focuses on relations rather than resources and the social

and political aspects of poverty rather than the material, making it a useful framework for understanding the contemporary Nepal setting.

The adverse incorporation and social exclusion framework suggests that social and cultural identity can play an important, and often overlooked role in the reproduction of poverty. Social exclusion is often based upon individual or group based identity and attributes that are socially and politically deemed to be less acceptable than others. This type of exclusion may not just be about prejudice and discrimination but the maintenance of power and broader political economy processes that shape state and society over both time and space. The spatial dimensions of the adverse incorporation and social exclusion framework are particularly relevant given Nepal's federalism issues and spatial associations.

The adverse incorporation and social exclusion framework suggests that the relationship between social inclusion and social protection may exist. As chronic poverty is the result of deeply engrained practices and attitudes, any attempt to change this would require substantial political and structural reform, the kind that comes from conflict or a significant political movement. The kind of structural transformation that Nepal's social inclusion project represents. In fact, nation or state building projects represent a good chance to change adverse incorporation and social exclusion because the state remains the only institution that can protect people from such 'traditional' conditions, and the only institution that protects people from more modern forms of vulnerability, such as that brought about from capitalism and free markets (Hickey and du Toit 2007:15).

Adverse incorporation and social exclusion, like social protection considers the 'productive poor' and the 'undeserving poor' as categories to examine. It problematises capitalism and the monopolisation of market forces as creating new forms of insecurity, especially through a watering down of labour rights and exploitation. Social protection incorporates social security and labour markets and the relationship between labour and capital as well. Thus adverse incorporation and social exclusion is a useful framework for examining social protection and social inclusion.

For adverse incorporation and social exclusion, the key forms of political exclusion and incorporation are understood in terms of citizenship and clientelism, and related issues of representation, political organisation, governmentality and processes of state formation

(Hickey and du Toit 2007:14). 'Governmentality' is the process through which the administrative state exercises power over populations through 'institutions, procedures, analyses, reflections, calculations and tactics' (Foucault 1991:102-103). As such the relationship between state and society and the spaces available for exchange and empowerment are important. The 'state' in Nepal is a highly relevant unit of analysis for answering the research question. However, the adverse incorporation and social exclusion framework does not provide enough guidance on how to analyse the state. For this reason, a political settlements framework is also used.

3.3 Political Settlements

The political settlement that lies behind regimes can reveal where the balance of power lies, and why regimes act the way that they do.[36] The advantage of this is that it may reveal the scope for change and the direction that change may be headed which is useful if trying to build an inclusive state. Castillejo (2014) defines a political settlement as 'a dynamic bargain (primarily between elites) on the distribution of power and resources that is subject to changes and re-adjustments over time.' Thus, a political settlement 'describes the informal power arrangements or 'social order' in a country' (TAF 2011). A political settlement can take many forms, and conflict is often a critical juncture for a new political settlement (TAF 2011).

In Nepal the balance of power or the political settlement changed after the conflict to become more inclusive showing a connection between the two. Political settlements are often mistakenly interpreted as signed agreements like a peace agreement. These discrete events can shape a political settlement, along with historical dynamics, and these signed agreements often suggest an elite bargain or pact has been reached (Castillejo 2014). Political settlements are more than an elite pact or elite bargain, although some scholars use them interchangeably. Khan (2010:65) identifies four types of political settlements (see Figure 1). During Nepal's civil war the political settlement was in crisis (bottom right of Figure 1) and prior to that it was a pre-capitalist settlement (top right). Since the signing of the CPA, Nepal has fit the clientelist political settlement whereby 'power that is not formally institutionalised plays an

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[36] See: Easterly 2011; Kelsall 2014; Khan 2011; Leftwich 1995:409.

important role in allocative decisions;' a significant source of this power comes from incomes generated outside formal institutions (Khan 2010:48,53).

	Formal Institutions Potentially Support Growth	Formal Institutions are not growth-oriented or have collapsed
Holding power aligned with Formal Institutions	**'Capitalist' Political Settlement**: Formal productive rights dominate as associated incomes are the dominant source of holding power. Formal rights are well enforced, constraining the range of distributive conflicts.	**Pre-Capitalist Political Settlements**: Variants of feudalism with formal land and military rights aligned with distributions of political-military power.
Significant sources of Holding Power not aligned with Formal Institutions	**'Clientelist' Political Settlements**: Formal productive rights exist but are not well enforced. Powerful groups can influence economic outcomes irrespective of their formal rights. Ranges from developmental states to societies on the verge of crisis.	**Political Settlements in Crisis**: Formal institutions have virtually collapsed and most informal 'economic' activity is supported by or based on the threat or exercise of violence.

Figure 1 Typology of Political Settlements

(Source: Khan 2010, 49)

Settlements that are too inclusive can collapse as there are many interests and groups involved, making it increasingly difficult to keep all actors happy and loyal. Additionally, the 'rules of the game' can be hard to change and hard to learn, especially for traditionally excluded groups in such a state, so including them may not deliver a positive outcome at first. This raises many questions relevant to the research question: how inclusive does the settlement need to be to achieve social inclusion; how inclusive is 'inclusive enough' to achieve stability (Jones et al. 2012); how does the inclusivity or the actors involved in a settlement influence social protection?

An additional variable to understand is the distribution of power in a political settlement as this impacts upon how decisions are made. According to Khan (2010:57), 'all developing countries have clientelist political settlements, but they differ across countries, and change over time.' Income and wealth differences will obviously equate with more power but the 'sources of organisational holding power (organisational capabilities, legitimacy, and so on) are much more difficult to assess' (Khan 2010:59). Khan's (2010:60) four clientelistic typologies (see Figure 2) can help illuminate the patterns of power distribution in low-income societies.

HORIZONTAL DISTRIBUTION OF POWER: EXCLUDED FACTIONS

WEAK (INTERESTS OF RULING COALITION STRONGLY ALIGNED WITH GROWTH) → (INTERESTS OF RULING COALITION WEAKLY ALIGNED WITH GROWTH) STRONG

VERTICAL DISTRIBUTION OF POWER: LOWER LEVEL FACTIONS

WEAK (RULING COALITION HAS STRONG IMPLEMENTATION CAPABILITIES) ↓ (RULING COALITION HAS WEAK IMPLEMENTATION CAPABILITIES) STRONG

	WEAK	STRONG
WEAK	**POTENTIAL DEVELOPMENTAL COALITION** Low opposition from excluded factions gives ruling coalition stability and long time horizon. Limited power of lower level factional supporters ensures high enforcement capability. Construction of developmental state possible: South Korea 1960s	**(VULNERABLE) AUTHORITARIAN COALITION** Initial enforcement capabilities likely to be strong but strong excluded factions mean force or legal restrictions have to be used making coalition vulnerable to violent overthrow. Military governance in Pakistan 1960s, Bangladesh 1980s and 1990s
STRONG	**(WEAK) DOMINANT PARTY** Enforcement capabilities become weaker as lower-level factions get stronger or more fragmented. Excluded factions also become stronger if dissatisfied supporters start leaving. India under Congress 1950s and 1960s, Thailand under Thaksin 2000s, Tanzania under CCM 1992-, West Bengal under CPM 1977-	**COMPETITIVE CLIENTELISM** Characterized by competition between multiple strong factions. Stability can be achieved only with credible mechanisms for cycling of factions in power. Low enforcement capabilities in most cases and short time horizons. India and Bangladesh after the 1980s, Thailand in the 1980s and 1990s

Figure 2 Patron–Client Factions and the Structure of the Ruling Coalition

(Source: Khan 2010:65)

Nepal best fits the situation of competitive clientelism whereby stability is maintained by cycling power between competing elite factions. The downside is short-term policymaking and weak implementation capacity resulting from the bargains made with other factions to maintain power or privilege (Khan 2010). In this settlement the 'subjects'[37] are less involved because the nature of the agreement (the distribution of power) is between 'principals' (elites, interest groups and political leaders) (Levy 2014:18). In a competitive clientelist state, 'the number of potential factions is so great or they are so fragmented that the inclusion of all of them in a ruling coalition would not work but neither would a strategy of keeping excluded groups out by legal or military mechanisms' (Khan 2010:67). Instead, a ruling coalition gets 'formed by a leadership of political entrepreneurs which seek to bring together enough factions to be able to rule but at the lowest price for themselves' (Khan 2010:68).

Whether the distribution of power is horizontal or vertical can shape the incentives of political elites to act according to self-interest or the long-term public interest (Khan 2010:65). A vertical distribution of power will work better for the long term public interest because the self-interest of those with power aligns with what the public want. However, in a 'vertical distribution of power,' the more powerful that lower-level factions become, 'the greater the number of points at which the enforcement of particular rules can be blocked' (Khan 2010:65).

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[37] Levy (2014) uses the term 'agent' and 'subject' but not citizen to denote their position.

Given the pyramidal structure of patron–client organisations, the distribution of rents to many or all of the lower-level factions will be required to ensure their cooperation (Khan 2010:65). This will obviously be difficult to achieve in a poor country and may involve a number of adverse trade-offs and a new regime taking power (Khan 2010:67).

What this means for Nepal is that the inclusive agreement reached to end the conflict is unlikely to remain stable and this may have a bearing on the ways social inclusion and social protection are achieved and prioritised. The Maoists had a vertical distribution of power. In a 'horizontal distribution of power' the power of excluded coalitions is weak or fractured relative to the ruling coalition giving them a longer time horizon to govern. A potential developmental coalition is the most ideal type of power distribution although its ability to achieve growth and development or even social inclusion requires 'other conditions, including the emergence of an appropriate developmental leadership, as well as minimal technological capabilities within the country' (Khan 2010:67). The way that power shifts and is maintained may lead towards or away from a more inclusive society. Social protection may also be a product of the type of political settlement in place and may even be used to help maintain the settlement.

Citizens and third party actors—like cooperatives and unions—can also play an important role in creating inclusive or newly established political settlements if the distribution of power is vertical because they can change the balance of power. Di John and Putzel (2009) label these groups/institutions 'third party enforcers' as they have 'veto powers' that come from their ability to generate revenue from outside the state, such as from a paying membership base. So while traditional elites may still use the state's resources to maintain their power and control the state of Nepal from the shadows, new 'political entrepreneurs' can emerge as leaders of third sector organisations and challenge this power. The research should seek to interview a range of actors across levels and include: bureaucrats; development partners; the private sector; political parties; and, trade unions.

3.4 Conclusion

The framework used in this thesis combines political settlement typologies with adverse

incorporation and social exclusion. The fit between the two will help to analyse how protected an excluded citizen can hope to become overtime. It will reveal where the power balance sits on the ideology behind social protection program design and composition and the role different initiative splay in maintaining or challenging elite bargains.

The reason social protection exists in Nepal may be associated with the maintenance of power or state control. This can help to explain why only token forms of assistance are offered. Clientelism affects how social protection is designed and delivered, and power relations limit the impact of efforts at inclusiveness, even if some evidence of inclusion is found. Given Nepal's social protection approach is largely associated with cash transfers, social protection could represent a coming together of adverse incorporation and social exclusion and thus a reproduction of structural inequality. It cannot be assumed, given Nepal is a low-income, post-conflict, deeply historically exclusive state that social protection is designed and used to reduce poverty or exclusion, regardless of what policy says.

However, the review of the literature highlighted how states will try to hide these practices (shadow states) by imitating the functions of an effective state, while informal practices and patron-client networks operate behind the veneer of the state apparatus. Only a situation of conflict and international peace keepers may force such a state to address the power imbalances inherent in its functioning. A political settlements framework will be useful in making sense of the attitudes and beliefs and the interests of power that impact on, and interact with, the state. Getting to the truth may be elusive in a state where power games and covert operations shape so many relationships. The methodology was mindful of this and the need to triangulate the data through the grounded theory method. The thesis does not develop a full assessment of the political settlement but uses a political settlement framework to explore the ways social inclusion can be achieved in a traditionally exclusive low-income post conflict state and the potential of social protection to contribute.

However, the significance of the Maoist struggle over such matters is unknown. The struggle for inclusion and structural transformation was only recently resolved in favour of democratic rule and popular support for inclusion and change. Thus, the thesis is set within the changing timeframe of inclusive state building. Based on the review of the literature and construction of a theoretical framework, social protection may contribute to social inclusion by bringing traditionally excluded groups into the state's protectorate, giving them a stake in a cohesive

society, and giving them the opportunity to be seen as citizens. The state-building agenda creates space for change and a reinterpretation of citizenship. This may not be deemed as 'real' inclusion by some as the marginalised are likely to be adversely excluded. However, social inclusion, like state formation occurs along a continuum.

A number of causal processes or factors may influence the way social inclusion can be achieved in Nepal and the way in which social protection may contribute. Relationships between states and citizens are mutually constitutive and yet vary. The way the state responds to the demands of excluded groups may explain the degree of transformation occurring. The demands of excluded groups and how they conceive social inclusion and understand cash transfers may be shaped by their sense of citizenship or identity. Or it may be shaped by the nature of the state. By examining and comparing affirmative action, federalism and social protection, some of these causations can be determined. Getting the views of recipients will provide a more robust understanding of the phenomena of social inclusion and how social protection can contribute beyond just examining the state. The next chapter looks at the methodology in more detail.

Chapter 4: Methodology

4.1 Introduction

The literature review revealed that the way power is maintained can have a bearing on policy outcomes. Elite interests, the ruling party, and where the balance of power behind the regime (the political settlement) lies will have an impact on the effectiveness of the social inclusion project and social protection. Exploring further the way social protection in Nepal is associated with social inclusion, social change, democracy, regimes, and capitalism is necessary as there appears to be a relationship. The Nepal state is in a period of transition and this requires data that can situate this change.

Fortunately, the adverse incorporation and social exclusion framework provides guidance on methodology. It argues that a theoretical approach that draws on comparative sociological history and moves well beyond the individualism that characterises much mainstream poverty research is needed (Little 2005:4 cited in Hickey and du Toit 2007:22). Comparing and contrasting different aspects of the state's social inclusion project, including federalism and affirmative action aligns well with such a methodology. An approach to researching adverse incorporations and social inclusion must 'recognise that poverty is embedded within and reproduced by broader societal processes'. Thus, 'comparative, historicised and theoretically-oriented forms of research are particularly appropriate in studying the causal dimensions of adverse incorporation and social exclusion (Hickey and du Toit 2007:22).

There is a need to collect data from different actors at different levels. Nepal's history of social exclusion and the unequal state apparatus, means that the research questions cannot be answered by only exploring policymaking spaces because too many excluded citizens miss out on participating in these processes. The literature suggests an absence of data from cash transfer recipients living in conflict-affected areas within post conflict countries. Thus it will be important for this research to go to excluded and conflict affected areas to interview cash transfer recipients. Additionally, the role of external actors such as development partners

remains highly relevant along with bureaucrats, political parties, trade unions, the private sector, and local officials.

Most Government of Nepal (GoN) data has been collected through quantitative household surveys that are either district or nation-wide. Most of the literature on Nepal's social protection programs is evaluation based and related to the way that end recipients use or access cash transfers but it does not clearly explain why cash transfers exist in a low-income, post-conflict, exclusive state like Nepal or why recipients perceive them in ways that suggest a contribution to social inclusion. The data that does exist would be complimented by qualitative approaches. Hickey and du Toit (2007:i) purport that 'the relational nature of adverse incorporation and social exclusion and the limitations of quantitative data may dictate that qualitative work should take priority.'

This chapter begins with an explanation of the research design and methodological choice of grounded theory. The grounded theory method considers all contextual factors in the design, conduct and outcome of the study. It assesses the influence of structures and processes and allows for the examination of perceptions (Strauss & Corbin 1998). These were all deemed important in the literature and theory. The chapter then covers the scope and research phases, the questions asked at different levels, followed by a discussion on the study region, coding and other data collection and analysis issues.

4.2 Research design

The research design compares different aspects of the social inclusion project in order to situate the contribution of social protection. It assesses the political settlement as it relates to these different elements. Understanding the state is necessary as it shapes the degree of inclusion and protection enjoyed by citizens. Nepal's state cannot be observed directly. In fact, the state of Nepal seems to be under contestation by various interest groups. A broad range of actors that influence or comprise the state will need to be interviewed, including development partners, government officials, politicians, and those that seek to influence public opinion or policy such as journalists, academics, trade unions and the private sector (for their obvious role in social security and as the representatives of labour and capital).

The methodology was mindful of the power that elites wield over the state. Getting to 'the truth' required a mixed methods approach to data collection that also triangulated the information heard by those with a vested interest in furthering their career or power. It cannot be assumed that anyone within the state apparatus will speak for the poor and excluded. Paying attention to secondary data such as news articles and comparing them to the primary data collected improved the quality of the data analysis. Given such research was time-consuming, the number of interviews conducted and cases analysed was restricted to a smaller sample size.

Answering the research question requires understanding the 'rules of the game' that underpin the state, its regime, and political settlement. So the unit of analysis must be the state, for it has the power to include and protect. However, it is perceptions of the state held by excluded citizens and not necessarily the image of the state as it is projected by the state that is relevant. Understanding the views of local cash transfer recipients and how included they feel will contribute to answering the research question. As the literature on citizenship and adverse incorporation noted, citizens may have some interesting interpretations and experiences of government benefits. This means that local state actors should also be interviewed.

The literature review suggested there are some hypothesis that could be tested and thus deductive methods may also be suitable. Deductive factor-based research provides a robust answer of a small and trivial question (Pierson & Skocpol 2002:713-18) but may not give as complete a picture of the phenomenon of social exclusion and inclusion and how it changes and how social protection can contribute as the method chosen. The literature review does not suggest that building an inclusive state is a trivial matter, nor one dimensional. The research could choose to test state-society relations theory and its relevance to Nepal, or whether political settlements can help to illuminate the nature of the state and even if Nepal's welfare regime fits a typology but this would not give a complete understanding of the research topic. The literature has shown that both social inclusion and social protection are highly context specific and therefore social inclusion in Nepal and the way social protection contributes to it is likely to reflect a particular case of these phenomena, or a relationship between two.

While a deductive approach could reveal some causations it would not give as clear an account of the phenomena as what an inductive theory based methodology would. Developing a theory

to explain the situation of social protection and social inclusion in Nepal will help account for as many variables as possible without dismissing deviant cases before their relevance is realised. The broad research question is 'what is the potential of social protection to contribute to inclusive state building?' In order to answer this some supplementary questions are needed:

- 'what does building an inclusive state mean in post-conflict Nepal?'
- 'in what ways can social inclusion be achieved in a traditionally exclusive, low-income post-conflict state? '

These questions are consistent with a qualitative mode of inquiry as they allow the researcher to remain open to any issues and concepts embedded in the phenomenon and thus open to discovering a grounded theory.

Grounded theory assists researchers to make connections between events and allows for flexibility, open-ended questions and descriptive answers (Charmaz 2006). It focuses on identifying key components and categories of a social phenomenon and how they relate to each other. A grounded theory methodology guides the researcher through sampling, coding and analysing the data. It acknowledges the human dimension to researching people and aims to see the world through the eyes of research participants (Charmaz 2006). It seeks deep descriptions that reveal participant's views, feelings, intentions and actions as well as the contexts and structures of their lives (Charmaz 2006). A grounded theory methodology uses an interview technique that is more like a directed conversation and therefore builds trust, allows the respondent to open up and gathers more nuanced information and deeper description. A methodology that allows for building trust was appealing to a foreign researcher.

While qualitative research can provide a holistic approach to understanding phenomena like social inclusion, not all qualitative methods will generate the same quality or type of data. Focus groups are fairly well known and the researcher had prior experience conducting them. However, power relations are at the heart of social exclusion and even when carefully selecting participants and using facilitation skills to manage power relations, power dynamics and 'group think' can affect focus group discussions. Surveys can help to understand certain aspects of the phenomena such as wealth status or demographics such as caste and how this affects opinions but it would need to be complimented by other research tools that allow for a deeper exploration of participants' views. Likert scales were used to rank opinions and the directed conversation interview technique used during one-to-one interviews.

Adopting a grounded theory method helps to test 'the truth' of different voices, or at least rule out blatant lies. It will usefully allow for the different voices to be heard/represented in a manner that contributes to the development of theory and is in line with a social inclusion approach as it lets respondents guide the research direction. What came from the grounded theory approach was the need to focus on cash transfers. Cash transfers are the bulk of the social protection assistance provided by the government and many respondents understand social protection to be synonymous with cash transfers. Responses to the social protection related questions were answered only about cash transfers. Subjecting the data to theory testing along the way thus ensures the quality of the data collected and reduces data collection gaps that may arise at the end.

What also came from the grounded theory approach was the need to explore federalism and affirmative action in depth because it was immensely important to respondents. Moreover, all political decisions, discourse and tensions about social inclusion and the future direction of the state building project seemed to originate from the challenges being experienced in this space. While the initial purpose of examining federalism and affirmative action was contextual, it became comparative due to the political settlement framework which revealed similar underlying dynamics across all. In addition, research participants identified all initiatives as challenging particular aspects of adverse incorporation and social exclusion and that collectively these initiatives would contribute to building an inclusive state. Thus, understanding the broader terrain of building inclusive states would contribute towards answering the research question.

Some of the risks and criticisms that surround grounded theory concern its lack of rigour (Cooney 2011). Criticisms include that the researcher can become lost in their data as they need to pay attention to many factors, even those that do not seem directly relevant to the initial research goal (Charmaz 2006). The key principles of grounded theory such as theoretical sampling, inductive coding and constant comparison are skipped over in some uses of grounded theory and produce substandard theories, whereas a good grounded theory ends in a formal theory that can be used in other contexts (Gasson 2003:84). The quality of grounded theory research is ensured by closely following the principles that apply to all stages of the research process (Flick 2009).

Charmaz (2006) explains that when it comes to socially constructed hierarchies such as race, gender or caste, the researcher cannot help but bring their knowledge of these issues into the research. When the researcher acknowledges that they bring their views, assumptions and biases into the research, this is known as a 'constructivist grounded theory' (Charmaz 2014:239; Mills Bonner & Francis 2006). Constructivist grounded theory studies are different to more 'pure' grounded theory studies whereby researchers use the methodological approach without socio-historical factors or theoretical frameworks to influence their thoughts, and disconnect themselves from the participants (Mitchell 2014:9). As the researcher had lived and worked in Nepal for three years prior to the research commencing, a pure grounded theory study was not possible. Constructivist grounded theory researchers use theoretical frameworks to clarify and problematise their assumptions and make those assumptions clear to others (Edwards & Jones 2009:212).

There are limitations to all research. Asking participants direct questions about their experiences of exclusion or the state can generate opinions or fabricated answers. The Glaserian version of grounded theory which has ontological roots in critical realism assumes that an objective world exists independently of our knowledge and belief (Annells 1996). However, the Straussian version of grounded theory has its ontological roots in relativism and argues that reality is always interpreted. The Constructivist version of grounded theory (Charmaz 1990, 2000b, 2003; Charmaz & Mitchell 2001) used in this research also has its ontological roots in relativism as it is built upon a Straussian foundation. Constructivist grounded theorists also take a reflexive stance on the modes of knowing (Sengstock 2008:90). They pay close attention to the empirical realities and people's collected renderings of them and in fact locate themselves within these realities and build their theory from it (Charmaz 2005). This means that even the opinions held by cash transfer recipients about their experiences of exclusion or the state will have relevance to the research because they will be constructed by their excluded status.

Sampling in grounded theory follows a theory driven logic. In a grounded theory, data analysis and collection occurs concurrently because analysis of the data informs the next cycle of data collection. Corbin and Strauss (2008:145) call this 'theoretical sampling.' This process allows categories and themes to be refined again and again until a theory emerges (Lingard et al. 2008) thus making it 'a process rather than a product' (Glaser & Strauss 1967:40).

Deviant cases are managed in this research through scope conditions, the grounded theory method, case studies and typologies. Rather than ignoring deviant cases, grounded theory considers them to be of substantive interest. Deviant cases are tested by other respondents. If the outlying case is deemed relevant to respondents, then a rethinking of the theory follows. Using 'scope conditions' (See: Ragin 2000:61-2; Walker & Cohen 1985) can help to account for deviant cases. For example, comparing affirmative action and federalism to social protection may show that the political settlement appears to operate in a similar way across the results, or it may reveal certain consistent aspects of the state or social inclusion, suggesting that deviant cases have been accounted for. At the local level grouping responses by type and coding by the frequency heard can provide an additional measure to account for deviant cases, with only typical responses being cited and case studies used as an accountability mechanism to show the range of responses.

Given the various exclusion vectors that can exist in one place in Nepal it may not be necessary to gather data from multiple locations. Selecting an excluded and conflict-affected district and interviewing different cash transfer recipients from a small number of villages may be enough to understand how the implementation of cash transfers operate and how it is interpreted and experienced by citizens. In outcome-centric research designs, 'the units studied are understood as unique wholes rather than as randomly selected examples of a larger universe' (Lehnert 2007:69). As such, the status of the findings from a small sample of recipients in Sarlahi in the Madhesh is likely to be generalisable.

The meanings held about social inclusion and social protection by different actors will vary and be contradictory. This necessitates collecting in-depth understanding about certain issues from a variety of interest groups so they can be compared and contrasted and selection bias avoided. Participants were chosen for their authority to speak on behalf of the group they represent. Thus, a Madheshi women's NGO director represents the voice of many Madheshi women, as also occurs for Dalit and Janajati respondents. While there is great heterogeneity in the category Madheshi women, time did not permit the research to get into that level of detail aside from acknowledging that it exists. As there is no Brahman and Chhetri movement as such because they are the 'mainstream', academics and development partner employees and bureaucrats who are Brahman and Chhetri are used to give this perspective.[38] Ensuring

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[38] The exception being the Chhetri Samaj group – see federalism data for more information.

that the main identity groups were interviewed prevented biasing the data according to the views of one identity group. This is a time consuming way to collect and analyse data but ensured robust analysis.

A random sampling and snowballing technique was adopted to find the recipients, along with categorical variance. At the local level, the researcher approached a house or a person on the street and asked if they knew anyone receiving one of the five cash transfers. If they did not, then this person was interviewed as a non-recipient before being asked to show the researcher to the house of a recipient. This only generated 14 non-recipient responses because most households had at least an old age cash transfer recipient. Gathering the views of a variety of cash transfer recipients was important, as the research question does not specify only one type of cash transfer. This meant there were times when the researcher specifically asked to speak to a certain type of cash transfer recipient as the snowballing approach had not produced enough diversity in the respondents. Focusing on the diversity of cash transfers meant that the sample was not suitable for gender comparisons: more women than men were interviewed due to the widows' allowance and child grant being paid solely to women.

4.3 Data Collection Phases

A phased approach was taken to data collection as this enabled critical reflexivity and improved reliability in terms of the grounded theory methodology of constant comparison. The research involved four phases: Phase 1—literature analysis and Kathmandu informants; Phase 2—choosing the district and developing local interview guides; Phase 3—district and village interviews; Phase 4—analysis, writing and theory development. Although the research has four phases they are non-linear and overlap.

Data were collected at three levels: Kathmandu (where central planners and development partners reside), the district headquarters (Malangwa) and in three Village Development Committees (VDCs).[39] The views of different stakeholders from recipient to planners and implementers, to policymakers and politicians were gathered to present a more complete view of social protection's contribution to building an inclusive state. Some interviews were

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[39] VDCs are the lowest tier of government office.

conducted via Skype as the consultants or development partner staff had moved out of Kathmandu. Most interviews were conducted face to face.

4.3.1 Phase 1—Literature Analysis and Kathmandu Informants

Phase 1 included the literature review and analysis of key quantitative data and trends in Nepal and how this relates to the social protection sector. Most literature on social protection in Nepal is grey literature commissioned by NGOs, development partners or the GoN. The researcher also read specific publications on social inclusion in Nepal and government statistical reports, such as the census and the Nepal Living Standards Survey (NLSS). Insights into poverty and social inclusion and the role social protection could potentially play were gathered. The researcher also explored news articles and throughout the research process scanned Nepalese newspapers for articles on social protection and social inclusion.

A social protection sector analysis was completed through interview and documentation analysis. Interviews began with those involved in key social protection or social inclusion processes. Some participants recommended discussions with other people based on the themes discussed (snowballing). Additionally, the researcher sought interviews with the authors of relevant news articles, via the newspaper. This is in line with theoretical sampling[40], which Patton (2001:238) describes as the process of selecting 'incidents, slices of life, time periods, or people on the basis of their potential manifestation or representation of important theoretical constructs.' Emails were used to approach informants.

A range of key informants (66) predominantly residing in Kathmandu were interviewed from July 2012 to February 2014 (see Annex 1 & 2). Not all interviews can be considered Phase 1 as some occurred during other phases, but all occurred when the researcher was based in Kathmandu. The initial interviews completed during this phase were structured to understand the current issues in social protection and social inclusion. The interviews also assessed key actor dynamics. The interviews were then sorted and coded for emerging themes. When

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[40] Goulding (2005:296) describes theoretical sampling as a 'commonsense process.' The researcher goes to 'the most obvious places and the most likely informants in search of information. As concepts are identified and the theory starts to develop, further individuals, situations and places may need to be incorporated in order to strengthen the findings' (Goulding 1999:9).

federalism, affirmative action, political parties and state institutions, the policymaking space, elitism/clientelism and external actors (specifically donors and their relationships/capacity) were identified from coding the first phase of data collection, further questions were developed around these themes and issues to explore them more deeply and then test the emerging theory during the next phase of data collection. The findings of this process saw the research focus narrow to five cash transfers.

While some social security-related themes emerged initially it was not until after the second Constituent Assembly (CA-II) election that political parties and unions were interviewed and the pivotal role of social security negotiations became apparent. Questions were then developed to explore social security in more detail and some past informants were approached again to gather their views on this theme. Grounded theory suggests a significant body of data should be collected and analysed even though not all will have meaning or relevance (Charmaz 2006).

Interview guides

Grounded theory interviews involve intensive interviewing techniques. Interview guides are developed but prompt questions are also used to more deeply explore emerging themes and issues raised at the time. The theoretical framework outlined in Chapter 3 guided the questions developed, which is a form of deductive reasoning that aligns with a grounded theory methodology (Mitchell 2014:6). Mitchell (2014:6–7) explains that developing questions along a theoretical framework openly acknowledges the role of the researcher in the co-construction of the grounded theory but 'does not influence the malleability or fluidity of the findings.' This is particularly the case when other more traditional aspects of a grounded theory methodology, such as coding and theoretical sampling, are used to develop additional questions based on emerging themes, as was done with this research (Mitchell 2014:6).

Although the following list is not exhaustive, it provides some examples of the questions asked, to highlight how the theoretical framework guided data collection. The social inclusion-related questions asked about:
- how the social inclusion agenda has changed over time
- what made it successful and what inhibited its success
- recipients' experiences during their social inclusion-related work and whether, if at

all, resentment or resistance was witnessed/experienced

- what key actors, factors and influencers were involved in the shape of the social inclusion agenda, and in what ways did their attitudes and beliefs about social inclusion play out

- how a socially inclusive state (*naya* Nepal) would look to them.

The social protection questions explored:

- how social inclusion is similar or different to social protection

- how program amounts were determined and policies announced

- whether cash transfers contribute to social inclusion or change the relationship a state has to citizens and vice versa

- the main problems or complaints with the cash transfers

- the role of external and domestic forces, political parties and bureaucracy.

Local-level questions were asked of recipients and non-recipients[41], including:

- if the transfers affect the relationship they (or recipients) have with the state

- if the transfers have the ability to achieve more or equal opportunities for recipients or help them participate more in society

- (via Likert scale questions) satisfaction with the cash transfer system; how the government looks after the poor; how trustworthy the state is; and how responsive it is to complaints

- specific questions about the cash transfer programs' usefulness, design, delivery, registration, eligibility, effectiveness, impact and ways to improve these.

4.3.2 Phase 2—Choosing the District

Phase 2 involved choosing the district and designing the recipient and non-recipient interview guides, along with the guide for district-level and local-level leaders. The themes that emerged during this phase were tested during local-level interviews. Kathmandu interviews continued

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[41] The non-recipient interviews are not analysed as only eight were collected. Many of the people approached had family members or neighbours that received a cash transfer.

during this phase as the coding and sorting in Phase 1 raised themes to be tested in Sarlahi but also for further exploration during future interviews in Kathmandu.

Choosing a District

Nepal has five development regions (see Figure 3) with differing levels of poverty (%): Far West (41), Mid-west (44.8), West (34.5), Central (27.1) and East (27.6) (NPC 2010).[42] Regions differ in their demographics and by caste and ethnicity. They also differ in economic potential and the degree to which they experience geographic challenges due to remoteness, particularly with respect to the extremely mountainous terrain of the Himalayas. Nepal is administratively divided into 75 districts, 3,915 village development committees (VDCs) and 59 municipalities.

Figure 3 Map of Nepal

(Source: ICG 2012)

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[42] Although the Mid-Western and Far-Western regions have the highest levels of poverty, they house only 18 and 10 percent of all poor, respectively on account of low population density (NPC 2010).

Through a process of consultation with key decision makers and social protection stakeholders in Kathmandu the district choices were narrowed. Key informants suggested going to a district in which there has been little research on social protection. This ruled out the following districts: Dolpa, Jumla, Kalikot, Mugu and Humla (child grant surveys by UNICEF and ODI[43]/NEPAN[44]); Rolpa, Bardiya and Ilam (SLRC Survey); Rasuwa, Jumla, Bhaktapur, Kaski, Baitadi, Jhapa, Rautahat and Bhanke (NPC Social Security Assessment); Achham, Bajura, Dang, Gorkha, Jajarkot, Kailali, Kalikot, Kapilvastu, Palpa and Rolpa (New Era Public Expenditure and Tracking Survey); Sindhupalchok and Kavre (Child Sensitive social protection Program); Kanchanpur and Dadeldhura (Human Development Social Protection Pilot).

This research aimed to conduct interviews in conflict-affected areas with high levels of exclusion as per the literature gap identified in chapter two. The Karnali zone was covered by other research resulting in the Mathali-speaking Madhesh region in the Terai becoming the focus. Mathali-speaking districts include Parsa, Bara, Rautahat, Sarlahi, Mahottari, Dhanusa, Siraha, Saptari, Sunsari, Morang and Jhapa.

The next exclusion vector used to determine the district was food security levels as this is often used as a proxy for poverty and exclusion in Nepal. Of the Mathali-speaking districts, none have very high levels of food insecurity, but Parsa, Bara, Rautahat, Sarlahi, Mahottari and Dhanusa have moderate food insecurity levels. Rautahat and Jhapa had been included in previous research. Of the other districts, two were suggested by an authoritative senior informant in the Government because of the lack of information available on these districts (Sarlahi or Dhanusa). Sarlahi was more deficient in terms of the WFP's food self-sufficiency rating and was therefore chosen as the research district.

Introduction to the Study Region (Madhesh/Terai)

Guneratne (2011:vii) writes that the Terai is the 'least studied major region in Nepal' and within it, research on the Madhesh is 'largely missing.' The Terai is a flat (low lying) strip of plains land on the border of Nepal and the Northern Indian states of West Bengal, Bihar, Uttar Pradesh and Uttarakhanda. The history of the fertile Madhesh/Terai region is one of

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[43] Overseas Development Institute.

[44] Nepal Participatory Action Network.

'entangled territories, recurring disputes and conflicted claims to land, taxes and political authority' that culminated in the Anglo–Gorkha war of 1814-16 and subsequent British colonial territorial demarcation[45] (Bernardo 2011:20–4). Mathema (2011:45) argues that many Nepalese believe that the Madheshis are 'foreigners and agents of colonisation' who cannot be trusted because they are 'an unarmed regiment of people sent to Nepal to strengthen the cultural domination of India.' Although this has a myth-like tone, borderlands are often contested landscapes and Nepal's uneasy relationship with its powerful Indian neighbour creates further challenges for the Madhesh.

The Terai produces over half of Nepal's GDP. Because of its proximity to India around two-thirds of households receive remittances from household members who work in India and send money home, in contrast to only half of all households in the hill and mountain regions (NLSS 2012). The population of the Terai comprises 'Pahadis', migrants from the hills;[46] Madheshis who share kinship ties, language, culture and physical features with people across the Indian border, Muslim communities; and indigenous (Janajati) groups, with the Tharus being the largest (Lawoti 2012). Migration from the hills to the Terai has further increased with the Terai now being home to 61.7 per cent of Nepal's total population, up from 53.7 per cent in 2001 (Sharma 2014:24).

Einsiedel et al. (2012:26) explains that after malaria was eradicated from the eastern Terai in the 1960s, the fertile and flat Madhesh region became Nepal's food basket following significant migration into this area. Some inhabitants of the region became indentured or were heavily taxed until they gave up their land (Hangen 2007). However, this peasantry process is not unique to the Madhesh, having occurred across Nepal for centuries.[47] Despite Nepali being the second or third language for many Madheshis, most government officials who are posted to the Madhesh are from elsewhere and do not speak local languages, only Nepali.

Yadav (2011:158) writes about the rampant racism and discrimination Madheshis face in modern Nepal. Government spending on the Madhesh in 2009/10 was almost four times less

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[45] Bernardo (2011) explains that the boundary between Nepal and India was redrawn on different occasions, resulting in a loss of territory in some instances and a regaining of territory in others.

[46] The Ranas encouraged the immigration of upper caste hill dwellers (Pahadis) through land acquisition to the Terai region in Eastern Nepal (Einsiedel et al. 2012:26).

[47] See: Blaikie et al. 2002; Holmberg 1999; Regmi 1978.

than that spent in the hilly region, despite the significantly larger population in the former (Prasad 2012:61). Dalits and Janajatis within the Madhesh rank worse on human development indicators than elsewhere. Only in 2006 were citizenship laws changed allowing many Madheshi for the first time to gain Nepalese citizenship and thus the right to receive protection and social security benefits (Mathema 2011:47). To make matters more complex, the Madhesh also has the caste system, numerous ethnic groups and Muslim communities, meaning a number of exclusion vectors exist within the Madhesh, creating intersecting inequalities.

Introduction to Sarlahi, the Research District

Within Sarlahi the bottom two-thirds are within the Madhesh region, as is the case for many Terai districts. In Sarlahi the east–west highway dissects the top third, almost demarcating the Madhesh from the rest. The vast majority of the economic activity occurs along this highway and not near the district headquarters as it does in other districts. The district headquarters at Malangwa does not have an airport and is located in the south of the district near the border with India. One participant who lives near the highway in Sarlahi commented that Malangwa does not 'feel like a part of Nepal.' Malangwa's poverty and weak government (and limited ability to mobilise resources from Kathmandu) are evident in its poor rubbish collection and weak road maintenance.

Sarlahi has 99 VDCs and a total population of 769,729, of which 389,756 are male and 379,973 are female (ISRC 2013:413). The male to female ratio is close to 1:1 (102.57) according to official Central Bureau of Statistics (CBS) data but according to the Help Nepal Network (n.d), in reality it is more like 1:2 mainly due to male migration for work. In 2011, there were 19,355 widows, a high figure potentially attributable to the conflict and migration-related deaths associated with poor working conditions (ISRC 2013:413). The literacy rate is 46.30 per cent in 2011, up from 36.17 per cent in 2001; only 123,477 females are able to read and write compared to 192,691 males (ISRC 2013:421). In terms of sanitation, 97,720 of the 132,844 households still do not have a toilet and only 61,859 households have electricity. Child marriage is also a concern in 2011 with 1,710 children first marrying below the age of 10; 35,629 marrying between the ages of 10 and 14; and 224,558 marrying between the ages of 15 and 19 (ISRC 2013:416).

4.3.3 Phase 3—District and Village Interviews

Phase 3 involved visiting Sarlahi and conducting interviews with local leaders and cash transfer recipients and non-recipients. A Mithali- and Hindi-speaking translator was used, as these are the dominant languages in this area.

Choosing the Villages

Three villages were chosen based on the data provided on the Sarlahi District GoN website.[48] The website includes village names and the number of people per cash transfer. The first village, Dangre Khola was chosen because it had the highest level of endangered indigenous people. Ensuring anonymity was deemed important by the university ethics committee, as Nepal is a post conflict state. Therefore, choosing villages with large numbers of recipients ensures this. The second village, Nokelwa had the highest level of widows.[49] The third village, Jabdi was chosen because it was located in a different part of the district and because it had the next highest number of endangered indigenous recipients.[50]

The secretaries from the three VDCs were interviewed. Permission from each VDC secretary was sought prior to recipient interviews commencing, except for in Nokelwa, where the VDC secretary was not in his office and was found later in Malangwa, where he subsequently provided permission. A total of 48 recipients were interviewed and half of these were Dalit (see Annex 3 & 4). The recipient questions were designed to further explore and test the themes that arose from coding the Kathmandu interviews, in addition to recipient specific experiences and perceptions. The interviews had two parts: open-ended questions, and a survey covering demographics and Likert scales.

At the district headquarters, the key social protection-related government officers were identified and interviewed, along with local politicians from the four main political parties (See Annex 5). There was an initial intention to interview all members of the local social

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[48] http://www.ddcsarlahi.gov.np/

[49] There was also another VDC but this remote area was considered dangerous and so was excluded

[50] In Dangre Khola, all of the endangered indigenous people ($n = 109$) applied in a group and collected their cash transfer via three representatives. Therefore, a comparative perspective was sought. Of the remaining districts, most only had three endangered indigenous recipients, rendering anonymity difficult if research was conducted there. Jabdi, with its nine endangered indigenous people, was chosen as the third VDC for this reason.

security committee as stipulated in the GoN's Social Security Operational Procedures (SSOP)[51], but as these committees did not exist, only the local development officer (LDO) and representatives from the Ministry of Women, Children and Social Welfare (MoWCSC) (that distributed the disability identity card) were interviewed. To access the LDO, the research translator's personal contacts were used. The LDO is busy and without help (a link or influential person), an interview would not have occurred. An influential journalist known by the translator organised an interview in exchange for a news article on the research.

4.3.4 Phase 4—Analysis, Writing and Theory Development

Phase 4 ran concurrently with the other phases as it involved analysing the data using a grounded theory approach (as already outlined) and further processes of corroboration with key decision makers and social protection informants in Kathmandu. The significant period during which the researcher resided in Kathmandu allowed for analysis and reflection to occur gradually and meant that further data could be collected as necessary, triangulated, and themes could be tested and refined. It also allowed for observation of development partner and GoN activities and newspaper reporting to refine themes. Some Kathmandu interviews occurred after the Sarlahi interviews to follow up on knowledge gaps and key themes, and to test the theory's development until data saturation (or what Dey (1999:257) describes as 'theoretical sufficiency) was reached. That is, that no new emerging themes, stories or information were heard. The researcher remained in Nepal until August 2014.

This phase also involved presentations of preliminary analyses at international conferences and the writing of conference papers.[52] Regularly digesting the data and developing and testing fresh insights in this way helps to develop a more robust grounded theory. One conference was held in Kathmandu with a majority Nepalese audience including local

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[51] See: MoFALD 2012.

[52] POLITSCI 13: New Opportunities and Impasses: Theorising and Experiencing Politics, 31 October–2 November 2013, Istanbul University, Department of Political Science and International Relations: DAKAM (Eastern Mediterranean Academic Research Center); The Seventh Annual Poverty and SP Conference, 9–11 March 2014 in Bangkok, Thailand: Tomorrow People Organisation; SPERI Annual Conference: Global Contours of Growth & Development Beyond the Crisis, 30 June 2014 –2 July 2014, Sheffield University, UK; 14th International Conference on Diversity in Organisations, Communities and Nations 9–11 July 2014, Vienna University of Economics and Business Vienna, Austria; The Third Annual Kathmandu Conference on Nepal and the Himalaya, Hotel Shankar, Kathmandu, 23–25 July. Jointly organised by Social Science Baha; the Association for Nepal and Himalayan Studies; and the Britain-Nepal Academic Council.

academics, experts, members of the Dalit community and activists. An additional two presentations were given to development partners on the Sarlahi analysis, providing valuable feedback that further tested and refined the theory. Following presentations to development partners, the researcher was asked to carry out some additional research on the grievance redress mechanism used in two other districts. Feedback received on the report was incredibly useful for further testing and triangulating this research.

For research to influence policy it normally has to be read and digested and presented in a way that is palatable for local audiences. The researcher also needs to have access – to be 'in the right room at the right time.' The opportunity to influence practice increased once most of the preliminary analysis had been completed. The researcher's impartiality appealed to many development partners in a situation of high politics and stalled policies. Some theorists have discussed the tension between activists (or movement intellectuals) and academics (or researchers) (see Baker & Cox 2001). However, an engaged academic will use knowledge gained through research to influence practice. The researcher focused on working with change agents and responding to opportunities to share knowledge as it arose, in a manner akin to feminist scholar ideas of political praxis, whereby the application of knowledge generates practical change (see Katz 1994; Kobayashi 1994).

Coding

For Charmaz (2002:684), 'coding is a form of shorthand that distils events and meanings without losing their essential properties.' There are different types of coding. 'Open coding' is when 'the researcher breaks down and categorises the data into manageable segments' (Ary et al. 2006:553). In the current research this was achieved by the researcher asking the following questions:

- What do the data suggest/pronounce (Charmaz 2006:47)?
- What theme or theoretical category do these specific data indicate (Glaser 1978, cited in Charmaz 2006:47)?
- Who is saying it, and how might their position/power be relevant (Charmaz 2006:47)?
- What deviant cases exist and what might they mean?

Each interview was recorded as an MP3 and later transcribed into a word document[53] and uploaded into Nvivo software where coding occurred. Coding also occurred manually at times outside of Nvivo and formed a component of memo writing where the researcher reflected on statements and emerging themes. The unit of analysis for coding tended to be sentences or phrases, but incident and opinion coding also proved useful.

'Axial coding' was used and 'is the process of identifying sub-concepts, properties, and dimensions to fully explain the continua of concepts and to show relationships between concepts' (Corbin & Strauss 2008, cited in Mitchell 2014:3). Axial coding involves 'a set of procedures whereby data are put back together in new ways after open coding, by making connections between categories' (Corbin & Strauss 1990:96). For example, text and quotes that had related codes were pasted into word documents and more closely examined for selective coding. 'Selective coding' integrates the concepts and connections that were proposed during axial coding into a grounded theory (Corbin & Strauss 2008, cited in Mitchell 2014:3). As Corbin and Strauss (1990:116) explain, selective coding is 'the process of selecting the core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development.'

Recipient and non-recipient responses were handled slightly differently. These responses were put into an excel spreadsheet where they could more easily be coded and in some cases themes or specific questions were put into word documents for selective coding.

Writing and Memos

Writing occurs throughout a grounded theory methodology as memos are written, data is coded and theory developed. Charmaz (2002:687) explained 'memo writing links coding to the writing of the first draft of the analysis; it is the crucial intermediate step that moves the analysis forward.' A good memo can be a source upon which to build chapters (Birks and Mills 2006; Charmaz 2002; Gasson 2003). Although some of the conference papers formed the foundation of substantive chapters, the formal chapter-writing phase occurred in Australia. The distance and isolation from Nepal made the researcher reflect in new ways on the research.

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[53] In one instance, a fan was on during the interview and the recording could not be transcribed due to the background noise. The researcher had to rely on memory and notes taken during the interview.

4.4 Other Data Collection Issues

Interviews and power

Elite interviewing is different from non-elite interviewing (Hert & Imber 1995). Elites are busy people with less time and are 'more conscious of their own importance' and therefore hold power during the interview process and by withholding crucial information can determine how long the interview takes (Richards 1996:200–1). This is in sharp contrast to the recipient interviews, where time had to be taken to reassure respondents that there was no 'right answer' as their own perspective was important. Some interviews with elites were cut short and others were surprisingly generous with their time.

Cross-questioning

The researcher helped her interviewees to feel comfortable conversing during the interview and allowed cross-questioning. There were many instances where elites asked the researcher's opinion on matters. The researcher focussed on remaining neutral with responses and reminded them that it did not matter what a foreigner thinks, 'Nepal knows what is best for Nepal and Nepal will decide its own future'. Words to this effect were effective in deflecting cross-questioning. Charmaz (2006:25) explains, 'the researcher needs to share some experiences, but not necessarily all viewpoints with those being studied.' At times, preliminary results were shared in these instances to gather the respondent's views on them and test the theory's development. Local recipients were permitted to ask questions at the end of the interviews and these were mainly about the respondents' home country and if a development project would follow.

Getting the Truth

The researcher was aware that respondents are not always truthful. This resulted in the researcher using her judgement during the research and asking more challenging questions to deeply probe the rhetoric or ideology espoused during the interview. Bernard (2002:214–5) describes this kind of probing as 'baiting.' This technique worked well in terms of building rapport. Many elites would often smile when the researcher 'baited.' By showing elites that the researcher understood the political dynamics and 'the mask they were wearing' the

researcher often heard phrases such as 'you have obviously been in Nepal for a while so I will tell you the real issue …'

Consent Process

All participants were given a plain language statement (PLS) about the research project and signed a consent form in Nepali or English.[54] Most recipients were illiterate and so the translator read the statement in their preferred language. Once participants agreed to take part in the research they signed the consent form. If they could not sign because they were illiterate, the translator wrote their name on the form after verbal consent was given.

Anonymity

All interviews were conducted anonymously. This was to ensure a 'do no harm' approach in Nepal's post-conflict environment. Although respondents signed a PLS form with their name, the interview transcript and recordings were saved and filed using an alias in the case of Kathmandu interviews and numbers in the case of recipients, and this was explained to respondents. Every effort was taken to ensure participants could not be identified through the writing process. In accordance with ethics committee guidelines, where respondents named someone in a position during an interview, this was included in the research in a way that would not identify the respondent. In a few cases the respondent is named as their position adds relevance to their statement and the comments would not cause harm.

Translation

The researcher tried to reduce the potential negative effects of using a translator by spending time going through the questions with the translator. The researcher ensured he understood the meaning of each question (this involved him translating the English-worded questions into Nepali and then reading the Nepali worded questions back in English). This process was duplicated for some pre-prepared prompt questions. In some instances, certain prompt questions were needed to clarify statements that could not be translated in advance. While the researcher took every care to minimise mistranslation errors, it can never be perfect; particularly when multiple languages were used and the respondents may not be speaking in their mother tongue.

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[54] Most Kathmandu-based respondents chose the English version and all recipients were given a Nepali version.

Reimbursement of Time

Local participants were provided with a stationary pack upon completion of the interview containing an exercise book, a plastic folder (to keep their identity book and other important documents protected from the weather), pen, pencil, sharpener and eraser. This gift was not sufficient to encourage or coerce participation but was an appreciated gesture. GoN and Kathmandu-based interviews were not reimbursed but all associated publications and a final copy of this thesis upon examination will be sent via email to participants who provided their email address for this purpose.

4.5 Conclusion

An appropriate methodology was and rigorously applied. Theoretically oriented forms of research are useful when studying issues like social inclusion where there can be multiple viewpoints. To understand social exclusion in terms of how it is experienced and expressed by subjects themselves necessitates gathering individual perspectives and how certain factors or events are understood. A methodology that looks for averages will not be appropriate in this study. Grounded theory provides useful tools and allows for a mix of methods to be used in order to learn about individual perceptions and feelings and assists researchers to make connections between events, processes and perceptions. It focuses on identifying key components and categories of a social phenomenon and how they relate to each other. Not all qualitative methods will generate the deep understanding required to answer the research question nor allow for a reflective and iterative approach.

Evidence is collected across levels and in phases over time to ensure credibility and to reduce data collection gaps that may arise at the end if the data is not subjected to theory testing along the way. A grounded theory methodology guides the researcher to do this through sampling, coding and analysing the data. If the researcher goes to a district that is excluded and conflict-affected, then it is not necessary to gather data from multiple districts. While different districts will have their own nuances, for the purpose of understanding the phenomenon and developing a theory about it, one district can be considered a unique whole.

Throughout this chapter the researcher has highlighted her position and level of objectivity to reflect and disclose that the researcher was aware of her own position and potential for bias. With the grounded theory approach the researcher must 'stand within the research process rather than above, before, or outside it' (Charmaz 2006:180). Interviews and the interview process is 'a game of positionalities' (Ward & Jones 1999:304). The position of the researcher opened some doors and some 'truths' and possibly closed others that researchers with different backgrounds may have opened. 'The truth' may be an elusive concept in highly divided post-conflict societies.

The subjectivity of the researcher is overcome in grounded theory by testing the theories identified from the data analysis with participants and allowing them time to reflect on the researcher's observations or done strategically in a group setting through presentations. The researcher does not just 'follow their nose' and the use of historical evidence, case studies and secondary data helps to reduce the potential for bias. Using adverse incorporation and social exclusion as a theoretical framework and expanding it to incorporate political settlements helped to shed light on the empirical data collected and advance the theory further. For data collected at the macro level, political settlement typologies were used to provide a comparative framework and independent variable to test the validity of the dependent variable – social protection and how it may contribute to inclusive state building. The next chapter introduces Nepal through an historical synopsis.

Chapter 5: Introduction to Nepal

5.1 Introduction

This chapter provides a brief history of Nepal by focusing on politically pertinent events and social exclusion. The complex nature of social relations in Nepal and its deep historical roots is examined, followed by examination of human and social developmental statistics to provide an overview of Nepal's political, social and economic position. Many informal systems are still practiced in Nepal including: the caste hierarchy; 'untouchability' and the exclusion of Dalits; patriarchy; cultural domination; *aafno manchhe*[55]; and nationalism that promotes certain caste and geographical values as normal and aspirational, denigrates or makes deviant the characteristics of marginalised groups[56], or does not even recognise them as Nepalese (in the case of Madheshis) (Lawoti 2010a). These systems and practices are so entrenched they reinforce the social hierarchy and permeate the state (Lawoti 2010a) and they are still practiced today.

5.2 History

There are two main historical discourses in Nepal (Fisher & Hangen 1999). One emphasises unification and benevolent kings creating the country of Nepal and saving it from the threat of British colonisation and the other talks of cultural assimilation and suppression (Fisher & Hangen 1999), or what Onta (1996:215) describes as 'the mono-ethnic nationalism project of the state.' Nepal is a heterogeneous country made up of multiple ethnicities, religions and cultures and therefore different historical experiences. The dominant history is that of upper hill castes (Brahman–Chhetri) and the ruling Rana family.

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[55] Nepalese term that translates as "one's own people."

[56] Lawoti (2010a:39) cites the fact that 'nearly 60 per cent of the prisoners in 3 Kathmandu jails were Dalit and indigenous nationalities.' Lawoti (2010a:39) argues that the disproportionate imprisonment of lower castes was largely due to victimisation by the high caste administrators and suggests that high castes were either not similarly affected or were able to use caste networks and influence within the system to be released from jail quickly, or avoid jail in the first place.

When the Rana Dynasty unified Nepal as a country in 1768, a Hindu based social stratification system was given supremacy. This placed Ranas at the top of a hierarchy – socially, culturally, economically and racially – and Brahman–Chhetri castes above indigenous ethnicities (known as Janajatis[57]) and lower Hindu caste groups (See Figure 4). People originating from non-Brahman cultures and non-Hindu religions were made loyal subjects of the Hindu nation state (Leve 2007). They were burdened with taxes and labour obligations as well as being dispossessed of land (Hangen 2007). Castes were delegated professions: some Brahmans were priests and fortune tellers, some Chhetris were warriors, and some Dalits were shoemakers or carcass workers, or did the 'dirty' jobs. Hindu society dictates how one perceives the world, their proper place in it, and how others must perceive them (Bennett 2002).
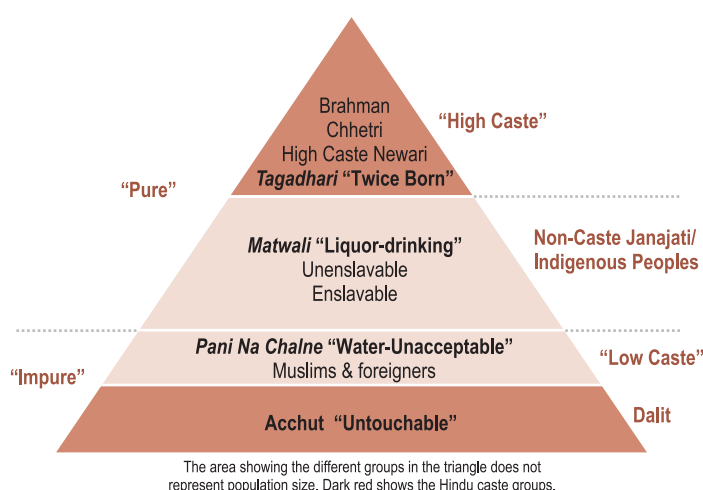
Figure 4 Nepal's Caste Pyramid

(Source: Bennett & Sharma 2006:6)

Leve (2007:127) describes the stratification system as a 'rituo-political system.' To achieve Mokshaya or eternal peace in Hinduism, one must perform certain rituals and participate in festivals and other activities depending on one's place within Hinduism (Bhatta 2013). Many rituals concern purification and pollution and are used by the caste system to maintain social and gender relationships. *Chaupadi* practices relegate 'polluted' women to sleep in cowsheds during menstruation. Dalits can never be clean, cannot touch the food of other castes or use

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[57] *Janajati* is a classification of ethnic groups who were originally outside the Hindu caste system, mostly from the mountains but also residing in the plains and hills, and who have distinct mother tongues, cultures and homelands (ICG 2012b).

the same water tap as them for fear of polluting the water, and are known as the 'untouchables.' Similar social rules govern other inter-caste relationships. Marriage usually only occurs within a caste although this practice is changing with the rise of 'love matches' rather than arranged marriages. Hinduism can be practised without the caste system but the caste system reproduces and reinforces its structure (Bhatta 2013).

Nepal was declared a Hindu kingdom in 1962 and further assimilation occurred. The slogan '*ek bhase, ek bhesh, ek desh*'—meaning one nation, one language and one dress—sums up the nationalist identity assimilation policy promoted by the monarchy through the education system, radio and other forms of mass enculturation (Hangen 2007). As Shah (2007) points out, under the caste system, only upper caste people considered themselves Nepalese. The caste system was abolished in 1963 but the legacy is still deeply entrenched.

Bista (1991) argues that group-based exclusion constrains Nepal's overall development and is tied to informal systems and practices that govern behaviour in Nepal. Nepal's *aafno manchhe* (one's own people) social system of organisation is one such example that operates like a web of privileges and favours (Bista 1991). On the downside, it results in alliances that can lead to patron–client-type relationships, exclusionary practices, factionalism, failures in cooperation and corruption (Bista 1991:4). Bista (1991) established that this system leads to the belief that one cannot change their position in society. This is particularly problematic for those at the base of the caste pyramid. The *aafno manchhe* has endured various modernisation processes and is still practiced today.

5.2.1 1950s Democracy

Nepal's transition to democracy has involved conflict between various groups with different objectives. Pro-democracy movements began after 1940. Initially pro-democracy movements were organised by Brahman–Chhetri groups seeking access to Rana power (Hangen 2007). A slight reduction in the Rana hegemony was achieved in 1951 when a new government was formed with predominantly Nepal Congress (NC) party members (Whelpton 2005). In 1959, under King Mahendra (1955–72), a party-less local government system known as the Panchayat system was imported from India. Respected (usually wealthy) elders, were chosen by the local community to settle disputes between individuals and villages (Whelpton 2005).

In the 1950s, the first Janajati and caste-based organisations were formed but focused on reforming their own communities rather than reforming state power (Hangen 2007). Janajati organisations faced numerous challenges when they first began to mobilise. Some mobilised around identity and others race (Hagen 2010). Race in the Nepal context was related to different physical features, mother tongues and homelands. For example, Madheshis have darker skin like Northern Indians and certain Janajati groups share physical features with Tibetans. Hagen (2010) outlines how all groups suffered from the paradox of opposing the state while working within its framework to achieve inclusive objectives. The electoral ban on political parties forming on the basis of religion, community, caste or tribe kept many Janajatis out of formal politics (Hangen 2007:31).

Some Janajatis became politically active especially in 1979 when a referendum was held to determine the future of the Panchayat system (Hangen 2007:16). The Panchayat system augmented upper caste dominance in local areas by undermining the many types of indigenous governance structures operating at the local level. The referendum ruled in favour of the Panchayat system. This system remained in place until 1989 when the first '*Jana Andolan*' (people's movement) allowed all citizens of Nepal the opportunity to participate in changing government structures. The Panchayat system was eliminated and a parliamentary monarchy established with the king as the head of state and a PM as the head of the government (Whelpton 2005).

5.2.2 1990s Democracy

Multi-party democracy was introduced in the 1990s and had mixed results for excluded groups. There were two major political parties at the time, the NC and the Nepal Communist Party–Unified Marxist Leninist (NCP–UML). They both had a majority of Brahman and Chhetri members. Both parties and coalition governments were weak and kept collapsing due to inter- and intra-party bickering among the self-serving and nepotistic leaders.[58] There were 13 different governments formed between 1990 and 2002 (Adhikari 2014).

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[58] See: Bleie 2011; Dhakal 2011; Parajulee 2010.

Civil society flourished with multi-party democracy and the deregulation of NGOs (Bhatta 2011:136; Hangen 2007:17, 39). The 1990 Constitution guaranteed more rights to indigenous groups than ever before and Dalits and Janajatis appeared for the first time in the 1991 census (Hangen 2007:17, 39). With the circulation of daily newspapers, more people read about and participated in political and social discourse and were exposed to international affairs (Bhatta 2011:135). Collective bargaining was allowed and unions formalised. The idea of human rights was promoted and associated international covenants were eagerly signed.

The UN's International Year for the World's Indigenous Peoples in 1993 increased the number of identity-based Janajati organisations (Hangen 2007:20). These groups appealed to signed UN covenants to have their unique identities recognised by the state (Fisher & Hangen 1999). They created their own symbols of unity and lobbied to have state symbols such as the national dress, anthem and public holidays changed as these reflected the Hindu religion (Fisher & Hangen 1999; Hangen 2007). Some embraced their common history of subjugation by the state by claiming Adivasi (first people) status as Nepal's original inhabitants with mother tongues of Tibeto–Burman origin (Hangen 2007:19; Tamang 2005:6).

Despite the promise of democracy, elections provoked social exclusion by promoting the traditional power holders (Robins 2012). Electoral politics became a forum for rival elites and landlords, 'who used criminals and arms to sustain their dominance, and ran political parties in their areas as machines of patronage' (Gaige 2009:22). In many areas the rich and powerful were able to ensure that their chosen candidates won elections (Robins 2012). Once elected, they neglected their constituents and succumbed to the influence of criminals and corrupt elements that could extend their power (Parajulee 2010).

The state was exposed as a patron–client network, rather than a rule-making institution. At the time, 'many Nepalis lost their faith in democracy and in the parties that lay at its core' (Thapa 2012:51). In the 1990s, 'almost all state power was enjoyed by the top leaders of the ruling party' and even opposition parties could not influence policy (Lawoti 2007:29–30). Central ministries 'were dependent upon the executive for nomination, budget and personnel' (Lawoti 2007:29). The Maoists, who had the third largest contingent in the 1991 parliament, were repeatedly ignored by the government and went underground in frustration to launch their violent insurgency (Lawoti 2007:30).

Tensions between the state and civil society grew with the empowerment of the people. Democracy promised many changes that were left unfulfilled. The state was unable or unwilling to keep its promises and became an object of criticism (Bhatta 2008:44). Weak capacity resulted in new legislation not being implemented and this included UN covenants which concerned excluded groups (Bhatta 2011:136). Inequality can be exacerbated in situations of change because those with power are more readily able to benefit as they understand 'the rules of the game.' Many unequal relationships and 'the violence embedded in traditional patron–client economic relations (which was a legacy of the Panchayat system) were in fact exacerbated' during this period furthering the dissatisfaction of excluded groups (Robins 2012:9).

Corruption increased horizontal inequality. Corruption became the manner in which political leaders, parties and bureaucrats accessed money and power, and retained status (Panday 2000:4). Bureaucrats abused their position, power and authority for personal gain by accepting bribes from people for providing routine services to them and extracting commissions from various organisations during procurement (Parajulee 2010). While international development activities occurred during this time, corruption increased the urban–rural economic divide (Upadhay 2004). Robins (2012:6) explains 'significant amounts of donor aid were swallowed by elites who had learned the language of development and rights; rather little aid reached rural areas.' Upadhay (2004:5) confirms this: 'according to the report of the Office of Auditor General (2002/3), a total of NRP71.22 billion (nearly USD1 billion) from various donors has not been accounted for in the annual budgets of the government.'

Parajulee (2010) argues that the 1990–2006 multi-party democracy failed to achieve real transformation in Nepal because there were inherent contradictions in Nepal's democratic provisions. Nepal's multi-party democracy was largely procedural because: there was a lack of civilian control over the military; the politics of exclusion and marginalisation was entrenched; civil and political rights were limited, especially as NGOs were politicised and the Janajatis could not form political parties; power was centralised; and there was a lack of institutionalisation (Linz & Stephan 1996; Parajulee 2010). Parajulee (2010) argues that these conflicting features kept Nepal in a 'hybrid' stage of democracy and allowed the non-democratic forces, the Maoists and the king, to actively promote their agendas.

5.2.3 Conflict

Despite the first communist party gaining a majority in 1993, a decade-long civil war (1996–2006), known as the 'People's War,' began in the hills of the impoverished Mid-west by the 'Maoists', a small Marxist left wing branch of the NCP-UML (Robins 2011). They recruited large numbers of male and female combatants from poor areas and traditionally excluded population groups (Hangen 2008; Thapa 2012:53). The strength of the Maoist movement was that it was class based and about people who are disadvantaged economically and socially (Seddon 2012). Conflict intensity was higher in locations favourable to insurgents such as mountains and forests, and in places with greater poverty and lower levels of economic development (Do & Iyer 2007).

At the height of the conflict for tactical reasons the Maoists began to see ethnic identity as a basis of support (Seddon 2012). The Maoists adopted Janajati claims for: self-determination; a secular state; an end to exploitative relationships; language rights; and they allowed ethnic liberation fronts to form, gaining them considerable support from Janajatis who were still banned from forming political parties.[59] The Maoists' rationale for war was to bring about structural transformation in the politics and economy of the country (Thapa 2012:52). They argued that this was the only way material, caste and gender exclusion could be overcome. Little has been written about the Maoists and faith-based exclusion.

The communist ideology behind the people's movement appealed to those lobbying for inclusion (Thapa 2012:51). The Maoists had low-caste, women, the poor and Janajatis as insurgent commanders to demonstrate that the country could become more inclusive by fighting the upper-castes and elites with the Maoists. They stole from rich villagers, freed bonded labourers, blew up army barracks and punished men who beat their wives as a demonstration that equality was their ideology. However, Seddon (2012) points out that 'recruitment into the PLA[60] was not just because people were ideologically motivated but also, substantially, because they were looking for some alternative to unemployment.'

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[59] See: Hangen 2007:27; Lawoti 2005:65; Thapa 2012:51.

[60] The Maoist army was called the People's Liberation Army (PLA).

Although horizontal inequalities and poverty played a role in Nepal's conflict, exogenous factors also contributed. Nepal had only opened up to tourists in the 1970s, and tourists bring new ideas. India had a reservation system that gave lower, excluded castes and ethnic groups reserved seats in political parties and state apparatuses. India's economy was growing as it integrated into the global economic system. Employment-related migration to India was increasing. China too was experiencing high growth, and regarded Chairman Mao as a great leader who could merge communism and capitalism, which was desirable. China and India have immense influence in Nepal and both give unconditional aid. After 9/11, terrorism became the new global evil and the Maoist tactics placed them on the United States' terrorist list, eliminating international sympathy and support for those fighting for the cause of social inclusion in Nepal.

Unforeseen tragedy exacerbated the political instability. The royal family massacre and the events of 9/11 hardened the new king's stance. King Gyanendra, who came to power in 2001 after the royal family massacre, joined forces with an ultra-right wing group to reverse the 1990 democratic political gains (Parajulee 2010). During the insurgency, a key strategy of state forces was to arrest and extra-judicially kill those they suspected of being close to the Maoists (Robins 2012). In the Badiya District, Tharu (indigenous population from the Terai Plains) constitute only 52 per cent of the district population and 80 per cent of 'the disappeared', adding to the grievances of excluded groups (ICRC 2008). King Gyanendra dissolved parliament in October 2002 and ruled the country through his appointed PMs or at other times by chairing his own cabinet (Parajulee 2010). In 2003, Nepal was responsible for a greater number of disappearances than any other country (HRW 2004).

Although the Indian police had earlier arrested Maoist leaders, they changed sides when the monarchy posed a bigger threat to stability than the Maoists (Vanaik 2015). India brokered a deal between the Seven Party Alliance and the Maoists (Vanaik 2015). In 2006, a second people's movement, the *Jana Andolan* 19-day general strike brought down the monarchy (Robins 2012). A CPA framed by India was signed in 2006 and promised a more inclusive state (ICG 2009). At the end of the conflict in 2006, 15,000 people were dead and more than 1,200 were missing (ICRC 2008). India continues to play a major role in Nepalese politics.

5.2.4 Peace

The Rana legacy left a weak, Kathmandu-focused state with minimal penetration throughout the country: only 65 per cent of VDCs had access to a telephone in 2007 (Parajulee 2010). According to the CPA, a new constitution was to be drafted by an elected and inclusive CA that restructured the state in a more inclusive manner. The Seven Party Alliance and the Maoists drafted an Interim Constitution in 2007 that significantly advanced the rights of excluded groups (Hangen 2007:45). However, the new electoral system proposed for the CA elections was initially adopted without meaningful consultation with civil society or electoral experts (Slavu 2012:243). Janajatis felt betrayed because the new electoral system did not lift the electoral party ban on ethnically registered parties and their claims for proportional representation (PR) and reservations were missing contra Maoist wartime promises (Hangen 2007:45).

Another clue that the Maoists had exploited excluded groups to gain power occurred when they side-lined high-ranking Madheshis from decision making processes. Madheshis 'felt that the once-in-a-lifetime opportunity to correct historical injustices was sacrificed again' by the proposed CA electoral system and Interim Constitution that ignored their needs (Slavu 2012:243). A large number of former Maoist supporters from the Terai/Madhesh broke away to start their own movements (Miklian 2008). The porous border with India meant arms were readily available in the Terai (Hutt 2004). In January 2007, the Madheshi Andolan, or uprising, witnessed violent clashes between the Maoists and the Madheshis, and the government and the Madheshis, 'leaving 30 people dead and introducing a highly volatile dimension to the peace process' (Slavu 2012:243).

A series of *bandhs*[61] were called by Madheshi and Janajati activists, starting in 2007. These *bandhs* demanded four things: ethnic-based PR in the CA elections; linguistic freedom; a new national anthem; and an immediate decision on how a federal system would be set up that included self-determination (Hangen 2007:46). As a result of signed agreements with Janajatis

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[61] Translates as 'close' in Nepali and is a general strike. *Bandhs* can shut down certain districts or can occur nationwide. Some *bandhs* are peaceful and others violent. During a *bandh* there is no vehicular movement, except for press and ambulances. Those who try to drive during a *bandh* may have their vehicle burned. In some instances, diplomatic blue-plated vehicles are allowed to move but at other times rocks and bricks have been thrown at them. No shops, schools and businesses, aside from pharmacies, are allowed to open during a *bandh* or the group holding the *bandh* fines them.

and Madheshis, a second amendment was made to the *Civil Service Act 1993*[62] to include the representation of women, Adivasi Janajati, Madheshi, Dalit, differently-abled people and those from remote areas in the civil service. The *Election Commission Act* was similarly amended.[63]

The 'culture of *bandhs*' as a protest tactic became widespread as they allow the poor and marginalised the opportunity to mobilise within an opportunity structure that favours elites and upper castes. As such, they can be labelled a 'weapon of the weak' (See: Scott 1985). However, others adopted the *bandh* tactic. *Bandhs* became a standard response to weak law and order. If someone died on the road, a *bandh* was called until compensation was paid. From January 2008 to August 2013, 4,451 *bandhs* were called (55 per cent of them in the Terai) illustrating their popularity as a tactic (Shrestha & Chaudhary 2013:17). During this period, different groups began calling *bandhs* as a way to have their needs met and voices heard. These included political parties (36 per cent), 'rebellion groups' (17 per cent), transport unions (9 per cent), local communities (8 per cent), and ethnic and alliance groups (5 per cent) (Shrestha & Chaudhary 2013:17). This culture of *bandhs* has contributed to social unrest, sluggish growth,[64] and state fragility.

5.2.5 The 2008 Constituent Assembly

The 2008 CA elections gave a surprising victory to the Maoists, who became known as the Unified Communist Party of Nepal–Maoist (UCPN–Maoist) and formed their majority with Madheshi parties. The CA was a unicameral parliament, consisting of 601 members—many first-time parliamentarians, a quarter of whom were illiterate (World Bank 2010). Under Nepal's electoral system, 240 members were elected directly in a first-past-the-post (FPTP) contest and 335 by party-based vote by PR (World Bank 2010). The government appointed the remaining 26 members to the CA. Of the 575 elected CA members, 50 were Dalits, 192

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[62] The first amendment was made on July 13, 1998 and the second amendment was made on August 8, 2007.

[63] The Election Commission Act March 26, 2007 was followed by a Constituent Assembly Members *Election Act*, on June 22, 2007 which established the quota system.

[64] *Bandhs* are estimated to have cost NRP117 billion and decelerated annual GDP growth by 0.6–2.2 percentage points between 2008 and 2013 (Shrestha & Chaudhary 2013:1).

were Janajatis, 204 were Madheshis and women occupied one-third of the CA seats.[65] Nepal appeared to finally be politically inclusive.

The first session of the CA on 28 May 2008 declared Nepal a federal democratic republic, officially ending the period of Rana rule and monarchy (Parajulee 2010). The Maoist's victory generated hope and the slogan '*naya* Nepal.' For many, especially those from excluded groups, *naya* Nepal would be: inclusive; unify the needs of excluded groups; guarantee rights for all citizens; and be a federal democratic republic. *Naya* Nepal would completely restructure the state in a more equitable manner.

The Maoists were inexperienced in government. The reintegration of Maoist ex-combatants from the PLA into Nepal's army as per the CPA caused political unrest during the first few years of the peace process. Disputes between the Maoists and the Chief of Army Staff, General Katawal, began when General Katawal resisted government orders to absorb 19,000 former PLA fighters into the army (VoA 2009). The Maoist party secured coalition consent to sack the army chief but this collapsed under external pressure (ICG 2009). External pressure came largely from India and this was supported by many Nepalese, especially the elite, who feared Maoist control over the army. Vanaik (2015) argues that CA members were bribed to vote to overrule the Maoist government.

The relationship between the Indian and Nepalese armies is strong. ICG (2009) argue that India's 'resolute opposition' to PLA integration 'unbalanced the peace equation without offering any alternative.' Jha (2014) also found India's role in Nepalese politics to be unhelpful, controlling and biased. India supported Nepal's army's continual assertion of independence and regular CPA breeches, angering the Maoists (ICG 2009).[66]

When the Maoist leader, Prachanda, was caught on film boasting about the inflated PLA numbers, even international sympathisers grew distant from the Maoists. The Maoist party

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[65] Electoral law required political parties to have 50 per cent women on their list of candidates for the PR contest (World Bank 2010). Women won 29 of the 240 FPTP seats (12 per cent), but with additional seats obtained through PR, women occupied one-third of the CA seats (World Bank 2010).

[66] India is the principle supplier of arms and equipment and still trains Nepal's officer corps (Adhikari 2014). The Indian army chief is given the rank of honorary general in Nepal's army and because the Indian army maintains a Gorkha regiment it pays the pensions of over 100,000 retired Nepalese soldiers residing in Nepal (Adhikari 2014).

actions prompted an even more contentious intervention by the ceremonial President that eventually lead to the Maoist party PM, Chairman Pushpa Kamal Dahal (Prachanda), resigning 'on principle' (ICG 2009). Nepal's political instability continued. In the end, only 1,500 PLA veterans were integrated in the army (Vanaik 2015). Many former combatants received generous cash transfer packages to walk away, and of the integrated PLA members none were appointed to a rank higher than colonel (Vanaik 2015).

Social discourse around losing hope in the Maoist leadership had begun before the army chief was sacked (ICG 2009). Factions within the Maoist party hinted publicly at their goal of state capture and de facto totalitarian rule, inciting fear and distrust (ICG 2009). The Maoists alienated two important constituencies when in power: 'India (both by appearing to make overtures towards China and by refusing to become a pliant, moderate force) and the Kathmandu upper middle classes (by making them pay taxes and failing to deliver basic services, in particular electricity)' (ICG 2009).

After the deadline for drafting the new constitution was extended three times, the term of the CA was ended on 27 May 2012 without a constitution drafted. The ICG suggests the CA ended because 'leaders of all parties made secretive, top-down decisions, were dismissive of their own members and never explained the issues at stake to the public', and could not reach agreement (ICG 2012a). In short, many of the inclusive political reforms introduced post-conflict were superficial (Lawoti 2012). Jha (2014) and ICG (2012) argue that the Supreme Court played a role in ending the CA. A single bench of Chief Justice Khila Raj Regmi issued an interim stay order against the Maoist-led government proposal to amend the Interim Constitution and extend the term of the CA for a fourth time. The Maoist PM Dr Baburam Bhattarai and Deputy PM Krishna Prasad Situala were charged with contempt and ordered to appear personally before the court (Jha 2014). Chief Justice Khila Raj Regmi became PM in March 2013 to oversee the 2013 CA elections, revealing the troubling nature of Nepal's legal system that is not beholden to the key democratic principle of the separation of powers.[67]

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[67] Nepal ranks 126 out of 175 countries on Transparency International's (TI) Corruption Index (TI 2014). Sixty-seven per cent of the surveyed population believed that the level of corruption in Nepal had worsened during the last survey year of 2011 (TI 2014). Chief Justice Regmi, resumed his position as Chief Justice after the elections, in a move that was widely reported as troubling for the state of the judiciary.

5.2.6 State Fragility

Since 2006, the peace process at various times has been described as 'stalled', 'failing' and at a 'political impasse' (see ICG reports). Nepal has seen eight changes in government over seven years (since 2006), including the period when the civil service was under the leadership of the Chief Justice.[68] Ghani and Lockhart (2009:76) purport the greatest risk to Nepal's future stems from the established habits and mental models of the political elite who continually sacrifice the country's medium- to long-term interests for their own short-term gain.[69]

It is easier to register a political party since 2006 and factionalism has further increased the number of political parties. In the 2007 legislature there were 11 parties; in the 2008 CA there were 25 political parties plus two independents; and in 2013 there were 30 political parties plus two independents. Table 3 shows the number of seats held by the main political parties in 2008 and 2013 and the reversal of success for many of them. The proliferation of political parties has not reduced corruption or clientelistic practices.[70]

Table 3 The 15 Top-ranked Political Parties in the 2013 Election, with their 2008 Results

No.	Party	2008	2013
1	Nepali Congress	115	196
2	Nepal Communist Party–UML	108	175
3	Unified Communist Party of Nepal–Maoist	229	80
4	Rastriya Prajatantra Party–Nepal	8	24
5	Rastriya Prajatantra Party	4	13
6	Madhesi Janadhikar Forum–Nepal (Democratic)		14
7	Madhesi Janadhikar Forum–Nepal	54	10
8	Terai Madhes Loktantrik Party	21	11
9	Communist Party of Nepal–ML	9	5

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[68] From 2008–09 a coalition government was formed by Unified CPN–Maoist Chairman Pushpa Kamal Dahal (Prachanda). In 2009–10 another coalition government was formed but by CPN–UML under the leadership of MK Nepal. In 2010–11 there was a further coalition government led by CPN–UML under the leadership of Jhala Nath Khanal. In 2011–12 a coalition government led by UCPN–Maoists was formed under the leadership of Dr Baburam Bhattarai. However, in 2012–13 there was no government and civil servants ran the country. In 2013–14 there was an interim government led by Chief Justice Khil Raj Regmi, and from 2014 onwards a coalition government led by the NC under the premiership of Sushil Koirala has been in power.

[69] Political parties were ranked as the most corrupt institution by the TI's index, followed by the parliament, police, public officials, education and judiciary (TI 2014).

[70] A 2011 SaferWorld report notes improvements in people's perceptions of their daily security but this is offset by heightened anxiety about the macro-political context and future of the country.

No.	Party	2008	2013
10	Sadbhawana Party	9	6
11	Federal Socialist Party		5
12	Rastriya Janamorcha	4	3
13	Communist Party of Nepal (United)	5	3
14	Nepal Workers and Peasants Party	5	4
15	Rastriya Madhes Samajwadi Party		3

Source: UNDP 2014a.

Violence, distortion and impunity remain despite democratic consolidation. Politically motivated violence along with human rights abuses are condoned even at the PM's level (Nepali Times 2011). Blanket pardons are given to politically aligned criminals; the proposed *Truth and Reconciliation Bill* will eventually establish a commission but is likely to provide amnesty to perpetrators of gross human rights violations such as extra-judicial execution, torture and disappearances. The public is pessimistic about what the Truth and Reconciliation Commission will be able to deliver (Saferworld 2012).

5.3 Human and Social Development

Nepal is still on the World Bank's Fragile State List.[71] Nepal is categorised as a LDC with a per capita GDP of USD721 per annum (MoF 2014:1). Nepal is landlocked between China and India, increasing trade costs and limiting export potential. Social unrest has resulted in GDP growth falling from over 6.0 per cent in 2000 to 2.3 per cent in 2007 and an estimated GDP growth rate of around 3.8 per cent for 2013, compared to the 6.5 per cent average for South Asia (See: Figure 5). However, ADB estimated 2014 GDP growth at 5.4 per cent due to a favourable monsoon, 6.1 per cent increase in the services sector, and increased remittance flows (ADB 2014). This growth has since been eroded by the 2015 earthquakes. Inflation in 2014 was high at 9.1 per cent, but is down from 9.9 the previous year (ADB 2014).

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[71] According to the World Bank (2014), 'fragile situations' have either a) a harmonised average Country Policy and Institutional Assessment (CPIA) country rating of 3.2 or less (in FY14 Nepal had 3.27), or b) have had the presence of a UN and/or regional peace-keeping or peace-building mission during the past three years.
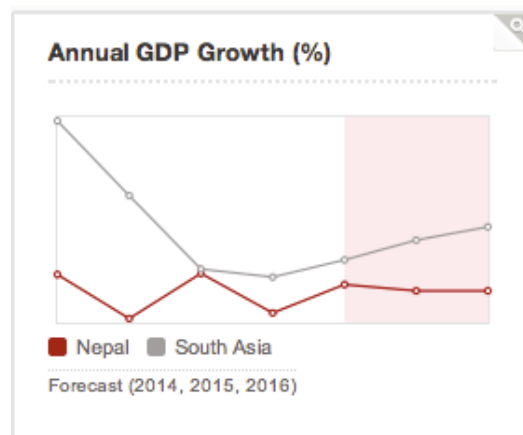
Figure 5 GDP Growth

Source: World Bank 2014

Nepal has a population of 27.8 million and an annual growth rate of 1.4 per cent (MoF 2012, 2014:1). Thirty-seven per cent of the population is below the age of 15 and 54 per cent is aged between 15 and 59 (NLSS III). Agriculture accounts for over one-third of GDP and engages more than two-thirds of the population (MoF 2014:1). Eighty-four per cent of the population resides in rural areas (NLSS III). Nepal was never colonised by Western forces which is a source of pride for many Nepalese that overlook the Rana rule.

Foreign aid plays a large role in Nepal—external aid represented 22.0 per cent of the national budget in FY2013/14 and was calculated at 6.2 per cent of GDP in FY2012/13. (MoF 2014:1). Due to poor financial management, GoN has trouble spending the money it has. More than USD400 million a year allocated for development projects remains unspent (Ghani & Lockheart 2009:74). Total government expenditure is estimated at around 28 per cent of GDP (MoF 2014:1). ADB (2014) estimates the actual capital spending was 74.9 per cent of the planned capital expenditure in FY2014, equivalent to 3.3 per cent of GDP.

Internal revenue collection is weak at about 17.4 per cent of GDP (2012/13, MoF 2014:1). When first in power in 2008, the Maoist government tried to increase tax collection, which led to businesses printing fake value-added tax (VAT) receipt books to avoid paying taxes. The Inland Revenue Department estimates the unpaid VAT amount is NRP3.06 billion and unpaid income tax is NRP3.32 billion (KTM Post 2012). ADB (2014) suggest that as a share of GDP, tax revenue mobilisation has improved significantly, reaching 16.2 per cent in FY2014.

5.3.1 Poverty Reduction

The proportion of people living below the poverty line is reducing. In 1995/96 the first NLSS revealed 41.76 per cent of the population were living below the national poverty line. NLSSII reported this figure as 30.85 per cent, and NLSSIII, 25.16 per cent (in 2010/11). The overall national poverty line is obtained by aggregating the food and the non-food poverty line. Based on average 2010/11 market prices in Nepal, a person needs an income of at least NPR 19,261 (USD208) a year, (or USD0.57 per day) to obtain essential non-food items and food equivalent to a nutrition level of 2,200 calories per day, which consists of a food poverty line of NRP11,929 and non-food poverty line of NRP7,332 (NPC 2010a). Poverty is fluid in Nepal. Bhusal (2012a) shows that the poverty profile of Nepalese people changes very quickly. If there is a drought in one year, a large section of the marginally non-poor population will fall below the poverty line. In a good monsoon year, a significant section of poor households will rise above it.

There have been a number of other notable human development improvements in Nepal between 2001 and 2010: fertility rates have declined from 4.1 births per woman to 2.7 (UNICEF 2011); life expectancy at birth has increased by 20.9 years to 68.8; mean number of years of schooling has increased by 2.6 years with primary school enrolment exceeding 90 per cent; and GNI per capita has increased by 101 per cent (UNDP 2013). Nepal's decline in poverty is attributed to an increase in farm wages, urbanisation, and remittances (World Bank 2012).

Remittances accounted for 28.2 per cent of GDP in 2014, making Nepal one of the top five countries in terms of the share of remittance of GDP (ADB 2014; Mohapatra et al. 2011). The proportion of households receiving remittances increased to 56 per cent in 2011 up from 24 per cent in 1995 (NLSS II; World Bank 2012). Although unprotected and with poor working conditions, travelling outside of the country for work is a core livelihood strategy of many Nepalese. Nearly 53 per cent of households reported at least one migrant living abroad, most of whom are men (NLSS III). Twenty-seven per cent of all households now have a female head, increasing the role of women as leaders in society but contributing to household poverty levels (NLSS III). More elderly people now live alone rather than with their sons, as is

traditional practice. Additionally, 37 per cent of all households consist of migrants from other parts of Nepal (NLSS III).

The costs of migrating are high as are the risks. One estimate suggested one Nepalese migrant dies every two days (Gibson & Pattisson 2014). This increases the number of widows and can leave a family in debt, as many take out loans to migrate. Some political economy experts suggest the reduction in armed groups, especially in the Terai can be attributed to increased migration, which has given many youths an alternative to crime and extortion.[72] Thus, while migration contributes to poverty reduction and peace, it also changes household dynamics, adding to the rapid pace of change and insecurity in Nepal.

Nepal's HDI is a very low 0.540, ranking the country 145 out of 187 countries and territories (UNDP 2014). However, when this rank is adjusted for inequality, the HDI falls to 0.384 and Nepal's score declines by 28.8 per cent. The average global decrease in HDI resulting from inequality adjustment is around 23 per cent and for South Asia it is 28.7 per cent (UNDP 2014). This means that Nepal has the same degree of inequality as the region on HDI indicators. Table 4 below suggests that inequality is reducing across all measures and some respondents attributed this to remittances rather than good social policies.

Table 4 Nepal Inequality Measures

Year	Gini	Palma	Inequality-adjusted Human Development Index
1984	0.3006	1.136364	
1995	0.3523	1.482425	
2003	0.4383	2.271827	0.301 (32.0 per cent loss) (111 out of 134 countries)[73]
2010	0.3282	1.298091	
2012			0.304 (34.2 per cent loss) (109 out of 132 countries)
2013			0.384 (28.8 per cent loss) (107 out of 144 countries)

Source: author developed table [74]

5.3.2 Development Challenges

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[72] Basic Operating Guidelines (BOGs) Secretariat Coordinator, October 2011 interview, Kathmandu.

[73] Although the first year of IHDI calculation was 2010, the data source was the 2003 NLSSII.

[74] Gini and Palma data taken from Cobham and Summer (2013), who use World Bank's PovCal data. IHDI data taken from UNDP 2014c.

Despite some development successes, food security and malnutrition are major concerns. Thirty-six per cent of the population has deficient calorie intake and 16 per cent of households are extremely food insecure (MoPH 2011:36; NPC 2010b). The long-term repercussions of food insecurity and poverty affect Nepal's future human development outcomes. Four and a half million Nepalese are undernourished; 41 per cent of children under five are stunted in their growth; 29 per cent are underweight; and 11 per cent are wasted (WFP 2013). The under-five mortality rate per thousand live births is 95 for Hill Dalits, 87 for Terai Janajati, 81 for Terai Dalits and 76 for Hill Janajatis, compared to 45 for Hill Brahmans (MoH 2007). Geography, food security, malnourishment and mortality are associated with exclusion and inequality.

The majority of Nepalese incomes are insecure and variable. Ninety-five per cent of Nepalese people work in the informal economy – that is, outside the regulated and protected labour market (ADB 2012b:6). Thirty-four per cent of Nepali children between 5 and 14 years of age are exploited as child labourers (NLSS III). Livestock and crop insurance is limited and the incomes of small farmers and labourers are dependent on favourable weather, availability of inputs and market prices (Kohler & Khatiwada 2014:130). The unemployment rate is estimated at 46 per cent (World Bank 2012). However, the GoN quotes an unemployment rate of 1.8 per cent, which includes informal employment (NLSS II). Around 28.5 per cent of all employed are underemployed, underpaid or are working in jobs below their skills level (NPC 2012). Among male non-agricultural employed, 83.8 per cent are informally employed (NLFS II).

Nepal is a country facing considerable hardship. Although the rich can afford to buy generators and hire staff to maintain a comfortable lifestyle, the poor face an uncertain future. Many Nepalese on the power grid experience up to 14 hours of blackouts per day, depending on the season, due to an inability to harness the hydropower potential in the country. The Nepalese face a high degree of risk from natural disasters as witnessed by the devastating 2015 earthquakes. Nepal is ranked 4th in the world in terms of high risk to climate change-related disasters (Maple Croft 2010); 11th in terms of vulnerability to earthquakes and 30th to floods; and 20th in terms of risk to multiple natural hazards (earthquakes, flooding and landslides) (World Bank 2012). In the 2009 Nepal Safety Net Survey, over 57 per cent of rural households reported experiencing some shock that affected household well-being in the

previous year (World Bank 2011). Nepal is also vulnerable to external shocks and crises, such as food and fuel price spikes, due to its dependency on food and fuel imports. The poorest population spends more than 75 per cent of their income on food (World Bank 2010). Thus, the need for social protection in Nepal is high.

5.4 Social Exclusion

Building a *naya* Nepal requires among other things creating 'an inclusive, just society, an end to impunity, respect for human rights and a solid, vibrant democracy' (EEAS 2010:6). The Rana social stratification system is still relevant to contemporary Nepal. Households in the most privileged social groups are five times more likely to be lifted out of poverty by economic growth than the most excluded: 64 per cent of out-of-school children are from families from disadvantaged groups; and it takes 4.6 times longer for the most disadvantaged groups to travel to a health facility than the most well off (DFID 2011). Table 5 demonstrates that poverty reduction has been uneven among different social groups.

Table 5 Comparison of Poverty Levels during the Period 1995–2010 Categorised by Ethnic Group

Ethnic group	Poverty 1995	Poverty 2003	Poverty 2010	% change 1995–2003	% change 2003–2010
Hill Brahman–Chhetri	35	18.8	17.7	-46.3	-5.9
Hill Janajati	42.2	35	23.7	-17.1	-32.3
Hill Dalit	58.2	44.9	42.4	-22.8	-5.6
Terai Hill–Middle caste	28.3	24.5	29.2	-13.4	-19.2
Terai Janajati	53.4	35.2	26.6	-34.1	-24.4
Terai Dalit	–	49.2	40.2	–	-18.3
Muslim	44.3	41.3	22.1	-6.7	-46.5
Other	43.2	49.8	11.1	15.5	-77.7
All Nepal	41.8	30.8	25.2	-26.1	-18.2

Source: UNDP 2014c.

Dalits experience greater poverty (42 per cent) than non-Dalits (23 per cent) (CBS 2011b) and own only one per cent of arable land (Kohler & Khatiwada 2014:131). Despite the practice of 'untouchability' being declared illegal in the 1990 Constitution it remains widespread albeit

declining. Dalits are frequently denied entry into 'upper' caste houses and temples, water taps, and places of trade, particularly in remote areas (Lawoti 2012). A 2011 survey revealed that upper castes were twice as likely as Dalits to know their rights, understand GoN procedures, feel confident accessing services, benefit more from social networks and have local political influence (Koehler 2011).

Geographically, Nepal is diverse with plains, hills and mountainous areas, each with its own development issues. Aside from geography and caste, exclusion vectors include: remoteness; language; gender; race; and religion. Although 123 languages were listed as mother tongues in the 2011 census, Nepalese is the language of education, politics and government and the mother tongue of 44.6 per cent of the population, rendering language an exclusion vector. Race is another complex exclusion vector resulting in Janajatis and Madheshis, who look different to the majority of hill Nepalese, being subjected to systematic forms of state exclusion, and denial of government services and citizenship (Robins 2012). Religious minorities also suffer in the former Hindu monarchy: for example, Muslims have a 41 per cent poverty rate (Bennett & Sharma 2006). A number of exclusion vectors exist in Nepal and combine to create intersecting inequalities.

When the social inclusion project began there was a data shortage. Broad identity categories such as Janajati or Dalit do not adequately capture the differences in identity experienced within groups. Considerable effort was made to fill the data gaps within and between caste and ethnic groups. The World Bank's Multidimensional Exclusion Index (MEI), released in 2012, provided a baseline for tracking results on social inclusion to make 80 smaller social groups visible (Bennett & Parajuli 2012).[75] Additionally, a Multidimensional Social Inclusion Index that measures 97 sub-groups, a social inclusion survey, a social inclusion atlas (that plots caste and ethnicity data of selected indicators on spatial maps), and ethnographic profiles of highly excluded communities were developed by the Central Department of Sociology and Anthropology at Tribhuvan University (see Gurung et al. 2014). Figure 6 shows MEI data

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[75] The MEI uses a robust and complicated methodology. It compares the predicted poverty headcounts in the census data according to the Small Area Estimation method used in poverty mapping with that of the estimates calculated directly from relevant surveys; it ranks multidimensional exclusion measures across different dimensional cut-off values and across differential dimensional weights; and compares the MEI with the conventional HPI measure found in UNDP reports (See: Bennett & Parajuli 2012 for more information).

revealing the greater inclusion status of Brahmans, Chhetri and Newar, and that Dalits face the most exclusion, with Terai Dalits ranking worst.
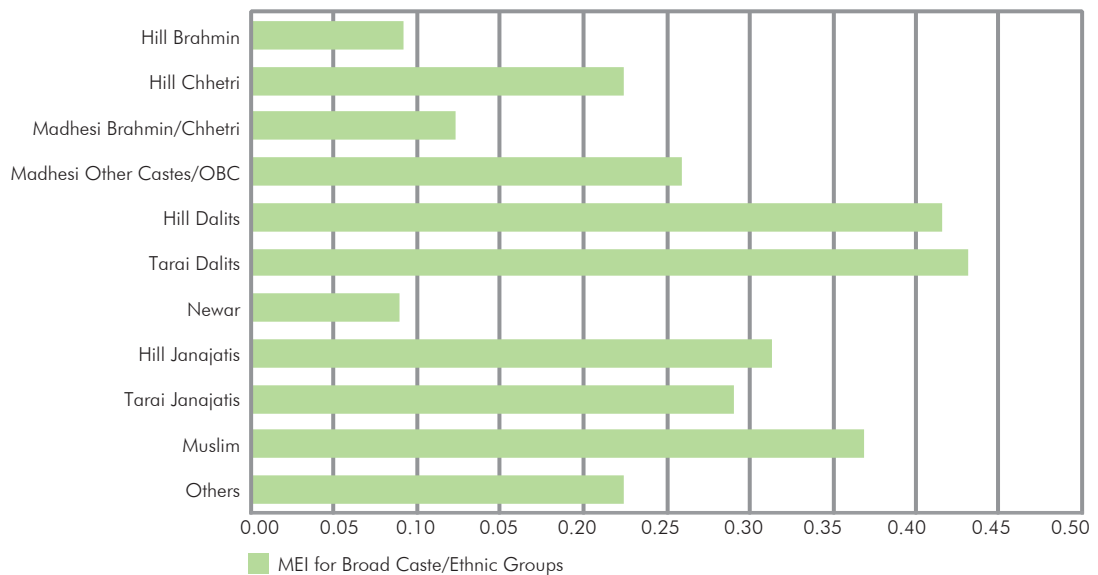
Figure 6 Multidimensional Exclusion Index (MEI) for Broad Caste/Ethnic Groups
(Source: Bennett and Parajuli 2012:37)

The key point of the MEI data in Figure 6, is that there is a need to consider geography when measuring, monitoring and analysing multi-dimensional exclusion and deprivation by caste/ethnic groups in the country. The disaggregation process shows that being Brahman ranks you at the top end of inclusion statistics in each region but when looking across regions, some Brahmans do not rank as highly as lower castes from other regions. For example, "although Brahman households in the Western Hills/Mountains have an MEI of 0.33 and thus are more excluded than Dalit Kami households in the Eastern Terai (with an MEI of 0.18), relative to a Kami household within the Western Hill/Mountain region with an MEI of 0.60, a Brahman household in that region is almost twice as included" (Bennett & Parajuli 2012:37). At the beginning of the social inclusion project there was not enough data available to discuss inclusion in this way or frame it accurately.

Noteworthy for cash transfer recipients is that there are different spaces where exclusion manifests. Figure 7 reveals this in a generalised sense. This may have a bearing on how cash transfer recipients regard the cash transfers as it shows that Dalits suffer the most at the community and village level. Nepal is a heterogeneous country and the process of inclusion for different groups will look differently.
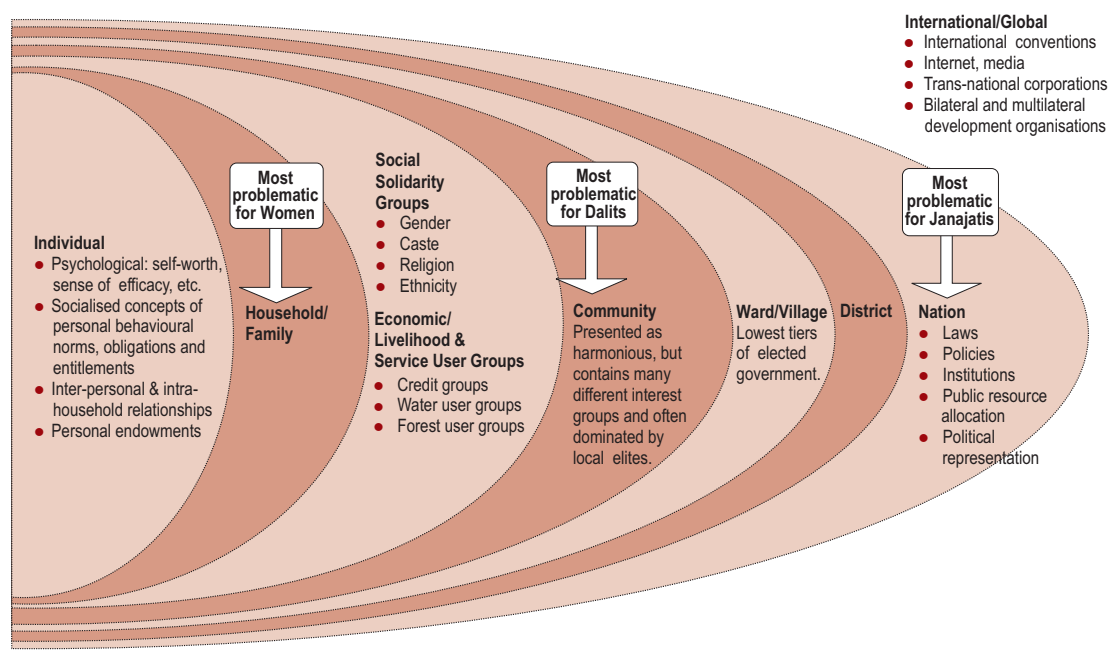
Figure 7 Sites of Disempowerment and Exclusion are Different for Different Excluded Groups

(Source: Bennett & Sharma 2006:13)

In terms of gender, Nepal has a Gender Inequality Index of 0.479, ranking it 98 out of 149 countries in 2013. Women in all social and economic groups, even privileged social groups, face discrimination and have an 'inclusion score' of 39 per cent, compared to 60 per cent for men (Kohler et al. 2009). Nepali women own fewer resources, have inequitable family responsibilities, earn less, have lower social status and esteem, and lower education and health indicators than men (Sharma 2009). Women do the lion's share of the drudgery, and undervalued and unpaid work. Gender-based violence (GBV) is particularly problematic with a prevalence of 40–80 per cent (UNDP 2011). GBV is not reflected in police reports due to the culture of silence and lack of an appropriate response mechanism (UNDP 2011). A number of factors culminate in women faring worse than men.

Figure 8 is from the MEI and uses 2001 census data to rank sub-groups according to individual characteristics (percentage literate, percentage graduate and post-graduate, percentage legislator, professional and technical worker). It shows the differences within sub-groups:

Brahman and Chhetri women from the Terai fare better than other Brahman and Chhetri women but that women fare worse than men on all characteristics and across all sub-groups
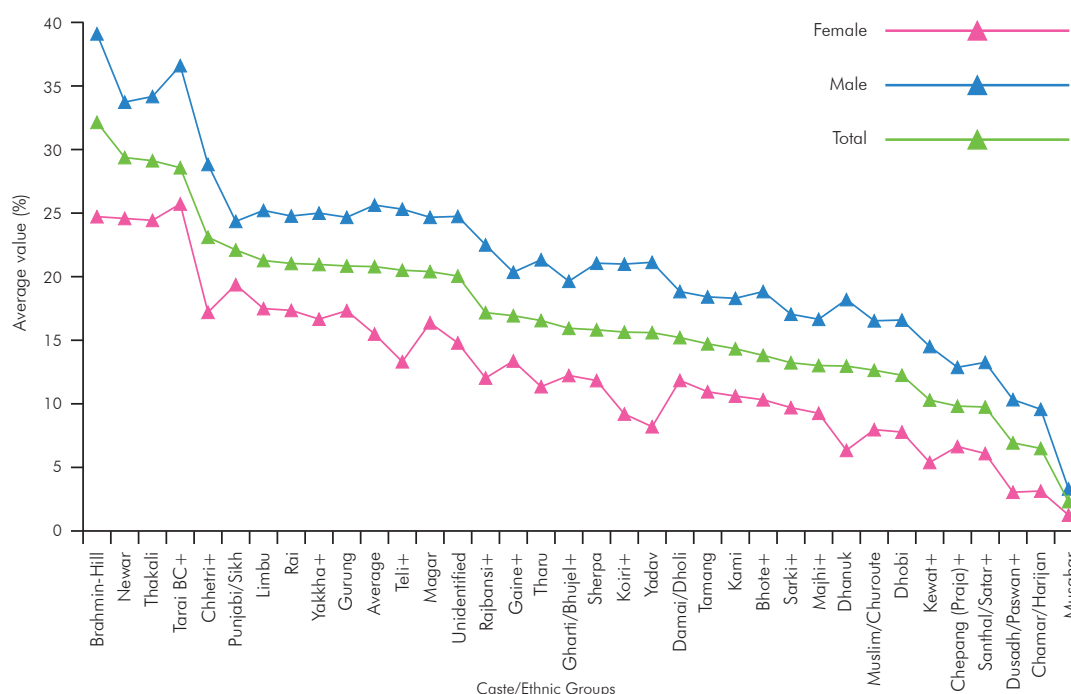
Figure 8 Average Value of Selected Individual Characteristics of Caste/Ethnicity by Sex

(Source: Bennett & Parajuli 2012:11)

5.4.1 Political Parties and Social Inclusion

The CPA was pivotal to social inclusion gaining political attention. However, the motives for supporting social inclusion are related to political capital and gaining popular support. Bennett et al. (2012:ii) notes that 'it was the Maoist insurgency that demonstrated the political capital to be gained by responding seriously to resentment' associated with Nepal's exclusive state. The success of the Maoists in the 2008 CA election further encouraged political parties to campaign on social inclusion. Although parties differ in some aspects of social inclusion, the notion of Nepal becoming an inclusive state is analogous to Nepal becoming a republican democracy (Toffin 2014:227) and thus all political parties have a position on the degree of inclusion to be achieved.

The 2013 manifestos of all political parties agree to create a federal, inclusive, democratic republic. They all mention ending caste-based discrimination and untouchability, and ensuring rights for women, Dalits, indigenous Janajatis, Madheshis, Muslims, sexual and religious minorities, the poor, the disabled, and people living in remote and neglected regions. In the 2013 manifestos, all parties agree that the state should implement special measures for the social, political and economic empowerment of these groups such as proportional representation and inclusive participation in all state organs (UNDP 2014). Some of the Madheshi parties specify the need for legal mechanisms and punishment for violations (UNDP 2014). All parties other than the royalist parties support a secular state (UNDP 2014). In terms of language, all parties support Nepali as the official language whereas the Madheshi parties and the Federal Socialist Party propose multilingualism. All political parties at least agree to affirmative action. There is a range of views on how comprehensively Nepal should be made 'inclusive.'

5.5 Conclusion

Post-conflict *naya* Nepal promises 'an inclusive, equal society; a law-abiding country respecting human rights; secure conditions (including food sovereignty/security, etc.) that enable vulnerable communities to sustain their livelihoods' (EEAS 2010:18). This vision for *naya* Nepal is almost utopian given current practices. The competitive clientelist political settlement causes instability and delays development. Corruption, prevalence of natural disasters, climate change, conflict, health risks and high costs of healthcare plus informal employment mean many poor Nepalese are unprotected from future perils.

Employment-productive growth and a welfare regime is needed to secure livelihoods. Migration has become the main—and for some the only—livelihood strategy available, fracturing traditional familial arrangements. Modernisation and effective integration into the global economic system would help the economy grow and reduce the size of the informal sector. Even if elites were interested in this, insecurity accompanies entry into the global market place, suggesting at least a short-term insecure future for Nepal. The gap between the rich and poor will only increase in a country where the private sector struggles to grow, the rich control the state and can strongly influence elections, GDP stagnates, natural disasters are

common, and current demands on the state for protection and basic services cannot be met, let alone increased with new demands.

Yet, some of Nepal's human development indicators are improving. This could be the result of the post-conflict inclusive political settlement that finally saw the attention of the country focus on those who are marginalised, or remittances, or an enhanced sense of citizenship associated with the social inclusion project and the Maoists gaining power. Social exclusion in Nepal is complex and the state is weak. Thus building an inclusive state in a traditionally exclusive, low-income, post-conflict, heterogeneous country will require different policies and approaches. Recent political changes, the conflict, and even the social inclusion project makes the pace of change for many Nepalese fast and confusing. The relations between state and society in such a context may be in a state of flux.

Defining exclusion has been plagued by a lack of data and complexity. Given the state is majority Brahman and Chhetri their view of the situation will be dictated by their assumptions in lieu of data. This biased view will appear in policies and is likely to be incomplete given cross-caste socialisation is limited. Additionally, CA-II is less politically inclusive than CA-I and the old elite are leading the country yet again suggesting a change from the inclusive settlement reached to end the conflict.

Chapter 6: Social Protection in Nepal

6.1 Introduction

This chapter examines social protection in Nepal by focusing on policymaking spaces. Social protection in a broader sense consists of policies and programs that provide access to essential social services such as health and education and ensure an adequate level of security under multiple contingencies of life related to unemployment, sickness, and many other crises. The concept of the welfare state goes beyond the provision of social protection to involve other social and economic policies which together ensure the welfare of citizens. Through exploring the National Social Protection Framework (NSPF), the history of social policymaking and the role of various actors, the nature of Nepal's welfare regime is revealed.

As explained in the history chapter, the depth of poverty and vulnerability in Nepal is chronic and under-counted and the need for social protection is dire. While there are customary or informal social protection systems rooted in kin, caste, ethnicity, regional groupings and identities, these will only ever be as substantial as the wealth of that grouping, or the wealth and generosity of the patron that supports them. A more robust social protection system would allow excluded citizens to rely upon the state more, untangle themselves from the adverse incorporation of patron-clientelism and overcome some of the insecurity that poverty brings.

The idea of a 'social protection system' or 'overarching framework' that goes beyond programs is globally trending and highlights aid agency involvement in the establishment of social protection policy and programming globally. A social protection framework explores the policy approaches that underpin programs in order to generate reform, reduce fragmentation and overcome the lack of coordination and politicisation of social protection.[76] Gentilini (2005:134) cautions that developing a social protection system is more easily said than done as it involves unexplored and undocumented institutional, policy and operational

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[76] See: Barrientos & Hulme 2010; Devereux 2003; Euzéby 2011; Gentili 2005; GTZ 2004; Kabeer 2011; Midgley 2010; Morgan & Yablonski 2011; Roelen 2011; Shepherd 2004; Van Ginneken 2011; WFP 2004; World Bank 2001.

challenges. The degree of civil servant autonomy and the nature of their linkages to political elites can have implications for the reach and effectiveness of social assistance programs.[77]

In 2009, the UCPN–Maoists initiated a NSPF to consolidate Nepal's fragmented social protection programs. This announcement is in line with the communist agenda of the Maoist insurgency-turned political grouping and many donors. Social protection is clearly a new term in Nepal as a number of categories are used to group social protection programs in the NSPF.[78] Under its 'working definition' section it says:

> Social protection is defined as a set of policies and actions aiming at reducing poverty and multidimensional deprivations to ensure a basic minimum livelihood for all citizens. It includes all non-contributory and contributory measures that:
>
> - provide cash or in-kind transfers to the poor and vulnerable,[79,80] to protect them against livelihood risks
> - improve access of deprived people to basic social and economic services[81]
> - promote social insurance in formal and informal sectors for income maintenance and secure livelihood
> - enhance the social dignity, equity and rights of people who are marginalised and *socially excluded* (NSPF 2012:20 [emphasis added]).

In the NSPF, social protection is connected to social inclusion, equity and rights for excluded and marginalised groups.

Swank (2001) demonstrated that weak state institutions slow the growth of welfare states and contribute to heterogeneous political interests influencing policy, which furthers

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[77] See: Alesina & Tabellini 2004; Barrientos & Pellissery 2011:6; Besley & Ghatak 2007; Mookherjee 2004.

[78] Page 22 of the NSPF lists four broad social protection categories: (1) Essential services, (2) essential cash transfers, (3) social security, and (4) social promotion. Page 32 lists nine: (1) cash transfers, (2) in-kind transfers, (3) access to services, (4) social insurance, (5) public works, (6) employment and skills development programs, (7) livelihood programs, (8) care services and (9) others. And page 17 lists five categories: (1) cash transfer, social protection programs including safety net programs and in kind transfers; (2) labour market interventions; (3) free social services; (4) poverty reduction and social empowerment programs; and (5) pensions and social insurance. These align with ADB categories (See: ADB 2008).

[79] For the purpose of this framework, 'vulnerable' is defined as people who are likely to relapse into poverty in the face of shocks. They include unemployed and underemployed people, persons with disability, children, senior citizens, and people living with HIV/AIDS or families affected by it, widows, endangered indigenous communities and people living in designated geographic areas.

[80] The poor and vulnerable are defined by GoN at different intervals.

[81] For the purpose of this framework 'basic social services' may include services related to health, education, drinking water, sanitation and housing as defined by GoN. Similarly, economic services include micro-finance, institutional lending, soft loans, insurance and social pensions.

fragmentation. While reformation of welfare usually happens incrementally (Pierson 2003), in Nepal's case the NSPF appears to be stuck as it remains in draft form six years after it was instigated. The chapter explores this inertia beginning with the history of social protection and the NSPF followed by social protection finances and the social security fund. The role of development partners is assessed particularly in relation to the NSPF along with the role bureaucrats and civil society play. Evidence in this chapter shows that Nepal's capacity for social protection and policy alignment is low; bureaucratic motivation is dependent on political parties and key individuals; and civil society success is limited to initiatives that maintain the exclusive social structure. The chapter concludes that social protection policymaking is intricately connected to the broader political landscape.

6.1 Policymaking

A range of factors influence social protection policymaking in Nepal but political leaders stand out as the most significant. Like social inclusion, social protection had a popular period between 2006 and 2012. Under the Maoist leadership, expenditure on social protection grew from 0.6 percent of GDP in 2008 to almost 3 percent by 2010 (World Bank, 2010). Different governments have since gained power and the appetite for social protection has dwindled. The NSPF steering committee met at least once a month and sometimes twice a month from when it was formed in 2009 until Dr Bhattarai's weak coalition government collapsed in 2012.[82] The NSPF remains a draft with the last edits being added to the document in 2012, the year when the CA ended and the Maoists lost power.

This potentially indicates that the idea of protecting citizens was connected to the political settlement that emerged to end the conflict, or is at least politically associated with the Maoist regime. Davis (2001:91) argues that, historically, development discourse promoted by international donors shapes the nature of welfare strategies in low-income countries. Donors often promote policy innovations from another country as a model and through the process of bricolage, policies are localised.[83] The language of the Social Protection Floor (SPF)[84] is one

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[82] Mid-level bureaucrat interviewed 1 August 2012, Kathmandu.

[83] See: Béland 2014; Dion 2008; Orenstein 2008; Weyland 2005.

[84]The SPF is a concept of protection that is nationally developed based on international norms of social protection. According to ILO (2012), 'national floors of social protection aim to extend social security

such example. One respondent explained that the SPF 'captured the imagination' of the bureaucrats on the NSPF steering committee as they had been grappling with the definition of social protection. Integrating SPF language gave them the convenience of aligning with a global policy.[85] However, it resulted in additional discussions that further prolonged the process of the NSPF and expanded the definition of social protection.

International and regional trends also influence Nepal's social protection policies. Holmes and Uphadya (2009) found that other cash transfers such as the Ministry of Education's scholarship schemes and the Ministry of Health's maternal incentive schemes have largely been introduced as a result of international agreements such as the global *Education for All* policy and the Millennium Development Goals (MDGs). Regional influences such as India's MNEGRA and its age pension also influence Nepal's approach.

The child grant's introduction highlights the way different actors such as DPs try to influence social protection programs, but ultimately politicians decide on the shape of these programs. Since 2005, the UN has advocated for 'peace dividends'—cash transfers that encourage combatants and other citizens to be productive instead of arms bearing. UNICEF lobbied for a child grant to be given to all families nationwide as a 'peace dividend' and to improve child nutrition.[86] UNICEF pitched it as a nutrition program so the age was capped at five years, yet they had specified a universal allocation[87] but there was not enough money in the budget to make the grant universal. A senior bureaucrat explains:

> The intent was to make it universal but the budget ceiling was set. So as a token we introduced that scheme along with housing shelter for the poor. We had only a few million rupees in our budget. We said at least let's start it and then we said okay what can we afford. Dalit families, children from Karnali, 200 rupees per child only up to two children. That's what we did but the objective was to universalise it.[88]

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vertically (providing more comprehensive services and benefits) and horizontally (extending coverage to a greater number) to cover all groups.' SPFs should comprise at least the following: access to essential healthcare, including maternity care; basic income security for children; basic income security for persons in active age who are unable to earn sufficient income; and basic income security for older persons (ILO 2012).

[85] SPTT member from multilateral interviewed 18 July 2012, Kathmandu.

[86] UNICEF respondent interviewed 18 July 2012, Kathmandu.

[87] Development worker/academic interviewed via skype 15 May 2013.

[88] Very senior and experienced bureaucrat interviewed 13 November 2013, Kathmandu.

Social protection policies are based on the resources available and not needs.[89]

6.2 Finances

It is difficult to accurately comprehend Nepal's social protection budget. MoF's 'Estimates of Expenditure for Fiscal Year 2013/14' suggest GoN contributed USD40,184,307 towards social protection plus USD2,676,797 in grants and 5,421,306 in loans. This suggests Nepal is fairly independent from development partners when it comes to financing social protection. However, a news article quoted NRP11 billion (USD108,242,200) expenditure on social protection in 2013/14 (Khanal 2014). Calculations in Table 6 confirm this is fairly accurate. This amount is substantially higher than MoF's estimates of expenditure of USD48,282,410 (GoN expenditure plus grants and loans) which causes concern. Additionally, Khanal (2014) notes that if the benefits delivered by other ministries are included, this figure could be as high as NRP27 billion (USD262,993,770) (Khanal 2014). Cash transfers are consistently defined as a form of social protection throughout the NSPF so it is unclear what MoF counts as social protection.

Table 6 Estimate of Cash Transfers amounts disbursed[90]

cash transfer	Benefit per month (NRP)	No. of recipients in 2013/14	Total estimated annual cost (NRP)
Senior citizen	500	922,741	5,536,446,000
Single women	500	654,719	3,928,314,000
Full disability	1000	25,492	305,904,000
Partial disability	300	6,863	24,706,800
Endangered indigenous	1000	19,223	230,676,000
Child grant	200	537,118	1,289,083,200
Total		2,166,156	11,315,130,000 (USD110,215,137)

Source: author's calculations

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[89] Very senior and experienced bureaucrat interviewed 13 November 2013, Kathmandu.

[90] The number of recipient figure was collected from MoFALD. This was multiplied by the annual benefit amount to reach the total estimated annual cost.

Gauging direct development partner funding for social protection is also difficult as different documents cite different programs and some do not disaggregate social protection funding from other sectors (See Table 7). Social protection in Nepal may be government-led but it is difficult to tell how much is government financed verses donor financed.

Table 7 Donor Support to Social Protection

Donor	Amount (USD)	Project	Source
UNICEF	9,000 of which MoFALD received 2,970; MOWCSW, 3060; and NPC, 2970	Legislation, social protection, social budgeting, child poverty	Annual Development Cooperation Report 2012/013
ADB	200,000 MoFALD received all	*Reducing Child Malnutrition through Social Protection* (JFPR)	Annual Development Cooperation Report 2012/13
WFP	13,623,257 MoFALD received all	Assistance to food-insecure populations in the Mid/Far West hill and mountain regions of Nepal	Annual Development Cooperation Report 2012/13
IDA, World Bank Trust Fund	2,149,742 MoFALD received all	*Social Safety Nets* project	Annual Development Cooperation Report 2012/13
UNCDF	3,214,227	The UNCDF HDSP pilot contribution seems to fall under UN Joint program of support to LGCDP, which includes broader activities, so it is difficult to know the amount spent on the pilot	Annual Development Cooperation Report 2012/13
World Bank	494,360 MoWSCW received all	HDSP pilot	Annual Development Cooperation Report 2012/13
Unclear but assume World Bank and UNCDF	1.5 million	HDSP pilot	Annual Nepal Portfolio Performance Review (NPPR)
ILO	435,759 MoL	Social protection technical assistance	Ministry of Finance's (MoF's) Statement of Technical and Other Assistance FY 2013/14

| EU | 1,925,355 | Poverty Reduction of Informal Workers in Solid Waste Management Sector | MoF's Statement of Technical and Other Assistance FY 2013/14 |

Source: Author collected from donors and difference sources (see final column).

Donors also interpret what constitutes social protection expenditure differently. ADB quoted the amount of 2.4 per cent of GDP for 2009 (ADB 2010). An ILO costing exercise, which includes a broad definition of social protection covering health and education expenditure in 2007 calculated social protection expenditure to be 18.5 per cent of GDP (ILO 2007). A government report suggests social security expenditure in FY 2009/10 was 2.8 per cent of GDP (NPC 2012). A World Bank report claimed that Nepal's expenditure on social protection increased from 0.6 per cent of GDP in 2008 to 3.0 per cent of GDP in 2010, or 11 per cent of the budget (World Bank 2010).[91] The South Asian average of social protection expenditure is 2.4 per cent of GDP, so Nepal is comparable to neighbouring countries according to all calculations (World Bank 2010).

ILO (2010:21) calculates that to provide a set of cash benefits to all the elderly, to families with children, and to the working age poor in Nepal, (the SPF) would cost 5.7 per cent of GDP. This kind of substantial resource transfer is needed to overcome the exclusion problem facing vulnerable groups. ILO commissioned a costing report to better plan for mobilising resources from domestic revenue to fund the SPF which is incorporated in the NSPF. The report mentions how certain government schemes remain under-utilised. A Welfare Fund was established from employer contributions under the existing *The Labour Act 1992* and *Labour Rules 1993* to enhance the welfare of the workers. The NPR 1.3 billion collected in the Welfare Fund has never been used. The costing report suggested this be rolled into a fund that would manage social security for workers and also fund social assistance programs (Khanal 2013:18). This recommendation was implemented.

Another recommendation from the costing report was also implemented. A social security tax was introduced in the 2010/11 budget to help fund the expansion of social protection. The Social Security Fund (SSF) was established within the Ministry of Labour and Transport to collect and manage the one per cent tax paid by all salaried employees whether government

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[91] This expansion in expenditure from 2008 to 2010 is attributed to new announcements, increased benefit amounts, public works schemes and a broadening of the target population (SPTT 2010:1).

or non-government (Khanal 2013:18). The Welfare Fund was also rolled into this fund. According to a draft bill that was never passed by cabinet due to the dissolution of parliament, the social security tax would be used to finance the senior citizen allowance; medical, maternity, disability and unemployment benefits; and the needs of other vulnerable groups and informal sector workers on an *ad hoc* basis.

The SSF was established with a board comprised of the secretary of the Ministry of Labour and Transport (chair), the joint secretary as member secretary, and also trade unions and employee organisations. The SSF has begun collecting the tax but there is no Act or Ordinance to guide its work, meaning the funds cannot be spent (Harris et al. 2013:9). The trade unions and private sector are renegotiating the *Labour Law* and *Social Security Act* which would guide the work of the SSF. According to news reports, the government has collected a substantial amount of revenue from the social security tax: more than NRP4 billion (USD41,200,000) in the last five years (Khanal 2014) but cannot redistribute it without the *Social Security Act* in place.

One development partner hoped that the SSF would become the apex body for social protection mentioned in the NSPF but said:

> I am not sure whether they can do it because there are several interests playing around and social security itself is a political thing, especially when the system is not established.[92]

The next chapter explores the political economy of social protection and demonstrates that the additional funding generated from this social security tax will likely not be spent on social assistance programs as intended.

6.3 Development Partners and the National Social Protection Framework

This section explores the role of development partners in Nepal's social protection policymaking processes and the extent of their reach in a divided, unequal, post-conflict

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[92] Member of SPTT interviewed 4 July 2012.

society. Nepal is highly aid dependent and donors try to use their money to influence social protection programs and policy with mixed success.

Development partners formed a Social Protection Task Team (SPTT) in 2005 initially to discuss peace dividends and the child grant and latter to work on the NSPF. The role of development partners in developing the NSPF is explicit. The draft NSPF acknowledges the influence of development partners over policymaking and thanks them for their assistance.[93] The draft contains thoroughly track-changed comments by development partners. The most active development partners in the social protection landscape are World Bank, ADB, DFID, WFP, UNCDF, UNICEF, ILO, GTZ and World Health Organisation (WHO).

Development partners are criticised for trying to control the NSPF process. One informant suggested that translating the NSPF back and forth from English to Nepali caused delays and definitional confusion and that development partners should have let the NSPF remain in Nepali until approved. According to one SPTT member, 'there are not enough Nepalese at the SPTT meetings. It is mainly international staff and fly-in, fly-out consultants. It should be a Nepali-owned thing.'[94] There are many plausible reasons and speculation for why the NSPF is still a draft.

Despite joint efforts to develop the NSPF, development partners in the SPTT are ideologically at odds with one another on social protection's key points such as targeting, conditionality, the amount of GDP allocated to social protection, the idea of protecting all citizens (the SPF) as opposed to safety nets for those facing risks or hazards, and where the institutional home for social protection should be (see OPM 2010). A few SPTT members gave an example of the boycotted Human Development Social Protection Program's (HDSPP) pilot mission to express this lack of harmonisation. One SPTT member described the pilot's mission as a 'soap opera' and another reported that the mission team was thrown out of a government office.

According to one interviewee, the World Bank was initially opposed to the HDSPP, as was the GoN. The World Bank decided to join the pilot initiated by UNCDF when they realised it

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[93] It references and thanks the international experts funded by DFID Dr Michael Samson and Dr Stephen Kid—who 'provided technical inputs as well as insights into international experience and evidences' (NSPF 2012:3).

[94] SPTT member interviewed 30 July 2012, Kathmandu.

presented an opportunity to test the new technologies of branchless banking, an information management system and targeting methods.[95] When the World Bank became interested, the GoN agreed to the pilot. An SPTT member suggested this was evidence that the World Bank was very influential.[96] However, the GoN secretary involved suggested that it was simply a matter of money: 'The World Bank weren't in the Local Government Capacity Development Program (LGCDP)[97] and this was one way we thought to secure future funding from them. So we decided to support the pilot too.'[98] The lack of development partner harmony allows the government to go development partner shopping.

Evidence of a lack of trust emerged during interviews. DFID funded the World Bank to complete a safety net report in 2009 but felt the methodology was weak and the findings were biased towards poverty targeting.[99] DFID withheld the report's publication for two years. Some respondents proposed that the disputes between development partners are personality based and not institutional. One SPTT member explained, 'nobody is putting their cards on the table anymore. It is just a mess and I think it is really a lot of personality clashes and how people play politics.'[100] In the words of a World Bank report (2011), 'coordination among donor-funded programs as well as their accountability to both lower-level functionaries and to citizens have a long way to go before being considered good practice.'

Another potential factor contributing to the lack of harmony is that each development partner may work with a different ministry. Even the government seems confused as to which organisation should be leading on social protection in Nepal. A government official from the Ministry of Federal Affairs and Local Development (MoFALD) questioned why the World Bank was always involved in social protection and not the ILO, which has the mandate of

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[95] World Bank interview 12 December, 2013, Kathmandu.

[96] Member of SPTT interviewed 4 July 2012.

[97] Some DPs think LGCDP is a very important program that strengthens local bodies and others think it is not as effective as it should be. It took a couple of years to get LGCDP approved initially. One interviewee explained that MoFALD kept changing its mind and the donors became so frustrated that the final LGCDP document was approved the way the MoFALD wanted it just to get it going. The interviewee explained that 'any lay man who looks at the program documents would say this was an incredibly bad idea. There were an awful lot of different opportunities for money to go missing. The accounting mechanisms, the monitoring mechanisms, the evaluation mechanisms were all very, very weak.' The World Bank wanted nothing to do with LGCDP until this pilot opportunity arose.

[98] Senior bureaucrat interviewed 28 November 2013.

[99] Development worker interviewed on 26 July 2013.

[100] SPTT member interviewed 30 July 2012, Kathmandu.

social protection in terms of social security and the SPF.[101] The lack of donor coordination and alignment with GoN only increases the fragmentation, coordination and progress of the NSPF.

Additionally, the quality of the technical assistance (TA) provided by development partners was 'too piecemeal' or insufficient, caused confusion and delayed finalising the NSPF according to some informants: 'I think the framework was once really dynamic but that has dropped and I think that is partly because the TA support wasn't sufficient. It wasn't specific enough for the Nepali context.'[102] A bureaucrat[103] concurred:

> Another reason for the delay is that we are troubled with the costing exercise. It has been a Herculean task for us. We are not able to come up with basic assumptions and a well-defined package or a cost estimate. But to get rid of this problem we requested ILO for costing and their consultant prepared a report, but the report was not directly transferable to our needs. That is where we are now.

An SPTT member explained that the NSPF:

> didn't really do what it was meant to, which was look at the poor person and say, okay what are the number of entry points of vulnerability that we could help you address to stop you from becoming more vulnerable or poorer, and instead it was just people getting really involved in health insurance or their own little niche interest and there was no one bringing it together.[104]

In the words of one respondent, 'I think the social protection framework is in a real mess. The SPTT is a good example of why things never got going.'[105]

It seems that development partners allocate funds and operate in fragile states in a manner that reflects a weak state, rather than try to build a state through harmonisation. Despite proposed reforms and financing options, GoN's *Development Cooperation Policy* 2014 does not mention social protection or social security. The social security tax remains unspent in 2015 and the NSPF remains a draft. All proposed social protection reforms appear stalled. The

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[101] Government bureaucrat interviewed 3rd January, 2013, Kathmandu.

[102] SPTT member interviewed 30 July 2012, Kathmandu

[103] NSPF -SC member interviewed 22 September 2013, Kathmandu.

[104] SPTT member interviewed 30 July 2012, Kathmandu.

[105] SPTT member interviewed 30 July 2012, Kathmandu.

widow of opportunity to pass the NSPF closed when the Maoists lost power in 2012. The lessons for donors is to pass policy quickly when there is consensus and perfect it later.

6.4 The Bureaucracy

So far the evidence reveals development partners try to influence social protection policy and financing where they can with mixed success. It has also shown that politicians ultimately make social protection decisions and that the concept of social protection is new. The bureaucracy can also be seen to contribute to the NSPF remaining a draft. The power-serving nature of bureaucrats, entrenched clientelist traditions and systems, and a lack of clearly defined roles and accountability result in a highly politicised bureaucracy: 'The criteria to go to the upper echelon of the bureaucracy is not your merit but sycophancy, favouritism, and nepotism. You are hand-picked by politicians or ministers.'[106] An ex-NPC bureaucrat laments:

> The Planning Commission [NPC] used to be an academic type of institution. Even if you were not directly involved in any party but were very good, very sound, then you could be appointed to the Planning Commission but not now. No way. You must be backed up. There is too much politics now. Politics in the sense that we all are engaged in only political things.[107]

This suggests that bureaucrats serve political masters more than their department's minister.

In a Nepalese bureaucracy, aligning with a political party provides promotion: 'Those who don't have political backing often lag behind in terms of their career.'[108] This politicisation is two way as political parties generate revenue for political expenses by moving their cronies into lucrative positions (OPM 2010). This results in loss of knowledge, communication problems, capacity lapses at various levels and delays in policymaking. Development partners continue to provide study trips for new bureaucrats because building capacity among bureaucrats with appropriate social protection skills and knowledge remains an ongoing task in such an environment. Low capacity, lack of ownership and accountability due to frequent transfers inhibits policymaking.

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[106] Tribhuvan University Nepalese academic interviewed 13 July 2012, Kathmandu.

[107] Interview with ex-bureaucrat, academic and development practitioner 5 July 2012, Kathmandu.

[108] Opinion editor and political affairs journalist for *The Republica* interviewed 8 August 2013.

A journalist explained that politicisation in Nepal is widespread and not limited to the bureaucracy and not necessarily always about self-interest but rather survival:

> It becomes necessary for people to be aligned with one party or another in case something happens like you could be wrongly accused of something yet you may not have anyone to speak in your favour. Most are associated with a political party because they are expecting something in return. Maybe they expect jobs, maybe they expect some contract and once they don't get that in return they may shift their loyalty and move to another party.[109]

It appears from the interviews that politicisation and consequent preferential treatment is a widely accepted reality for many Nepalese, although often problematic.

The motivations of policymakers with influencing capital can be varied and complex. Key individuals can impede the policymaking process. One informant discussing the NSPF steering committee meetings said 'social protection isn't anyone's core business. Some secretaries would only stay in the meetings for 15 minutes.'[110] The informant explained that it was difficult to reach consensus on key issues because decision makers were preoccupied with other matters. One informant suggested that bureaucrats are only interested in study trips and scholarships for their children to study abroad. [111] However, self-interest is not the only motivator of policymakers.

Social protection reform in Nepal can be driven by a key figure – a policy entrepreneur – and when that person moves on the reform stalls. There are only a handful of senior bureaucrats in Nepal with social protection experience. When the NSPF was initiated, the NPC had a secretary who had worked for the UN and had prior social protection experience. He firmly believed in the need for social protection. Some bureaucrats interviewed considered social protection to be this bureaucrat's personal agenda. Once this particular person was moved out of NPC in March 2010, the process of formulating the NSPF slowed until it stalled completely in 2012.

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[109] Opinion editor and political affairs journalist for *The Republica* interviewed 8 August 2013.

[110] Mid-level bureaucrat interviewed 1 August 2012, Kathmandu.

[111] Tribhuvan University Nepalese academic interviewed 13 July 2012, Kathmandu.

Many other reasons were heard to account for bureaucratic will on social protection. The degree of support for social protection held by the NPC secretary from March 2010–February 2014 is less pronounced. According to some interviewees, this secretary was not interested in social protection. The secretary stated during his interview that infrastructure and electricity had become more of a priority. The Thirteenth Plan does list infrastructure as a priority but so did the Twelfth plan. Another interviewee suggested that this secretary believes that transfers create dependency and Nepal needs productivity and employment, which is why he has not progressed the NSPF. Another suggested that social protection was considered a Maoist agenda, which is why the current secretary does not prioritise it—he is aligned with the NC. Again the evidence associates the reduction in the level of priority of the NSPF to the loss of power by the Maoists combined with the political nature of the bureaucracy.

Many bureaucrat respondents openly complained that political meddling prevented them from taking action. However, they could have passed anything they wanted, including the NSPF, between March 2012 and the November 2013 elections when the CA was not present, but instead hardly any new legislation or major policy decisions were taken. This may indicate that the bureaucracy works for political leaders despite their complaining. The head of the SSF is a notable exception. He tried to have the *Social Security Act* passed during this caretaker period but stated that the private sector blocked it.[112] It is difficult to know the degree of influence that ideology, self-interest, and political motivations may have in bureaucratic actions. Clearly there are some self-motivated bureaucrats that regard their role as serving citizens but they appear to be rare especially in the upper echelons.

Bureaucracies everywhere serve ministers and are responsible for making ministers look good. Ribbon cutting, press releases and public announcements are part of the publicity machine. As such, bureaucrats do align with ministers. However, in Nepal they appear to first align with a political party and may block or facilitate policy according to their parties' (or patron's) interests, regardless of their line minister's wishes.

Nepal is a low-income country and citizens know that outside funding is required for its development. In Nepal, gaining donor money makes you look good. One respondent suggested that:

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[112] Government bureaucrat interviewed, 24th October 2013, Kathmandu.

If you do not get any agreement signed in your tenure, then there is a huge cry in the country. They see that government is not supported internationally because it is not receiving any money. People then think we are doomed to fail in the development sector.[113]

Thus the government goes to development partners for funding to make their political masters look good. If funding was conditional on the NSPF being finalised, then perhaps political will and bureaucratic will would have seen it approved by now. However, the NSPF specifies that 'efforts will be made to reduce the external dependency in financing the SPF by mobilising resources internally.' This contradiction raises questions. Why did the NSPF rule out donor revenue when it will bring political capital to their political masters? In an additional section, the NSPF mentions a 'SWAp[114] modality will be adopted to bring all development partners into one basket by creating an integrated social protection fund.' Firstly, this highlights the inconsistencies in the policy and secondly, why is the NSPF still a draft when funding was attached to it in a SWAp modality?

Barrientos and Pellissery (2012:6) suggest that 'the role of public agencies charged with implementing social programs becomes more significant after programs are legislated for and adopted.' However, in Nepal bureaucrats play a key role in serving their political masters and thus facilitate the adoption of social protection in the first place. This resonates with Natali and Rhodes (2004:9) findings that policymakers act as 'creative opportunists.' In Nepal, policymakers are opportunists who block or facilitate reforms and will even create an illusion of being reformers if this helps progress their patrons' wishes. Like politicians, bureaucrats play a political game involving many faces. They present one face to foreigners from development partners, one face to the Nepalese representing development partners, one face to the public and another to their political master or patron.

6.5 Civil Society and Citizen Engagement

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[113] Tribhuvan University Nepalese academic interviewed 13 July 2012, Kathmandu.

[114] A SWAp is a sector wide approach to development, which pools funding toward a single policy, or program initiative that is led by the national government and involves a large element of capacity building during delivery.

Having covered development partners and the bureaucracy, this section looks at the role of citizens and civil society in influencing social protection. According to Hickey (2011:18), social contracts are determined by bargaining processes between governments, social groups and citizens within specific contexts. If the state is not a homogenous body and non-democratic institutions and vested interests influence policymaking, this raises questions about the representation of citizen views. Although the media increasingly writes about social protection, their role is mainly associated with policy progress and exposing local-level fraud in a watchdog role. The media's ability to understand and report on ideology and power is limited, downplayed or in some cases bought.[115] Press freedom is still an issue in Nepal, albeit improving.

Civil society often bridges the state–citizen divide but it is not coordinated in Nepal (Bhatta 2011), as the federalism data also illustrated. One bureaucrat explained that during the development of the NSPF, 'we organised many interaction programs with trade unions, civil society organisations and government organisations. The comments were not surprising. They were of a similar kind.'[116] He resented the numerous competing pressure groups and their lack of innovation: 'every stakeholder group wants benefits and those that get benefits want more. Social protection is not a panacea for everything. This is just a small support on the part of the government.'[117] Jones and Upadhya (2009:25) found that 'many civil society movements in Nepal are largely based on group interests and there has not been a coherent civil society voice in the social protection debate.' (I)NGOs concerned with child rights have formed a social protection group to better influence GoN.[118] Unfortunately, the group has been preoccupied with membership criteria and developing the network's purpose since then. When they are more organised they will have greater influencing power if they lobby more widely than the bureaucracy.

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[115] My field translator informed me that his best friend, a journalist, is regularly paid to not write about certain events.

[116] NSPF-SC member interviewed 22 September 2013, Kathmandu.

[117] NSPF-SC member interviewed 22 September 2013, Kathmandu.

[118] Children's INGO representative interviewed 22 July 2013 explained: It was during November 2011 when the government held a meeting over the framework and civil society I realised that at the national level, there were two networks: one was the SPTT for donors and the other was the steering committee for seven or nine ministries. But there was no space for NGOs, neither in SPTT nor in the social protection steering committee. NGOs asked, 'don't you want to hear our voice? Don't you need any feedback or support from our side? Why are you not providing space for us?' And then the government said civil society can make their own network as that would help them only have to communicate with one organisation. After that, in February 2012, we established the Civil Society Social Protection Network.

The bureaucracy is not the only space where decisions are taken on social protection. The Supreme Court has been used to secure a social contract between state and society. In 2010, the Supreme Court ruled in favour of the Women for Human Rights (WHR) case that the single women's allowance should not have an age limit, and should therefore be given to all widows or separated women irrespective of age, but the government did not allocate additional finances for this until 2012 (ADB 2010). In 2011, in response to a petition by special interest groups and NGOs, the Supreme Court asserted that the role of the government is to ensure food is accessible and affordable for all Nepalese (FAO 2011). In 2012, the Supreme Court denied the Bhattarai-led (Maoist) coalition government proposal to provide NRP200,000 (USD2,000) to each of the 3,000 disqualified combatants[119] as it is against constitutional provisions.[120] Also in 2012, the Supreme Court issued a mandamus for the government to provide NRP500–3,000 per month (USD5–30) to partially disabled people and NRP3,000–5,000 (USD30–50) to fully disabled people; this is yet to be implemented. The culture of impunity in Nepal is such that Supreme Court rulings have little weight without the additional support of powerful people.

The fact that the eligibility criteria for the senior citizen allowance is lower in the Karnali region than in the rest of the country and the child grant is universally allocated there and given only to Dalits in the rest of the country, reflects the power of a strong Karnali region lobbying group. The Karnali Development Commission (KDC) was initiated in 2010 to respond formally to the historical underdevelopment of the region. Harris (2013:11) notes that this Karnali preference appears in public works programs as well. The Karnali is remote, suffers from a challenging terrain and has poor development indicators. The KDC successfully emphasised the geographical concentration of destitution even though the area is home to only one per cent of the population. There are a number of wealthy upper caste Karnali residents in parliament and their power is evident.[121] This is why Harris (2013:11) states that social

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[119] The UNMIN disqualified them as minors or late recruits.

[120] *The Republica* (2013).

[121] Interestingly there was a publication launch on the child grant by ODI and NEPAN in April 2014. Their findings from the Karnali were that the child grant had no effect on certain indicators of social inclusion associated with productive investments and human development. The Karnali members of parliament who were present at the launch suggested that the money should be better spent on connecting the region by roads or creating jobs, revealing changed priorities.

protection, in particular social assistance, 'reflects the ethnic and regional divisions that remain central to politics in Nepal, as well as differing development partner interests.'

A famous Raute[122] leader, Mahin Bahadur Sahi, lobbied Maoist politicians to double the proposed amount offered by the endangered indigenous allowance in 2009 to NRP1000-USD10 per person per month.[123] Meanwhile, a coalition of NGOs has been lobbying the government for improved protection for home-based workers for more than 15 years. Their constant struggle may be more associated with their gender and that home-based workers are maids in the houses of the wealthy. Increasing their protection would increase the cost to elites. This, rather than their lobbying strategy (they have approached politicians to little avail) may hinder their success. In 2011 the government, with good intentions, tried to reduce the stigma associated with marrying a Dalit or widow by offering a stipend to those who did. Public outcry, especially from the women's movement, went global as it was considered an initiative that exploited and dehumanised women. Yet the stipend remains. Civil society organisations have had mixed results in relation to social protection outcomes.

In September 2014 a team of male Raute visited NC PM Sushil Koirala seeking financial assistance from the government to celebrate the Dashain festival (KTM 2014). The MoF was ordered to distribute a Dashain festival bonus of NRP10,000-USD100 to each Raute family via the usual cash transfer system. This is surprising given the lack of will the NC display for social protection (see next chapter), but not if it is explained according to traditional Hindu social structures and patron–clientelism. The Raute, are an endangered indigenous group that have traditionally begged wealthy people for assistance during hard times. It is also common practice for bonuses to be given for the Hindu Dashain festival by employers/patrons, so this tradition helped gain this approval.

While it is clear that political actors play a major role in Nepal's social protection approach, Gough's (2004:33–4) informal security regime typology can help to analyse the data. Patron–client relationships are the currency of an informal security regime:

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[122] The Raute ethnic group are the only living nomadic group in Nepal (for more information, See: http://nomadicrautes.org.np/index.php?page=about-rautes)

[123] Indigenous NGO leader interviewed 24 July 2012.

Relationships are usually hierarchical and asymmetrical…poorer people trade some short-term security in return for longer-term vulnerability and dependence.

This can be seen in the way the Raute secured the Dashain festival bonus to meet their immediate and spiritual needs, rather than ask for employment or other longer-term benefits. Wood (2004:51) explains that in order to survive 'risk has to be managed in the present' in an informal security regime.

Thus, the poor experience 'dependent security' and have less control over the formal and informal institutions through which they must seek their livelihoods (Wood 2004:51). One would expect a new approach to social protection in a state undergoing structural transformation to overcome such dependent security. Yet, this is not the case. In an informal security regime 'the underlying patron–client relations are reinforced and can prove extremely resistant to civil society pressures and measures to reform them along welfare state lines' (Gough 2004:33–4). Citizens – especially those considered excluded – are represented, negotiated with, listened to or ignored along the lines of the prevailing hierarchical social stratification system. This typology helps to explain the success and failure of all civil society efforts which are denied or endorsed according to adverse incorporation and social exclusion. As such, Nepal's welfare regime despites efforts to reform, maintains the social structure and hierarchy that is connected to feudal times.

6.6 Conclusion

As predicted by the adverse incorporation and social exclusion framework, the social protection that exists in Nepal does little to ameliorate uneven development resulting from centuries of exclusion. Although the idea of extending the 'social contract' to the poorest groups is often understood as relocating social protection within a broader project that involves the politics of rights and justice as opposed to patronage (Hickey 2011:426), this is easier said than done. In Nepal, social protection does not exist for the nation or for the poor. Domestic interests are structured in a manner that allows informal security regimes to prevail (Gough & Wood 2004:10). Overcoming this will not just be done through more social protection policies and programs.

Drawing on Moore (2005:276), Nepal is unlike a 'modern state' because it has not: 'eliminated rival internal centers of power and … the activities of different parts of the state apparatus are often uncoordinated and incoherent.' In an informal security welfare regime, the 'state' is weakly differentiated from other power systems and outside actors can influence institutions and contaminate policy (Gough 2004). The consequence of this reality 'is a patchwork of provision rather than provision based on a systematic and harmonised analysis of needs and rational allocation of resources' (Harris 2013:11). Reforming social protection requires expanding the circle of stakeholders involved in the political settlement (see Korpi & Palme 1998; Russchemeyer et al. 1992). Yet there are many barriers that prevent political mobilisation and alliances forming.

The data suggests that clientelism at the level of the political settlement influences the scope for mobilisation on issues of protection and inclusion and the *Raute* example epitomises this. This is particularly so when older patronage models like the, *aafno manchhe* combine with social structures such as the caste hierarchy and are then reinforced, or endorsed through state structures. Even when groups mobilise along issues and interests, rather than identity, their success is determined by the prevailing social structure, and not their strategy or tactic. This is important to remember when assessing federalism data.

Policymaking in Nepal is quite theatrical and chaotic. Different actors appear with different intentions and motivations and many blame others as a tactic for avoiding responsibility. It is possible that blaming others is a cover for inaction that facilitates rent seeking or promotion. Serving the needs of a patron is the modus operandi of the bureaucracy. Political settlements theory suggests that the bureaucracy was originally established to help the ruling elite maintain power and this still occurs in contemporary times in Nepal. Complacency also plagues bureaucrats. Potentially this is related to the fatalism associated with the *aafno manchhe* system, or the fact that rewards for individual effort are hard to accrue without a patron. Thus, only a few bureaucrats take action without being led or commanded. Consequently, bureaucrats lack motivation to serve citizens. This is not necessarily unique to Nepal, but the underlying causes of the lack of motivation may well be.

Donors tried to promote bureaucratic reform programmes. The bureaucracy may be controlled by Brahman and Chhetris, rather than lower castes, but this does not mean that the ruling elite would be happy to give them more power. The bureaucracy is clearly not a Weberian merit-based, accountable institution. Handing it more power under the guise of promoting greater

transparency and accountability may be hard for the elite to endorse in earnest. This could produce rhetoric that supports donor discourse for greater transparency in order to secure much needed donor funds while operating covertly to maintain the existing personalised power arrangements.

However, building an inclusive state necessitates reforming the bureaucracy. It needs to become more accountable to citizens and its decision-making should be more transparent. Additional research is needed to understand the bureaucracy better because in an accountable and well-functioning state the bureaucracy would play a key role in the implementation and targeting of social protection programs and the development of policy. The adverse incorporation and social exclusion framework cautions that social protection may serve the interests of those with power and be used to embed capitalism and other forms of exploitation in social relationship. Thus, recipients of cash transfers in Nepal are at risk of lower level bureaucratic corruption and this may impact negatively on the degree of social inclusion experienced.

Social protection and social inclusion are linked in policy and are associated with the Maoist regime. This is why social protection was being reformed when the Maoists had power – they had a more inclusive political settlement that involved a range of actors aside from elites. Donor financial involvement, at least to start with, would have released pressure on scarce resources needed to distribute rents to contending groups, elites and non-elites, elsewhere in the clientelist system. As Khan explains about inclusive political settlements, many rents are needed to keep the broad base of support. Donors may not be aware (or comfortable with) such an arrangement and in the context of Nepal, with its incredibly diverse and hierarchical population, coming to terms with the reality of power maintenance may be hard for donors to reconcile, admit and overcome. The role of donors is disappointingly politically naive during social protection policy discussions.

Social protection is important to the political settlement. Niño-Zarazúa et al. (2011) found that in countries where national elite commitment to social protection is absent, social protection is likely to remain project based and will never become an institutionalised social protection system. This suggests that social protection is connected to what Khan terms the 'holding power' of ruling or contending elites. While the availability of donor funding can help get policies passed, the social protection programs would need to align with the needs of the ruling

faction to be endorsed. Consequently, the potential contribution of social protection to inclusive state building will be minimal at best, given elites are interested in the maintenance of power through social exclusion and adverse incorporation. Nepal's political settlement and its relationship to social protection will be more closely examined in the next chapter.

Chapter 7: The Political Economy of Social Protection

7.1 Introduction

The political underpinnings of how power is shared, held and maintained has relevance to understanding the nature of social protection according to the review of the literature. The fact that Maoists fought and won a protracted and bloody struggle to achieve a more equal nation-state means that the Maoists will have a strong ideological and party political interests in advancing policies of social and economic equality. Donor-devised programmes of social protection fitted well with the ideological underpinnings of the Maoists and this can explain why social protection was popular during the Maoist reign. Such processes of adoption are likely to be viewed by other political actors with scepticism. Moreover, the Maoists are unlikely to completely adopt the donor social protection agenda. There are many negotiations and steps in the theoretical relationship between social protection and political settlements that will be examined in this chapter.

The previous chapter discussed many plausible explanations for why social protection reform stalled. This chapter explores the role of two other influential non-state actors—the private sector and trade unions—and offers insights into their patterns of influence. Concurrent with the NSPF, a *Social Security Act* and new *Labour Law* are being formulated. Harriss-White (2005a) argues that a critical aspect of state formation over time concerns the links between political elites and emergent capital, and the role that the state plays in regulating these interest groups (cited in Hickey & du Toit 2007:13). The evidence presented reveals a stalemate between the trade unions and the private sector is at the epicentre of the delayed NSPF.

The trade unions and the private sector in Nepal are powerful and their influence reaches beyond the labour force, exerting influence over other domains. Evidence of the private sector's power has already been presented - the private sector blocked the *Social Security Act* from being approved under a caretaker government. The unions had labourers included under the social inclusion sections of the draft constitution, thus redefining the meaning of social

inclusion, which until then was largely associated with caste and ethnicity. This chapter reveals that unions also influence taxation.

When the new *Labour Law* and *Social Security Act* are eventually passed by legislative parliament, more workers will have rights and be more protected. 3.8 per cent of the population work in the formal sector. According to the 2008 Nepal Labour Force Survey almost 80 per cent of all formal sector workers are male and almost 75 per cent are between the ages of 30 and 59. They will be protected under the new *Labour Law* and *Social Security Act*, along with some informal sector workers previously employed on a casual or contractual basis. Under the *Social Security Act*, those excluded from the formal sector (some informal sector workers and the unemployed) will be left to manage insecurity with assistance from their families and some basic provision from the government. The informal (non-agriculture) sector includes two-thirds women, and a little more than half are between the ages of 30 and 59 (ILO 2010). Half of all the unemployed are female and two-thirds of all unemployed are under 30 (ILO 2010a). Considering 67 per cent of those under the poverty line are engaged in agricultural-based employment and half of those who work do not earn enough to lift themselves or their families above the USD1.25 a day poverty line (ILO 2010), many poor Nepalese will remain unprotected under this new Act. The exact categories that social protection is meant to assist will be overlooked and the forms of care (women's) that they rely on most will not be recognised or protected (Hickey 2011:434; Nussbaum 2003).

In dominant party settlements (Khan 2010), elites might have long-term projects of social inclusion and social protection because it would be vital to the balance of power. Social protection could legitimate the regime with the international community, the poor masses, important but subordinate political groups, or by pre-empting a similar move by an opposition group. In a competitive clientelistic settlement, strong elite support for schemes such as cash transfers may exist so long as they were (or could be seen to be) in 'the gift' of political leaders. The theory of adverse incorporation and social exclusion suggests that changing such practices and expectations will be difficult. In particular, the way 'political elites perceive and construct discourses around the poor and the issue of poverty reduction' may be heavily politicised and linked to the technologies of governance that will allow for greater social control (Hickey and du Toit 2007). Technologies such as poverty targeting are shown in this chapter to be linked to the maintenance of power predominantly. Building an inclusive state through social protection instruments is unlikely to be successful.

This chapter begins by examining the first cash transfer in 1994 to provide some historical context. It then covers political parties and their manifestos and the way they regard social protection, the role of the third sector, trade unions, labour law, the market and state before concluding that employment and social policies are connected. Nepal's welfare regime is itself a form of political settlement and adheres to the practices of social closure, social exclusion and adverse incorporation. Aside from cash transfers, which can be quickly announced when a new party gains power and has control of the budget, other social protection reforms and policies are negotiated slowly into existence.

7.2 Is social protection just a political tool?

It is clear that social protection is a political tool but the role it plays in politics requires closer examination. The PM's[124] adviser during the first cash transfer announcement in 1994 explains:

> Touching people directly was the essence of UML's approach at the time, and a universal transfer appeared the fastest way to reach as many people as possible.[125]

The UML used social protection to capitalise on the opportunity to differentiate itself from the old ways of politics and make a quick impact as a new party with a new agenda by:

> end[ing] opposition-spread rumours. There was a strong rumour that the communists [UML] did not care about the old people and they would be killed because they were not productive. Different contesting parties were pushing this kind of slogan and the rumours had to be killed off. The whole idea was basically about going directly to the people and becoming popular.[126]

Another interviewee explained that there was a lot of suspicion about communism at the time and people, especially Panchayat era people were fearful of what would happen with communists in power. When the senior citizen allowance was announced, 'everybody was

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[124] The PM at the time was Man Mohan Adhikari, the finance minister was Bharat Mohan Adhikari, and the UML leader on these reforms was Madhav Nepal.

[125] PM Man Mohan Adhikari's adviser interviewed 24 November 2013, Kathmandu.

[126] PM Man Mohan Adhikari's adviser interviewed 24 November 2013, Kathmandu.

astonished and very interested too.'[127] The PM's adviser explained that even in the 2013 election, the UML lobbied for votes on the basis of having introduced the senior citizen allowance.

Social protection was not the only approach used to achieve political gain in the mid-1990s, however. The UML introduced a social democratic approach called 'let's build villages ourselves.' This method of reaching the people and encouraging participation in local planning decisions was seen to strengthen democracy and development:

> I think of it as something that promoted democracy. People came together to deliver on what is important to them rather than it being decided by the central government or even the VDC chair. It directly involved households deliberating on certain issues and promoted democracy by showing that everyone's voice is important. It was more important than looking for how many kilometres of roads were constructed or how many water taps were built.[128]

This participatory and decentralised approach is highly significant because it became the VDC block grant that still facilitates local development in 2015. Social protection is one of many strategies political parties in Nepal use to secure votes.

The senior citizen allowance was, and still is, immensely popular. Despite its association with the UML, 'every subsequent government has kept the old age allowance going because it has social merit and carries the message to society that the state is taking care of its citizens.'[129] In 1994 the eligibility age was 75 years and the benefit amount was NRP100 (USD1) per month. In 1996, NC announced a widow's and a disability allowance for the same amount. Towards the end of the conflict in 2005, the NC increased amounts to NRP150 (USD1.50) per month and then the Koirala-led NC raised it to NRP200 (USD2) per month in 2007. In 2009 the UCPN–Maoists increased most allowances to NRP500 (USD5) per month and lowered the age eligibility as well as introducing new transfers. As one MP noted, it is 'very hard to convince the people of policies because citizen consciousness for democracy is

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[127] Tribhuvan University Nepalese academic interviewed 13 July 2012, Kathmandu.

[128] Very senior and experienced bureaucrat interviewed 13 November 2013, Kathmandu.

[129] PM's adviser and academic interviewed 24 November 2013, Kathmandu.

low.'[130] Thus, all political parties consider the role cash transfers (a direct and visible form of assistance) can play in maintaining their support.

As expected, social protection's popularity with constituents influences and shapes social protection. As one NC party informant explained:

> consolidation is very hard. Of course we have to consolidate. But once we have already given it, it's very hard to withdraw unless you add more things to justify it. I was talking to the party about this free healthcare proposal and I proposed at the beginning that maybe we can manage with just health security and food security. But the question is who is going to withdraw the aged pension? If you go to the old people and say, 'Do you want health insurance or 1000 rupees?' They will say 1000 rupees because that's direct. So you cannot do that.[131]

It has been empirically found that governments may extend or reduce recipient eligibility or the size of transfers but have found it too unpopular to end social protection programs completely.[132] As an NC party member lamented, 'distributing money but not achieving the right result is not the proper way to distribute the money. But what can we do?'[133] There are multiple incentives for choosing to introduce cash transfers and fewer incentives for reforming them.

Yet, if recipients do not receive their rightful cash transfer entitlement then this should influence their vote and thus make parties care more about social protection implementation, which they don't. The Maoist's instigation of the NSPF suggests they do care about the quality of social protection. This is unsurprising given they fought a bloody and protracted insurgency over social equality and illustrates the likely differences between political parties in the way they approach social protection and how they maintain power which is discussed in the next section.

7.3 Political Parties, their Manifestos and Social Protection

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[130] NC representative interviewed 22 January 2014, Kathmandu.

[131] NC representative interviewed 22 January 2014, Kathmandu.

[132] See: Barrientos (2009), Subbarao et al., (1997) and Munro (2010).

[133] NC representative interviewed 22 January 2014, Kathmandu.

Through examining the manifestos of the four main political parties and in depth interviews, it seems that the political parties use and understand social protection differently. As one bureaucrat stated 'all three major parties have a strong commitment to provide social security. There may be some difference in ideas but at the root they want to provide at least some protection to needy people.'[134] But the question remains, at what cost? Clearly passing reforms or making new announcements involves political deals and wrangling. A union member explains:

> Social security in every country has a high political benefit. All parties want to do something new with social security when they are in power because it is more popular than managing a budget or economic growth. Yet parties in opposition don't want the ruling government to introduce more schemes that are popular so they raise concerns about corruption and affordability and such things.[135]

One journalist informant suggested that the manifestos are just rhetoric. Party positions are developed as needed and by those at the top and may contradict the manifesto if an opportunity to gain popularity or form alliances arises. It was clear, when interviewing political party members at the central and local level and comparing their responses with the information in the manifestos, that although central-level members had a reasonably good understanding of social protection and what was written in the manifestos, this decreased considerably at the local level. In fact, some local-level parties described the positions of other parties without realising it when they answered questions.

7.3.1 Unified Communist Party of Nepal–Maoist

The UCPN–Maoist manifesto is the most detailed and comprehensive approach to social protection. This is to be expected given the communist-based leftist ideology that helped recruit large numbers of impoverished and excluded comrades during the ten-year insurgency. The Maoist manifesto suggests a continuation of a strong ideological and party interest in advancing policies of social and economic equality. This was also possibly encouraged by

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[134] SSF Board interviewed 24 October 2013, Kathmandu.

[135] GEFONT representative interviewed in Kathmandu 27th August, 2013.

donor-devised programmes of social protection that aligned with this ideology of welfare and social inclusion and came with large amounts of cash to inject into the unaccountable state.

The manifesto discusses developing a *National Social Security Strategy* that is funded by a National Social Security Fund and a 180 day employment guarantee to families in need, based on the belief that 'if we fail to give employment to the people then we should give them an unemployment allowance with skills training.'[136] According to the party representative they have always considered social protection as a core pillar of their approach:

> We initiated a national pension scheme and the *Social Security Act* when we had power. But we failed to convince other traditional parties. They don't like social security, or welfare or pro-people programs; that's the problem. And we failed to rightly communicate our vision to the people.

This shows that citizen votes matter to the Maoists.

The Maoist 2013 manifesto promises to double most cash transfers. Equality appears to be a central objective of the UCPN–Maoists:

> Our party supports a progressive taxation system because this will make the people equal. Those who earn must have to contribute to the national pension scheme and distribute to all. If you earn, and if you get back it is not welfare. If you earn and if you share with me or others who are not involved in earning that's welfare.

Delivering a comprehensive social protection program via new technologies, and continuing support to conflict-affected families is mentioned in their manifesto, along with free healthcare and education to a number of special groups including farmers and sports people, suggesting that social protection is considered as more than just cash transfers.

According to a Maoist party representative, redistribution can be used to correct inequality in Nepal,

> An accountable government and state takes care of all the people. To do this they need a plan to protect them. There is a gap between the 'haves' and the 'have nots' in Nepal and this caused the conflict. So the state needs to bridge this gap. Only after

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[136] UCPN-Maoist interview, January 28, 2014, Kathmandu.

equal footing and equal protection will the state be people friendly, welfare oriented and accountable, peaceful and stable.

For the Maoists social protection is a means to peace, inclusion and equality, yet they have not portrayed social protection in this manner in the media while other political parties do not consider social protection to lead to peace.

A number of respondents suggested that delivering social protection as a peace dividend was a convenient power-building tool for the Maoists. An international adviser who worked for a development organisation in Kathmandu from 2005 to 2009 explains:

at the time, I heard that because the Maoists were planning to introduce allowances for ex-combatants in the cantonments they felt that doing all kinds of other social protection grants would pave the way for that. But it might also be that they felt that they should do something that people see right away.[137]

Despite criticisms of the UCPN–Maoists as self-serving, they did establish the inter-ministerial National Steering Committee on Social Protection (NSC–SP) in 2009. This suggests the UCPN—Maoists did have broader policy and legislative intentions for social protection, but these may have been initiated to secure donor funds.

One interviewee attributed the contradictions in the Maoist approach to internal factions. According to one interviewee from the bureaucracy, the Baidhya-led Maoist faction that split the party in 2013 considered social protection 'a capitalist supporting tool' that 'prevents revolution' because 'when people have full stomachs then they have no need to be radical. They will become lazy.'[138] Yet, the Maoists have a broad support base to keep loyal and cash transfers are a cost effective way to reach large numbers of formally excluded citizens. The tension between factional ideology and the reality of operating in a competitive clientelist settlement was not captured by the research but merits further investigation.

A bureaucrat explained that when the UCPN–Maoists were first in power they were conflicted: 'they wanted to give a stronger role to the state but also to recognise the market' but the state could not afford much and the market is under-developed in Nepal:

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[137] Development worker/academic interviewed via Skype 15 May 2013.

[138] Junior bureaucrat interviewed 23 July 2013, Kathmandu.

There are also other actors in our country with huge power: the community, the cooperative sector and the non-government sector. I call these the third actor. They have so many schemes, microcredit, or cooperatives, community health insurance, community crop insurance, they are so powerful in creating jobs, distributing income and in providing social protection and semi-formal social protection. The third actor is so important to reduce poverty and also to widen and deepen social protection if not social security.[139]

This shows a deliberate intention by the Maoists to bring more third party actors into the political settlement to deliver social protection and other services to citizens. Collectively this suggests the Maoists have a vertical distribution of power that requires large numbers of citizen votes and third sector actors to be maintained.

7.3.2 Communist Party of Nepal–Unified Marxist Leninist

The UML's manifesto covers social protection but does not dedicate as much space as the Maoist manifesto to outlining their position. Their 2013 manifesto mentions developing policies and mechanisms to improve the implementation of an integrated social security system and implementing the contribution-based SSFs and health insurance for those in employment. Special priority will be given to women and people with disabilities. The promises it makes to various groups include different cash transfers along with health, education, skills development and employment assistance. It also states that the amounts of all existing cash transfers will be increased but amounts are not specified. However, a respondent explained that during the 2013 campaign they promised to increase the age pension to NPR2000-USD20 per month. This appears to be a legitimate intention. A news article appearing earlier in 2014 reveals the UML putting pressure on the NC to increase the senior citizen allowance as promised during their 2013 campaign.[140]

The UML manifesto explains that taxation will cover lifelong social security for targeted groups and that social support programs and other forms of relief will be provided to 'backward' regions and senior citizens so that they can have 'respect and a productive

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[139] Very senior and experienced bureaucrat interviewed 13 November 2013, Kathmandu.

[140] *The Republica* (2014).

lifestyle.' A UML informant was clear that social protection funding should come from increasing revenues and taxes and not development partners. There was a clear understanding of the interrelationship between social protection and democracy, inclusion and state building by UML. A UML member explained:

> By promoting social justice our democracy will be strengthened. Our society is very diverse and there is big gap between groups. By planning to uplift all those who are discriminated and excluded from politics and government organisations and by giving them some political, economic or social rights, the democracy will be strengthened.

Although the informant did not explicitly link social protection to peace, social inclusion or social cohesion in the way the Maoists did, there was an implied connection:

> It makes sense that people think about the state positively when they get a transfer or some facility. And this will also make our state organs more powerful. They will think the state cares about looking after the well-being of people like them and that the government or the state is protecting us.

7.3.3 The Nepali Congress

According to the mix of programs highlighted in the NC manifesto,[141] social protection is considered a form of charity for the destitute that can also be used to increase productivity. The manifesto confirms a focus on cash transfers but also includes measures to improve health and education for people who cannot take care of themselves and social security and pensions. It promises to double the age pension to NRP1000-USD10 per month and review it every two years, give free food, create aged residences, and provide subsidised health treatment for all senior citizens over the age of 80, increase the birth assistance allowance to NRP10,000 (USD100) for women who give birth at health centres, provide an allowance to unemployed youths, and improve labour rights and income-generating programs for landless squatters. The NC manifesto discusses poverty targeting, identification and assistance to those below the poverty line.

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[141] Their manifesto has not been translated, into English unlike those of the other parties, so was translated into English by a paid translator for the purpose of this research.

An interviewee explained that although NC has promised to increase all allowances as the cost of living has increased, they would not be too generous.

> one should not think that they will get an allowance their whole life and not work. Just getting an allowance from the government is not good...Many here [in the party headquarters] believe that people should solve their own problems as an individual. Each individual has the responsibility to make their own life.[142]

Repeatedly the indication that social protection was a short term form of assistance was heard by the NC who believe the people should be self-sufficient.

At least one NC member regarded social protection as more than charity. A party informant explained the reciprocal nature of social protection and how it can help the state:

> If you are guaranteed protection, then you feel secure and can contribute more to the state. An individual will give more effort to a state that looks after them and the state will have more income. So there is a two-way benefit. I believe in democracy. Democracy and social protection go well together.[143]

He went on to say that people start behaving in a democratic way when assistance like social protection reaches them: 'In the past we have not been able to reach the people. But if you give them money directly then people feel that ok the state is with me.'[144] He explained that social protection was popular with the people: 'I believe that people will vote for me when I campaign for social protection. It is part of my major agenda.'

The NC promotes economic growth first and other measures such as social security when they align or if they are needed to reach the people. The social protection sections of their manifesto appear well thought out. An informant[145] explained that an ex-Finance Secretary developed the social protection aspects of NC's 2013 manifesto, suggesting little consultation occurred. As the NC has not increased cash transfer amounts as promised since they took power in 2013, their conviction for social protection even as a form of charity remains questionable.

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[142] Junior bureaucrat interviewed 23 July 2013, Kathmandu.

[143] NC candidate interviewed 25 October 2013, Kathmandu.

[144] NC candidate interviewed 25 October 2013, Kathmandu.

[145] NC candidate interviewed 25 October 2013, Kathmandu.

7.3.4 Madheshi Parties

Three Madheshi parties were interviewed; two in Kathmandu (the Terai Madheshi Party and the Madheshi Jana Adhikar Forum), and the Sadbhavana Party in Sarlahi. These parties comprise the coalition, United Democratic Madheshi Front. Madheshi parties have a peripheral influence on social protection and do not consider it a priority. One Madheshi interviewee explained, 'This topic is not a priority for us now because we are still fighting for the constitution, for recognition, and for citizenship. First we need to be recognised as Nepali, and then later we can get social protection.'[146] They are largely ignored in the media when it comes to social protection; the news article 'Parties Make Tall Social Security Promises' fails to mention any Madheshi parties.

Despite this, Madheshi party respondents had thought about social protection and felt that increasing all cash transfer amounts was important because they strengthen democracy:

> It is the duty of the state to deliver the allowance. It will strengthen the democracy if the government takes care of disabled, women, widows…The government might change from time to time, but receiving allowances is possible only when there is democracy.[147]

Protection is linked to development and is considered something that may help to overcome the myriad of challenges caused by an unaccountable state.[148]

Yet social protection is not considered something that would overcome caste and ethnic inequality:

> People with disability and widows will be happy to receive the allowance because they don't have anyone to take care of them. But allowances should not be delivered to Dalits and Janajatis. They should be provided with education, skills and priority in employment opportunities and respect in the society. If they are able to work, then they should. If an allowance is provided to them, their willingness to work will wither away.[149]

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[146] Madheshi Jana Adhikar Forum party representative 25 October, 2013 Kathmandu.

[147] Terai Madheshi party representative 23 January 2014, Kathmandu.

[148] Terai Madheshi party representative 23 January 2014, Kathmandu.

[149] Terai Madheshi party representative 23 January 2014, Kathmandu.

This may suggest an intention to divide the deserving from the undeserving poor or it may reflect the caste hierarchy which is also practiced in the Madhesh.

For some Madheshi informants, the caste system and other forms of exclusion could end with economic growth and an educated nation:

> We would like more education for Dalits. Some reservation should be offered, free education for Dalit, even free meals for Dalit students so they will be more encouraged to go to school. Then they will get a job. If they will get more work, their lifestyle will automatically change.[150]

This position could originate from the influence of India's social protection programs, given the Madhesh borders India, which focus on employment guarantees and education subsidies and incentives. Even Madheshi NGOs were informed on India's social protection programs, although they did not necessarily identify them as social protection. For most Madheshi parties building an inclusive state was less about protection and more about the constitution, recognition, citizenship, education and employment.

7.3.5 Discussion of Political Parties

Political parties are allowed to make promises that do not align with their manifestos or their actions because political and democratic accountability is weak.[151] It is not unusual globally for political parties to say things when campaigning and then do different things when in power or opposition. The difference in Nepal is that citizens have a low understanding of democracy and what political parties can achieve. As UNDP (2014) notes 'there has been no systematic study on the role of party manifestos in shaping election outcomes and the degree to which the parties adhere to the manifestos thereafter.' If there is very little public awareness of policy options and people cannot understand the net implications for them personally or even what it means for national budget allocations, it leaves them with little real choice about who to vote for (Moore 2005:269) unless they see a direct benefit such as a cash transfer.

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[150] Madheshi Jana Adhikar Forum party representative 25 October, 2013 Kathmandu.

[151] Senior NPC bureaucrat interviewed 24 December 2013, Kathmandu.

The way in which the UCPN–Maoists introduced social protection programs to Dalits and endangered indigenous groups suggests alignment with their social inclusion agenda. However, the amounts are too small to be transformative and as such are token gestures that may serve the purpose of generating loyalty, rather than alleviating poverty. The NC may suggest that individuals need to fend for themselves, and yet they make social protection promises and do not reform social protection in line with their ideology because it would be too unpopular. Ferguson (2007) identified similar findings during South Africa's income grant introduction. He found that while at times there were recognisably ideological moves that could be labelled 'neo-liberal', 'communist' or 'welfare' they are combined with other moves of a different orientation and with different alliances in order to achieve various personal gains or political ends (Ferguson 2007:80). The next section suggests that it is the bargains made to maintain the political settlement which determine social protection programs more than ideology. Ideology is a luxury in a competitive clientelist settlement.

Political parties can only afford to align with ideology at the beginning of their time in power. New social protection announcements are made when parties take power because rents are available to buy support with and access to the state budget is easier. New parties have certain internal dynamics and models of leadership that can override existing institutional arrangements of clientelism that may later block the use of the budget (Natali & Rhodes 2004:6). After a period of time in power, fewer rents are available, a client's loyalty changes, or their support comes at a higher cost, support wanes, reform ideas such as the NSPF are blocked, and the ruling party loses power. The theory of political settlements provides a dynamic understanding of how the state functions in Nepal and the role of social protection within it.

In a competitive clientelist settlement, ruling coalitions will be more likely to use social protection as a form of patronage to prevent factions from diverting their loyalty to opposition groups (Lavers & Hickey 2015:11). As a form of patronage, cash transfers can buy the support of end recipients; provide local political parties with funds (by allowing them to capture transfers); and favoured ministers can be given large cash transfer programs from which to manage and extract rents. This is why Wood and Gough (2004:323) rationalise that 'the transformation of informal security regimes into welfare state regimes entails a subtle and complex process of de-clientelisation.'

Social protection in Nepal incorporates older patronage models, which is intertwined with politics. As a respondent explained, the patronage system is very strong in Nepal:

Individual goods in a patronage system now substitute for good public policy in Nepal. Parties get elected on the basis of the flow of individual patronage to people. Individual favours not taxation policy or good education policy or better roads and things like that.[152]

Filgueira (2005:9) found a similar situation in Chile and Uruguay: 'clientelism is incorporated within democratic electoral competition' and this 'shapes the nature of the social protection system.' Consequently, Lavers & Hickey's (2015:12) prediction holds true in Nepal: social protection can be considered 'a political strategy for maintaining regime stability and legitimacy, rather than as a means of achieving development per se.' Additionally, the evidence suggests the parties need citizen's votes to different degrees, depending on whether they have a vertical or horizontal distribution of power.

7.3.6 Role of the Third Sector

In countries like Nepal, support for reform may ebb and flow depending on which elites hold the balance of power. Di John and Putzel (2009:16) and Tsebelis (2002) discuss the idea of a 'third party enforcer' with 'veto' power that can limit the actions undertaken by the executive authority by ensuring the executive plays by the rules of elite bargains. Third party actors are able to increase their power quickly in transitioning states because their membership base and hence revenue generation is not tied to the state and the time-consuming political bargains occurring in that space. These 'third party enforcers' may be brought into the political settlement at different times for different reasons.[153]

A new Ministry of Cooperatives and Poverty Alleviation was formed in 2012 and has taken over the Poverty Alleviation Fund's (PAF's) poverty identification card process.[154] PAF has

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[152] Foreign academic residing in Nepal interviewed 14 November 2013, Kathmandu.

[153] Voters too can keep the UCPN–Maoists in power but the balance of power has not completely shifted to citizens in transitioning states (Khan 2010:62).

[154] There are three types of poverty cards that started being distributed in early 2015. Those who receive less than 2,220 calories per person per day will automatically receive a card and for others a mix of human and social indicators and income levels will be used (KTM 2015).

support from the World Bank and is trialling new technology to better target the poor. The Maoist leader Dr Bhattarai made the new ministry's announcement under a weak consensus government largely designed to please the National Cooperative Federation of Nepal (NCF Nepal 2012).

In competitive clientelistic settlements, weak governments can still drive reform even when the political settlement is transitioning. In the absence of a sufficient formal budget (or the ability to access it), political elites need to generate and distribute sufficient off-budget rents and benefits to keep or bring powerful actors and groups, like the Nepalese Cooperative movement, into the political settlement (Khan 2010; Lavers & Hickey 2015:6). The Maoists may not have been able to access the budget at the time but could announce new ministries. New ministries that control new technologies will have sufficient budgets from which to generate rents. This is how the Maoists can still "buy" support without access to the state's budget.

The UML opposed the move at the time as political manipulation (Badal 2015). The decision to create a new ministry that manages the implementation of new technologies for targeting was more about maintaining factions and power than Maoist ideology for reaching the poorest. This example may typify most political announcements and not just those that concern welfare or targeting. Nonetheless it shows that other actors aside from political ones may influence the will for, and ability to achieve, social protection reform (Lavers & Hickey 2015:6; Pierson 1994). It also suggests that third party actors are important to the Maoists support base.

The Maoists need non-elite actors to make bargains with because it is very costly to reach people directly and the Maoists need a broad support base to beat the traditional parties that elites support. The Maoists utilise third party actors whereas NC and UML have more traditional powerful families supporting them. These wealthy families would include some Indian elites who are accustomed to dominating the intermediate class that administers the state. While NC and UML would equally transfer rents to their support base when they have power, their support base is narrower and own considerable amounts of property and is more likely to need favours rather than rents.

Some of these wealthy families supported the Maoists and Madheshis to bring an end to the conflict. After the conflict Nepal was working towards an 'egalitarian welfare social state.

And away from the charity and hand-out kind of notion.'[155] Political parties were in alignment on the need for change (see also Kohler et al. 2008). Rights were becoming more important as citizens were raising their voices, in line with their expectations for *naya* Nepal. Charity was not enough, people were demanding jobs, security and growth. However, as the social inclusion project was implemented, some of these powerful families realised what was at stake in creating an inclusive state. The cost of this change became higher than the risk of more conflict as the federalism data illustrated. They began to support the NC more (or once again) and this reduced the power of Maoist and Madheshi parties. The political settlement has changed as have social protection trajectories and priorities.

Chopra (2014:207) argues that populist gains are considered the most important motivator for social protection across South Asia and that the feedback effect in a multi-party democracy has motivated political parties to develop a welfare agenda. Certainly democratic consolidation has contributed to Nepal's social protection approach, however the evidence presented here suggests that populist gains are only one part of what influences social protection in Nepal. The distribution of power will determine how necessary cash transfers and other forms of social protection are. The UCPN–Maoists' rise to power depended on factions of dispersed citizens predominantly from excluded groups. The majority of the Maoists supporters originated from the conflict - either a desire to end the conflict, or because Maoist combatants were recruited from excluded social segments from all over Nepal. The Maoists had a vertical distribution of power.

The reason the NC support social protection is because they learnt in 1994 that it was popular with poorer social segments and while they can rely on the rich to manoeuvre covert deals and to secure power for them, the 2008 election, like the 1994 election, taught them not to only rely on the rich. The NC have a horizontal distribution of power but they are being forced to consider more vertical players. Social protection is not just about what is popular with constituents but the distribution of power and how political leaders learn to play the democratic game.

7.4 The Trade Unions

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[155] Very senior and experienced bureaucrat interviewed 13 November 2013, Kathmandu.

While the previous sections have looked specifically at political parties this section examine the trade unions and the private sector. Unions in Nepal were first allowed to legalise in 1992, shortly after multi-party democracy began, although a number of unions operated underground prior to this.[156] There are two types of union: those that are registered with the government and those that are informal and often involve young political party members. One union representative suggested that the informal unions give the formal unions a bad name while the media portray them as the same, fuelling reputational damage for the formal unions. Union unrest intensified between 2008 and 2010, and shops, supermarkets and hotels would often close temporarily due to disputes with unions.

There are a number of informal unions, but the three largest registered unions (in terms of membership base) are the UML-affiliated General Federation of Nepalese Trade Unions (GEFONT); the UCPN–Maoist-affiliated All Nepal Trade Union Federation (ANTUF); and the NC-affiliated Nepal Trade Union Congress-Independent (NTUC-I). These unions align in ideology with the three main political parties. Some respondents suggested the political parties control them. The evidence suggests this is not the case, although the political parties do control the informal unions. Some union leaders are former CA party members, and the ANTUF has its head office within the party's headquarters, suggesting a close relationship.

When the social security tax was introduced by the UML government in 2010, the ANTUF and even GEFONT opposed it at first. The trade unions created a Joint Trade Union Coordination Centre and collectively negotiated with the government. The unions demanded that the government's one per cent social security tax be spent only on the workers who contributed and not on general social assistance. These demands suggest that the unions are not as controlled by political parties as some respondents stated. As Natali and Rhodes (2004:7) explain, 'trade unions defend their rank and file interests and their own organisational demands.'

Respondents suggested the relationship between the private sector and unions is adversarial. The unions see the private sector as 'greedy', 'without heart' and 'feudalistic.' The unions have been described by the media and the private sector as 'politicised', 'unrealistic',

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[156] GEFONT representative interviewed 27 August 2013, Kathmandu.

'ideology-based' and 'troublemakers.'[157] Although trade unions are working hard to change the power dynamics of the state by reducing the influence of the private sector and providing social security to workers, their constituency (their paying members) alone motivates them.

Natali and Rhodes (2004:25) explain that trade unions can often act 'egotistically in defending their narrow self-interests and "acquired rights" (both in terms of organisation and membership) by shifting the burden ... on to non-represented groups.' They utilise their ties with political parties to expand the power of their organisation (Natali & Rhodes 2004:7). They even engage as policymakers through influencing the definition of social inclusion in the constitution in order to promote the interests of their members. Natali and Rhodes (2004:7) outline how unions often make trade-offs. Unions sometimes align with political parties that are aligned with wealthy elites as per the political settlement; sometimes they act solely in the interests of their constituents. Thus unions may act like political parties but they are not controlled by them.

7.5 Social Security Act

Nepal's current social security provisions are superior to many other low-income countries but in practice many provisions are not met or enforced. In 2011, an agreement was signed to increase the minimum wage and pass the draft *Social Security Act* in exchange for a commitment to maintain industrial peace for four years (LO/FTF 2013). Under the draft *Social Security Act:* the severance pay increases to 1.5 month's salary for each year of service, regardless of the number of years worked; the provident fund remains; the one per cent social security tax is proposed to be used to cover insurance for health, accident and maternity. The 52 days paid maternity leave mentioned in the existing *Labour Act 1992* will cease. Instead, three months paid maternity leave will be provided and the one per cent social security tax that covers health insurance will include maternity-related medical expenses which it does not currently cover. Those who have this maternity cover will not be eligible for the government's birthing assistance allowance.

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[157] Private sector representative body interviewed 10 December 2013, Kathmandu.

7.6 Labour Law

The draft *Labour Law* and *Social Security Act* are closely connected. According to a private sector interviewee,[158] the *Labour Law* creates the rights and responsibilities and the *Social Security Act* sets the benefit amounts and covers the collection and distribution of funds. Discussions with the unions began in 2000 over the draft *Labour Law* that was initiated to give the private sector more flexibility to terminate workers. It has been very difficult for the private sector to get the unions to agree to this change.

According to the private sector, the paperwork required to terminate permanent workers is burdensome. They have to put in a written request with the government, the decision takes considerable time and the government often decides in favour of the worker due to the mind-set that terminations will lead to rampant unemployment and adversely affect the labour market. The trade unions were considered to be responsible for fuelling this belief.[159] The unions agreed to give the private sector more autonomy around termination if the private sector agreed to a new *Social Security Act* (as stipulated above). The private sector does not want the *Social Security Act* to be implemented without the new *Labour Law*. There are a number of issues still being debated.

In exchange for more autonomy around termination, the private sector agreed to provide unemployment benefits for a maximum of nine months to permanent workers who are retrenched.[160] This is the only form of unemployment assistance proposed in the *Social Security Act* and it took time to convince the private sector that this was essential.[161] However, the NTCU representative interviewed highlighted that this amount of severance for termination remains a sticking point and has not been formally agreed.

The trade unions have demanded that casual and contracted workers be paid social security or be made permanent after a certain period of time. This has caused considerable tension and debate because the private sector admitted that 'to escape from the obligation of paying social

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[158] Private sector representative body interviewed 10 December 2013, Kathmandu.

[159] Private sector representative body interviewed 10 December 2013, Kathmandu.

[160] Private sector representative body interviewed 10 December 2013, Kathmandu.

[161] Unions and the private sector supported this assertion.

security, employers preferred to employ casual or contracted employees.'[162] People may be employed for years as a casual. The unions informed the private sector:

> our proposal is either you give to our member's permanent status and don't put them for a long period in a casual status. Or if you don't feel comfortable giving permanent status to all the workers, don't give—no problem. But every worker should be given social security in that case.[163]

The business representative said that the private sector did not want to make all employees permanent, especially if they would have to pay unemployment benefits in the event of retrenchment. He considered the union's stance to be 'a very clever and very tricky move.'

The private sector eventually agreed that permanent workers would receive social security from the first day of employment, and casual and contracted employees would wait three months to be eligible for social security. This will be a considerable change as it will bring a number of informal sector workers currently employed casually and paid in cash into the formal domain and offer them a level of protection previously unseen. The other issue debated in the draft *Labour Law* is the private sector's desire for small businesses and industries to be exempt from paying social security. According to union interviewees[164] current practice is that a number of small companies exist within one factory to game the tax and social security system. The business representative explained that tax administration has to improve first and that the government should think of ways 'to motivate the small business to pay tax such as by giving them some relief in other ways.'[165]

Despite agreements to pass the new *Labour Law* quickly,[166] the private sector is prepared to wait for their conditions to be met.[167] This frustrates the unions as the *Social Security Act* will bring benefits to union members but the private sector will not allow it to be passed without the *Labour Law*. One idea the unions have to expedite the process and secure the long-term

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[162] Private sector representative body interviewed 10 December 2013, Kathmandu.

[163] Private sector representative body interviewed 10 December 2013, Kathmandu.

[164] Stated by GEFONT and ANTUF.

[165] Private sector representative body interviewed 10 December 2013, Kathmandu.

[166] During 9–11 July 2012, a National Labour and Employment Conference was held with government, employers and the trade unions committing to a 15-point declaration including to finalise the draft *Labour Law* within four months (LO/FTF 2013).

[167] Private sector representative body interviewed 10 December 2013, Kathmandu.

future of new social security provisions is to make the social security tax a contributory scheme. All the unions felt that social security must be a binding, legal tripartite agreement with all parties contributing to ensure its survival and which is why the social security tax should be spent on workers.[168] According to the unions, social protection interpreted as cash transfers or social assistance, is not a secure system as it is vulnerable to subversion by political parties. A union informant explained:

> this can't be social 'security' because at any time the government might stop. These promises are made when the government gives a budget speech. There is no legislation. There is no contribution on the part of the recipient so there is no security.[169]

As explained in the previous chapter, the Social Security tax was meant to fund the SPF or the NSPF. To reassure the government that it could afford to maintain existing cash transfer expenditure without the use of the one per cent tax, the unions suggested the government find savings by reducing the duplication of benefits and recipients. They highlighted that some households receive more than one allowance and that by better targeting the poorest and not giving any allowances to the wealthy, the government would have more money to fund social protection programs and still give the social security tax to workers. This adds a new angle to the push for poverty targeting and may demonstrate the reach of union influence on other social protection domains. So while the ILO may have instigated the tax for the purposes of funding the SPF, it will not be used in this way.

Union leaders are seen to be savvy operators who work across levels and influence actors in different ways. The use of the social security tax to fund formal sector worker social security (3.8 per cent of the population) and not social assistance to the poor as intended when it was announced as a tax, suggests that the unions are well versed in using ideology. On one hand they say:

> We need a social security system to transform the society and reduce the gaps between the 'haves' and the 'have nots'. The status quo is the problem. That is why

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[168] GEFONT representative interviewed 27 August 2013, Kathmandu.

[169] GEFONT representative interviewed 27 August 2013, Kathmandu.

we need a revolution. I don't mean the Maoist way of holding guns. I don't like that.
I mean a revolution to change the mind-set.[170]

Yet they are resolved to use the social security tax for workers even if it harms the poorest or the government budget. It could be viewed that on one hand the unions talk about helping the poor while on the other they take away from the poor, however, they believe social assistance as the government's duty. The unions lobby for all their members, even poorer members such as Rickshaw drivers that only pay NPR60 (USD0.60) per year membership fees.[171] With the unions' influence, those who work and contribute to the economy deserve protection primarily. The use of conflicting ideology to further agendas and the blaming tendency found in the NSPF space is also common practice in this policy space.

In some countries, elites are increasingly seeking protection from the perils of global markets (Lavers & Hickey 2015:8). This can be seen in Nepal where the private sector feels they are uncompetitive in a globalised economy without flexibility around retrenchment. Standing (2010), Deacon and Cohen (2011) and Lavers and Hickey (2015:8) argue that when this occurs it 'limits the potential for domestic cross-class political settlements to lobby for redistributive social policy.'

7.7 The role of the market and the state

Pierson (2001:6) explains that 'the welfare state has considerable impact on the management of labour and because employers wield considerable political power, they may have some success over time in bending social policy initiatives into forms that they prefer.' While this may be true, the private sector also experiences frustrations arising from a weak state and the rise of union power. The private sector feels that the government should play a more active role in planning the implementation of the new SSF.[172] They raised a number of issues that concern them, such as accessing social security payments at the local level when the GoN is both centralised and inefficient, and concerns over the ability of the government to sub-

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[170] GEFONT representative interviewed 27 August 2013, Kathmandu.

[171] GEFONT representative interviewed 27 August 2013, Kathmandu.

[172] Private sector representative body interviewed 10 December 2013, Kathmandu.

contract secure insurance companies and manage contracts effectively.[173] The private sector had little faith in the government's ability to manage the SSF properly, especially with frequent staff changes, and felt that the SSF should be independent of the government.

The bureaucracy exercises little autonomy when it comes to labour-related issues. During interviews the unions and the private sector mentioned learning a lot from the international consultants ILO initially sent. The idea of social security and *Labour Law* drafting held by these international experts was deemed to be suitable for an advanced economy but not appropriate for Nepal. The unions and private sector both commented that they were uncomfortable with some of the suggestions made by these international experts, so despite ILO offering free technical assistance to GoN, the government hired its own Nepalese consultants to finalise the *Social Security Act* and *Labour Law*.[174] In this example, what the private sector and the unions wanted aligned and so the request was met by the bureaucracy.

The state is unable to exert authority over social security. The role of the state versus the market is still being determined. The private sector wants the state to facilitate a market-based social security system. They seem frustrated that the bureaucracy is removing its functioning autonomy while leaving the negotiations up to the trade unions and the private sector:

> the government says that if the workers and employers agree then there is no problem from government side. But the government has to think, what is agreed by these two parties? How can it be managed effectively? If the SSF cannot manage properly then it will be very bad for the contributors.[175]

Judging by the evidence presented so far, the bureaucracy will be in a difficult position when it comes to labour issues. Political parties, the private sector and trade unions are very powerful actors with close connections and therefore the means to assist or block career progression. A news article explains that once a former finance secretary resigned, the Inland Revenue Office (IRO) ceased an investigation into fake VAT bills. The article quotes an IRO officer saying, 'We couldn't muster the guts to give continuity to the probe after the former Finance Secretary was forced to resign by a section of the ministry leadership trying to protect

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[173] Private sector representative body interviewed 10 December 2013, Kathmandu.

[174] ILO interview 17 October 2013, Kathmandu.

[175] Private sector representative body interviewed 10 December 2013, Kathmandu.

VAT evaders' (KTM 2011). Control over the private sector in Nepal comes from wealthy, feudalistic, propertied classes from feudal times. The fact that the bureaucracy is not automatically aligning with their needs over social security and labour law represents a power shift. A number of factors have come together in favour of the unions and they are now able to hold the propertied class and elite business interests in a stalemate on matters of social protection. The balance of power in the political settlement now lies between the trade unions and the private sector.

7.8 Conclusion

Critical junctures for social protection reform in Nepal include democracy and emerging communist political parties gaining power and seeking to augment their power through third party actors and citizen votes. Every time a new party gains power, Nepal's welfare regime and the rules of the game shift slightly. The last few chapters have clearly showed that Nepal has a competitive clientelist settlement. In this settlement the 'subjects' are less involved because the nature of the agreement (the distribution of power) is between 'principals' (elites, interest groups and political leaders) as predicted by Levy (2014:18). The ruling coalition is 'formed by a leadership of political entrepreneurs which seek to bring together enough factions to be able to rule but at the lowest price for themselves' (Khan 2010:68). As other political entrepreneurs will offer clients rents, the cost of maintaining these settlements continues to increase until the money runs out and the political settlement unravels.

In a competitive clientelist settlement, new parties have a window of opportunity to implement reforms with relative ease. However, this same window is often used to repay those who supported their rise to power. The political settlement and the welfare regime are connected in Nepal. Both present opportunities to build inclusive states or maintain the existing exclusive state. Pierson (2001:7) argued that in some welfare states, economic interests are linked to the machinery of policymaking and that 'corporatist or quasi-corporatist policymaking complements, or even partly supplements, the role played by electoral and partisan politics,' which seems fitting in Nepal's case. The political settlement in Nepal is still primarily a bargain struck between elites, but some political entrepreneurs shut out of the main power game now run third sector organisations and have considerable power. The *Social Security*

Act and *Labour Law* stalemate confirms that Wood (2004:53) is correct that a welfare regime can be seen as a political settlement between the major competing interests in society, and identifies the way these interests compete through institutions. Welfare regimes are negotiated into existence and renegotiated over time.

Currently in Nepal, the ability of social protection to achieve the various goals listed by political parties (consolidate democracy; protect and include poor and excluded citizens; bring peace and social cohesion) is constrained or enabled by the political settlement and Nepal's development phase. Social protection coverage is low and shallow because the political settlement still largely involves the elite. Elites have few incentives to see social protection become more substantial as social protection is more important to Nepal's excluded and marginalised groups. Social protection can be used as a political tool and different parties may see it this way, but reducing social protection to a purely instrumental function does not do social protection justice (Hall 2008). Social protection is one approach that governments adopt to achieve different goals such as development and poverty alleviation. Like most other government-led initiatives, social protection can be manipulated for the purposes of maintaining power in Nepal. The competitive clientelist settlement necessitates that it must at some point be used this way. The Maoists did have reform intentions for social protection but these stalled when they lost power. The way political parties use and understand social protection can change dramatically during the course of their time in power.

Welfare regime typologies reveal that the private sector advocate for a liberal model where the market has dominance and the state plays a minor role. The unions also support the market but favour workers and advocate a more conservative-corporatist model whereby those that financially contribute revenue to the state receive protection. The market, state, and individual, will collaboratively provide protection with benefits linked to individual contribution. With this new system, employers will provide more social protection than the state. The state's contribution to social protection will likely stagnate (given the private sector know how to avoid paying taxes and the social security tax will be spent on workers and not social assistance). The 'family' or 'community' will likely continue to provide social protection to most citizens. A number of authors have cautioned against the overdependence on family and kin-based relationships to provide welfare because it contributes to inequality and problematic

inclusion.[176] Again the theory reveals that the data points to social protection reinforcing, rather than overcoming, exclusion.

It is extremely hard to transform a traditionally exclusive society into an inclusive state through welfare because a welfare regime is a product of a certain kind of state. While policies are important, they may have only a minor influence on practice in a competitive clientelist state. In drawing upon Davis's (2001:81) criteria to assess welfare regimes, it seems that under this new agreement, Nepal's welfare regime will offer little to ameliorate vulnerability and insecurity for the masses (welfare outcomes). It will do little to reduce inequality and improve class mobility because adverse incorporation into clientelistic relationships are reinforced and supported by the welfare regime (stratification outcomes). Familiarisation, that is reliance on family and kinship structures (especially women's unpaid labour), is either ignored or encouraged; and existing processes of political monopolisation are reinforced rather than overcome (political mobilisation outcomes). Davis' outcome criteria is useful for assessing the effectiveness or inclusiveness of a welfare regime.

The data reveals the way welfare reform reflects the politics of other issues such as a changing political settlement. Although Kohler and Khatiwata (2014) suggest Nepal's welfare system is nascent but is becoming something more substantial in terms of acknowledging universal rights (and this was true under the Maoists). Davis's outcome criteria suggests Nepal's welfare regime has reverted to its former post-conflict exclusive ways, albeit with some changes for the working class. If labour rights are watered down, income transfers are minuscule and politicised, and the idea of universal coverage of basic services (a component of the SPF) sits in stalled policy documents (the NSPF), then inequality and exclusion will likely prevail in Nepal at least in the short term.

Nonetheless, the efforts of the unions will for the first time see the institutionalisation of working class interests and this may have flow-on effects. Khan (2010:55) argues that by aligning informal power with productive outcomes an eventual formalisation of institutions becomes more likely which is positive for the overall development of the state and democracy. Bhatta (2012) also agrees that Nepal is moving in the right direction. He believes that the introduction of the *Social Security Act* will promote the idea of a welfare state in citizen's

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[176] See: Andrenacci 2012:10; Martínez-Franzoni 2005, 2008; Molyneux 2007.

minds and this may lead to rights claims in the future. Drawing on evidence from other countries,[177] Bhatta's (2012) optimism may be warranted.

However, the rise of union power would primarily and in the first instance only benefit those in the formal sector. Even then, experience in the South Asian region provides little reason to believe stronger trade unions should lead to an expansion of social protection provisioning for those in agriculture, paid or domestic labour, and all the many other informal sector occupations that make up the vast majority of employment and self-employment for Nepalese people living in poverty. Trade unions tend to promote only a minimum kind of safety net coverage to help people survive, hence the development of the Social Protection Floor initiative by ILO (See: Kabeer 2009; ILO 2014).

The evidence presented in this chapter suggests that Nepal may have a more "capitalist" political settlement in the making. The typology in figure one, chapter three on the theoretical framework explains a capitalist political settlement is when formal productive rights dominate. This seems likely in Nepal given the union's power. A range of exogenous factors could still prevent this type of settlement from taking hold such as Nepal's recent earthquakes and the social unrest that has plagued the country since the constitution was finally passed. However, if it does hold, the evidence suggests that Nepal's political settlement has evolved in a manner similar to Khan's (2010) typology of political settlements. This has significance for social protection reform as it allows external actors to plan social protection assistance to align with the political settlement changes.

Building an inclusive state may depend upon changing the political settlement by bringing new actors into the distribution of power, in a slow and deliberate manner. The long term public interest needs to align with the self-interest of political entrepreneurs for change to occur. This is more likely with a vertical distribution of power. A political entrepreneur takes time to learn how to change the rules of the game. The more political entrepreneurs involved in maintaining the political settlement, the more likely the public's interest will matter. Overtime, the public will also learn 'the rules of the game' and will not need to rely on only a handful of overseas-educated political entrepreneurs in order to have their rights met. Power will be more disbursed.

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[177] See: Cecchini and Martínez 2011; Andrenacci 2012; Heller 1996

What lies behind the formal representation of politics in a state and how the balance of power is negotiated is important for understanding how included or protected the average citizen may become (Di John & Putzel 2009:18). Welfare states can have their own distinct logic that is a mix of initiatives resulting from the outcome of these bargaining processes, the distribution of power, and the stage of a country's development. The next chapter explores the social inclusion project and federalism disputes to contextualise the social protection data within the broader political economy.

Chapter 8: The Social Inclusion Project and Identity Politics[178]

8.1 Introduction

This chapter moves away from social protection to examine social inclusion in policy and practice with a focus on federalism to highlight the major efforts occurring to produce transformative structural change in Nepal. The value of covering these issues is that they have deep meaning for Nepal's excluded groups as they were repeatedly raised during interviews; and they represent the changing structural context against which social protection (as a specific set of instruments) must be understood. On one hand federalism and affirmative actions (covered in the next chapter) are alternative instruments to social protection and on the other they are part of the same agenda to build an inclusive state.

All approaches in the social inclusion project try to institutionalise policies of inclusion that guard citizens against adverse incorporation and risk by diluting the caste hierarchy and the power hold of elites. The last two chapters have shown why this is difficult to do. Although federalism involves territorial recognition of identity and difference and affirmative action recognises the need to address socio-economic exclusion through greater representation, these terms are conflated in Nepal's political discourse on social inclusion (Tillin & Shneiderman 2015:7). Redistribution, the concern of this research, was largely overlooked by the social inclusion agenda. When the researcher finished explaining the research to a Janajati development practitioner heavily engaged in social inclusion, the response was 'Good. Tell us about this social protection. We know nothing.'[179]

The previous two chapters on social protection have illustrated that it is difficult to determine what 'the state' is doing or thinking, as 'the state' does not have a singular mind of its own. The fight for greater inclusion began with democratic struggles in the 1950s and has

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[178] A version of this chapter has been accepted for publication in *The International Journal of Community Diversity.*

[179] Janajati development worker interviewed 12 June 2013, Kathmandu.

progressively, albeit slowly, granted additional rights to certain social segments. Social inclusion only became a state project in 2006. Considerable reform has occurred since then and there have been notable improvements in some human development indicators for excluded groups. However, government support for the social inclusion project is reducing, although political party rhetoric, as expressed in their manifestos, appears to support social inclusion.

Kabeer (2005a) examined the way excluded people regard citizenship around the world and found the following core values comprise an inclusive society: self-determination (people's ability to exercise some degree of control over their lives); recognition (of the intrinsic worth of all human beings, but also the recognition of, and respect for, their differences); social justice (a notion of fairness that revolves around when it is acceptable for people to be treated the same or differently); and a sense of horizontal solidarity with others (the capacity to identify with others and to act in unity with them in their claims for justice and recognition). Self-identification is a common feature of identity around the world and even when people are aware of its constructed nature it is emotionally powerful for them.[180] Yet, it is easily rejected by others as a fabrication. These aspects featured in federalism debates.

The adverse incorporation and social exclusion framework reveals that ethno-territorial forms of belonging have come to form the basis of both inclusion and exclusion in ways that have shaped access to critical resources such as land and been closely linked to civil conflict and processes of chronic impoverishment (Hickey and du Toit 2007:10). These aspects of citizenship and clientelism will be explored by examining the particular forms of political participation and representation available to excluded citizens (Hickey and du Toit 2007:10).

Those struggling against exploitation and powerful categorical exclusion face difficult dilemmas (Li 2007). The adoption of under-represented group issues comes with manipulation of identity to allow for 'effective' representation and co-optation for political purposes (Mosse 2010:1167). Politics seeks to pacify the political and to maintain order and the status quo (Hickey & du Toit 2007:12). In this way it is not just 'people's actions and relations, but the language, classifications and organisations through which they are

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[180] See: Albert 2012; Chandra 2012; Comaroff & Comaroff 2009; Scott 2009; Tillin & Shneiderman 2015, 11; Wimmer 2012.

represented as interests and groups within political systems' that can keep them disempowered and can fracture a common identity or movement from emerging (Gledhill 1994). Mobilisation and demobilisation strategies may use similar terms and look similar, it is the position of power and agency that is different. Lukes (2005:142) and Kabeer (2005a:23) describe this as an empowerment conundrum – how can those whose exclusion is premised precisely on their lack of organisational power, organise collective action for inclusion or transformation?

As Lawoti (2005:120) confirms, rights in Nepal's constitution and elsewhere have been articulated by dominant groups and reflect their values and norms. These are more aligned with Western notions of universal liberalism and individual rights; whereas for excluded groups, a group-based sense of belonging and identity is imperative. The literature review emphasised that donors are uncomfortable navigating group based rights and tend to depoliticise their practice. Excluded and politically motivated groups believe that the polarisation that originates from Nepal's historical narrative can be overcome with an inclusive constitution and federalism that recognises the identity and rights of different groups. Framing the constitution was a key process of inclusive state building that offered hope for excluded groups, especially as they had finally achieved political inclusion through quotas.

This chapter begins by covering mobilisation and representation challenges and then social inclusion in policy and practice. A brief discussion of the constitution drafting process occurs before federalism. Identity, the role of donors, and the backlash against social inclusion is also examined. It illustrates the way citizenship and discourse on social inclusion is constructed. While norms change meaning over time and have their own life cycle, the ability to influence norms lies with those who have power. Social protection faces many similar operational and conceptual challenges.

8.2 Representation and Mobilisation

This section will explore mobilisation challenges for Madheshi, Dalit, women and Janajati and highlight the way all excluded groups face some degree of representational challenges.

An academic expressed 'this idea of representation and who represents the legitimate voice of the Janajatis, or the like....I think the scene gets uglier when you get into those issues.'[181] This quote is reference to all the intra-group conflict occurring over position and lobbying choices. Davis uses political mobilisation outcomes as a criterion for assessing the effectiveness of welfare outcomes in low-income states because political mobilisation is hard to achieve for excluded groups.

Consensus on the best way to represent and frame Janajati issues would be hard to achieve because the Janajati movement has so many diverse groups[182] with different mother tongues and different experiences of exclusion. A respondent elaborated:

> I have problems when people say there are Thakalis and Newars among the Janajatis who are very rich. So giving rights to Janajatis will be misplaced or is uncalled for because they are rich. This takes away the problems that the other Janajati groups are having.[183]

Segregating excluded groups into sub-categories was considered important by some respondents but not others.

Even within the Janajati movement, people wanted segregation in order to have their unique identity recognised and to politically mobilise around it. This became a problem, however. Two leading Janajati organisations compete for dominance:

> NEFIN and Ajra[184] should realise that internal understanding and unity are necessary to successfully pressure the majority elites of NC and the UML to enact an inclusive constitution. If this fragmentation in identity politics persists, it will not only assist the ruling parties to promulgate their own constitution, it will further jeopardise the achievements of Janajati politics (Dolpo 2014).

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[181] Chhetri academic interviewed 4 September 2013, Kathmandu.

[182] Newars, who are the indigenous inhabitants of Kathmandu, have fared better than other Janajati groups and their condition is sometimes used to argue against indigenous categories being declared as marginalised (Gellner 1986). The Sherpas too are faring well economically as a group, due to tourism-related economic opportunities. Meanwhile, other groups have been heavily subordinated: for example, the Kamalari— indentured labourers predominantly originating from the Tharu community. Some Newars are Buddhist, like other indigenous groups but contrary to the Adivasi Janajati definition; others are Hindu and have their own internal caste system and language, which they would like recognised (Hangen 2007).

[183] Chhetri academic interviewed 4 September 2013, Kathmandu.

[184] Adivasi Janajati Rastriya Andolan is a subsidiary body formed to benefit the Pushpa Kamal Dahal (Maoist)-led 22-party coalition in 2013 (KTM 2014).

This highlights the way identity became a political agenda. Some respondents argued that social inclusion discourse inflamed intra-group tensions and highlighted the lack of unity and challenge involved in creating an inclusive and peaceful state.

In terms of the Madheshis, strategy was also considered a problem as it became about power:

> They used to be organised ... but now … there's no Madheshi agenda anymore … They got the [political] representation they needed [in 2008] but the leaders did not really address the common everyday experience of being called a Madheshi … a non-Nepali … There's fundamentally something about their identity and the suspicion with which the Nepal state views the Madheshis that should have been addressed but wasn't.[185]

There was a sense from a few respondents that the Madheshi elites wasted their time in power. Leaders may have personally gained from being in power, but the position of Madheshis within the state changed little. This is why some respondents considered segregation necessary:

> The Madheshis also follow this highly entrenched caste hierarchy. The Brahmans and Chhetri among the Madheshis easily captured the agenda. And so the Madheshi Dalits, Madheshi Janajatis etc., got left behind. It's a large population so segregation should have happened.[186]

Even when excluded groups try to collectively mobilise they will encounter challenges because Nepal is so heterogeneous.

Meanwhile, Dalits seem to face the most extreme degree of exclusion out of all the groups in Nepal. Dalits have traditionally been locked into patron–client relationships. During the conflict, the Maoists freed many bonded labourers and weakened the traditional forms of semi-feudal labour relations (Raj Sharma & Donini 2012). A number of NGOs since then have raised awareness about labour rights (Raj Sharma & Donini 2012) but for Dalits their whole lifestyle has been based around a patron. Mosse (2010:1162) argues that 'the chronic poverty of Dalits is an effect of the categorisations of caste and untouchability reproduced not erased under conditions of capitalism.' Although Dalits have different employment

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[185] Chhetri academic interviewed 4 September 2013, Kathmandu.

[186] Chhetri academic interviewed 4 September 2013, Kathmandu.

opportunities in 2015, these may not necessarily be more lucrative or more secure, rendering reliance upon a patron still necessary.

This patron–client model effects mobilisation. A Chhetri academic claims that:

> This occupation based hierarchy is quite central to Dalits. The patron–client relationship is entrenched in their daily survival. The economic needs of the Dalits are so dire and so inter-linked with upper caste groups that organising anything is difficult.[187]

Even alliance building is difficult:

> They have to build alliances but there is no trust across groups. They use the system that they understand which is patronage and begging, and then giving back to their own community. It's partial, it does not create the foundation underneath people that will give them the confidence that they can do collective actions, which is I don't know ... I mean that's how entrenched power stays entrenched. They are trying to get a foundation. But who's going to listen to them? Who gives a rat's ass? That's the trouble ... I don't know what I would do. I mean I am not just defying them but what else are you going to have them do?[188]

Dalits are seen as being accustomed to competing for a patron and for opportunities, not cooperating or mobilising politically.[189]

Mosse (2010:1172) found elsewhere that dependency relationships take a long time to unlock. Dalits within the women's movement struggle for a voice and representation. It can be hard to form alliances when others do not experience, or identify with, the same needs—or are busy fighting for their own rights. A feminist Dalit bemoaned this fact:

> Women Dalits face so much discrimination ... If we go to other women in power for help they say our issues are Dalit issues, so we need our people to go too. But we must go in an integrated way.[190]

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[187] Chhetri academic interviewed 4 September 2013, Kathmandu.

[188] Foreign academic residing in Nepal interviewed 14 November 2013, Kathmandu.

[189] Foreign academic residing in Nepal interviewed 14 November 2013, Kathmandu.

[190] Dalit NGO leader interviewed 7 August 2013, Kathmandu.

Dalits need those with more power to assist in their claims for rights. However, the reverse is not true.

The issue of caste representation is relevant even within the women's movement and thus segregation among the women's movement was deemed healthy:

> I think the division that is emerging among the women's movement is getting quite healthy. It's a class and identity issue. Like Janajati women, Dalit women, Madheshi women, are saying 'no' to the forerunners of the women's movement. But because of this division … the political voice or the power odds become more diluted … the women's movement has not been able to overcome or address this difference.[191]

So segregation and emphasising difference is needed in the women's movement for the more muffled voices to emerge even though it may create a weaker movement.

While segregation was considered necessary for accurate representation for many excluded groups, it was different for Dalits:

> for any Dalit to hijack the whole Dalit agenda by sheer fact of being an elite among the Dalits is problematic. What makes the common experience of being a Dalit is much more significant than the differences among the Dalits, even though you have these Biswokarmas and Pariyars that benefit from Dalit programs the most because they are up the hierarchy.[192]

The academic lamented a donor-funded program that asked for an evaluation to include the surnames of Dalits who participated to ensure a spread of families were benefiting. She implied that it deflected attention from advancing the social inclusion project and delivering the program. An academic respondent captured the fragmented nature of the social inclusion movement:

> The relevant actors have different definitions of what the goal is and different perspectives from which they seek the goal. It's back and forth, and back and forth. Lots of individuals with slightly different definitions of the goal, kind of running in

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[191] Chhetri academic interviewed 4 September 2013, Kathmandu.

[192] Chhetri academic interviewed 4 September 2013, Kathmandu.

like sperm trying to find the … (laughs). So it's a bit too chaotic to call it a movement.[193]

8.3 Social Inclusion in policy and practice

If the way excluded groups represent themselves is problematic, then the way the government represents excluded groups is also likely to be problematic. This section examines Nepal's national development plans and the official definition of social inclusion and the way it has changed over time. The need for social inclusion was first identified by the GoN in the Tenth Poverty Reduction Strategy Paper (PRSP) (2002–07) as being vital to reach development goals (ESP 2011). A Janajati development worker commented that this PRSP (known as 'the Tenth Plan') represented a shift in the way the government looked at poverty and disparities:

> The concept of disparities brought awareness to the government that certain groups/identities/locations of people are having more poverty problems. ADB began an assessment that looked at deeper poverty issues within groups and this led to a discussion on inclusion.[194]

A desire to eradicate poverty caused the government to recognise exclusion.

The CPA preamble discussed a commitment to 'a progressive restructuring of the state to resolve the existing problems based on class, caste, region and sex.' A string of social inclusion actions followed this (see Table 8). The 2007 Interim Constitution was another vital factor in social inclusion gaining currency as it committed Nepal to become an inclusive, multi-ethnic, and equitable state.[195]

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[193] Foreign academic residing in Nepal interviewed 14 November 2013, Kathmandu.

[194] Janajati development worker interviewed 12 June 2013, Kathmandu.

[195] Article 21 ensures the right of oppressed groups to participate in state mechanisms based on proportional inclusive principles; Article 144 (4a) of the Interim Constitution and Article 4.7 of the CPA commits Nepal's army to a structure that 'reflects the national and inclusive character'; Article 20 ensures women's fundamental rights without discrimination; Article 13 ensures no discrimination on the basis of religion, race, sex, caste, tribe, origin, language or ideological conviction, and authorises the state to make special provisions in the law for the 'protection, empowerment and advancement of women, Dalits, indigenous ethnic tribes and Madheshis.'

Table 8 Historical Inclusive Provisions Made after the CPA

Initiative	Date	Rationale
Amendment to the *Citizenship Act*	November 2006	Provision of citizenship by descent from both the father and the mother. Easy access to citizenship for Madheshi/Terai people with one parent born in India.
Interim Constitution	2007	Recognition of traditionally marginalised groups. Rights to non-discrimination and equal social recognition to Dalits.
Interim Constitution Amendment	March 2007	Provision of PR in state affairs to all marginalised and excluded groups and regions.
CA member *Election Act*	2007	Adoption of mixed electoral system with both FPTP and PR system.
Amendment in *Civil Service Act*	2007	Provision of reservation quota in civil service.
Ratification of ILO169	2007	Ensured the rights of Janajati with regard to culture, land, natural resources, education, traditional justice, recruitment and employment conditions etc.
Amendment in Nepal Police Regulations	2007	Reserved quotas for women and marginalised groups. Provision of reservation quota in Nepal Police and Armed Police Force.
Ordinance on social inclusion	2009	Made public services more inclusive.
Proposed ordinance on Public service Reservation	2012	Allocated reservation quota in branches of the public service. Initiated a multi-layer reservation system. Included a proposal to amend 19 relevant Acts.

Source: Awasthi & Adhikary 2012

Although social inclusion first appeared in GoN policy in 2002, it was not widely accepted as an important policy approach until 2007. The definition of 'inclusion' in the Eleventh Plan is:

> to fulfil the physical, emotional and basic needs of all the people, groups or castes. It has to be achieved by respecting their dignity and their own culture and also reducing disparities between excluded and advantaged groups and by reducing the gap in the existing opportunities and access. In addition to this, it is to help build a just society by ensuring rightful sharing of power and resources for their active participation as citizens.

Achieving social inclusion in Nepal requires 'the state' to respect, value and share power and resources with excluded groups.

Inclusion is harder to address than poverty. Consequently, the Eleventh Plan (the Three-year Interim Plan, 2007–10[196]), stated on the first page that:

> the policies adopted [in the Tenth Plan] failed to address structural problems of the economy like inequitable access to productive resources and means, distributional

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[196] These were originally five-year plans but were changed to three-year plans after the conflict ended.

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conflict and shortfalls in good governance … expected improvement could not be realised in the economic and social conditions of women, Dalit, Adivasi Janajatis, Madheshis, Muslim community and residents of Karnali zone (NPC 2007:1).

There are many implementation barriers encountered by a social inclusion project.

The objective of social inclusion in the Twelfth Plan (2010–13) was:

To ensure justifiable access of the deprived communities such as women, Dalit, indigenous ethnic groups, Madheshi, Muslim, persons with disabilities, minorities and disappearing groups and castes and the inhabitants of the remote hilly and Himalayan areas including the Karnali region in economic, social, human and cultural rights and opportunities by bringing them in the mainstream of development.

The Twelfth Plan brought justice and excluded groups into the mainstream and 'mainstreaming' encapsulates GoN policy around social inclusion between 2010 and 2013. While the idea of rights is introduced, the concept of power sharing is omitted.

In July 2013, under a caretaker government, a new development plan was approved. The objective of social inclusion in the Thirteenth Plan (2013–16) is:

To undertake economic, social and cultural upliftment of the Dalits, ethnic and indigenous communities, Muslims, Madheshis, backward classes, persons with disabilities and communities subjected to deprivation, by protecting and promoting their political, economic, social, human, cultural and linguistic rights.

Although mainstreaming is mentioned in the Thirteenth Plan, this is only with reference to employment opportunities within state agencies. Both plans have women in separate sections but the Thirteenth Plan removes women from the social inclusion section. Social inclusion appears under peace and rehabilitation sections of the last two plans implying that it is still associated with the conflict and building social cohesion. While the social inclusion agenda of excluded groups focused on recognition and representation, the state's social inclusion project included protection in this definition.

The draft constitution has a slightly different definition of exclusion to the Thirteenth Plan. It states a social inclusion commission is to be established with members from 'women, Dalits, indigenous peoples/ethnic groups, persons with disabilities, minorities and marginalised

communities, backward classes and regions, Madheshi, Muslim communities, labourers and farmers.' Although women appear in this definition, a notable addition is labourers and farmers. The addition of labourers and farmers is the result of union lobbying. A Maoist union informant clarified why they lobbied to have labourers included:

> That issue was raised by us. Ninety-five per cent of our members are blue-collar workers. There are some people who try to belittle or weaken the farmers and the labourers rather than drafting a labour friendly, farmer friendly constitution. This is our struggle. They, [elite propertied class] don't want to give them rights.[197]

It signifies that being defined as excluded has come to have advantages such as the ability to secure more opportunities, rights and resources, proving that social inclusion has had some success. Other interest groups such as sexual minorities were not successful in gaining special mention in the constitution, although their claims have equal merit. The government may have a social inclusion project and include social inclusion in policy but the terms of inclusion and its definition are controlled and manipulated by the powerful.

Norms are negotiated into policy and practice. The Thirteenth Plan references social inclusion ten times less than the Twelfth Plan indicating its decreased importance. True and Krook (2010:123) find that norms have their own life cycle – norms are framed from a back-and-forth process among differently located activists, rather than from a single linear process. Bennett (2008:204) concurs, 'the process of policy and social change looks more like a kind of self-organising chaos than a linear progression through a logically formulated series of public policy choices.' Thus change can be incremental and manipulated more by those with power.

Operationalising social inclusion was also difficult and the government's approach drew criticism. Jha et al. (2009) argues that the Ministry of Federal Affairs and Local Development (MoFALD) promoted transactional group-based work that reinforced the social hierarchy and relationships of exploitation, under the guise of an 'empowerment' program. In a report developed for the Local Governance and Community Development Program (LGCDP[198]), group-based 'social mobilisation processes need to be transformed into "citizen engagement"

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[197] ANTUF member interviewed 30 January 2014, Kathmandu.

[198] The LGCDP is a DP sector-wide approach to improve local governance with a USD168,827,092 commitment (MoF website). It involves the ADB, Canadian International Development Agency, Denmark, DFID, Norway and the SADC.

processes that focus on the transformational aspects of mobilisation and builds the agency of people to be able to participate in their own governance and claim services for themselves' (Jha et al. 2009). In short, the important issue for social inclusion was whether development programs that claimed to empower people actually kept them trapped in dependency relationships. Finding ways to empower excluded groups is complicated but necessary because it helps them with mobilisation.

8.4 Donors, the Backlash and Identity

In 2003, during the conflict, 10 donors formulated the 14-point set of Basic Operating Guidelines (BOGs).[199] An annex to the BOGs identified the 'promotion of diversity and inclusion in development activities' and that 'the international community recognises that more is needed to promote the rights and inclusion of indigenous peoples and other disadvantaged groups.' As Cox et al. (2015:1) suggest, there is 'a very clear understanding among all the different stakeholders that the creation of a level playing field for all of Nepal's diverse population groups through social inclusion and collaboration will lead to long-term social cohesion formation in Nepal.' Nepal's development partners considered social inclusion an important part of the peace-building project.

In 2014, social inclusion was reaffirmed as important by development partners. The BOGs office states,

> although the armed conflict has now been concluded, the BOGs and their fundamental principles of impartiality, transparency, accountability and inclusion remain as relevant as ever. The context in which the BOGs signatories are working is becoming increasingly complex. It is important to remember that the BOGs

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[199] Signatories were 'the European Commission, Danish International Development Assistance (Danida), SDC, Canadian International Development Agency (CIDA), the Norwegian Embassy, DFID, Japan International Cooperation Agency (JICA), GIZ, the Embassy of Finland and Netherlands Development Organisation (SNV). The UN, Association of International NGOs in Nepal and the Australian Overseas Aid Program (AusAID) became signatories in 2009, bringing the total number of signatories to 13' (http://un.org.np/thematicareas/bogs). Initially there were other organisational-based BOGs, but since 2007 one unified set of BOGs existed.

express principles that are internationally accepted best practices that should be respected in war, peace or periods of transition.[200]

Despite Nepal's changing context, development partners agreed that social inclusion remains important.

Some upper caste respondents complained that development partners pushed the agenda of social inclusion too far because the meaning of relevant norms was not localised and adequately debated:

> Social inclusion and identity are political things. These identity-based politics are dangerous subjects, and it's creating some sort of internal conflict. That is a problem. We have moved quite a lot, and a lot of change has been fast. Sorry, I am in the UN so I shouldn't say this, but as a national if you ask me privately, this social inclusion agenda was pushed by outsiders.[201]

The meaning of social inclusion adopted by some development partners was based upon international definitions.[202]

The idea that social inclusion was donor driven and not 'right for Nepal' became commonly expressed in upper caste circles and the media around 2011. Evidence of this is associated with the Tenth Plan (2002–07). The World Bank's social development adviser sent an email to the secretary of NPC (Dr Sharma - a senior bureaucrat and previous diplomat) in 2002 explaining the application of social inclusion in policy and how a social inclusion policy might look. The secretary pasted it word for word into the plan.[203] Although this is used as an example that the social inclusion agenda is donor driven, it overlooks Dr Sharma's agency in finalising the plan and requesting the advice. Dr Sharma may have requested the advice because he was told to include a section of the plan on social inclusion and may have realised

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[200] To see the list of 14 guidelines, visit http://un.org.np/thematicareas/bogs.

[201] High caste ex-bureaucrat, academic, development worker interviewed 5 July 2012.

[202] DFID's *Operational Plan 2011–15* has a Gender Equality and Social Inclusion annex that sets out goals around empowerment and inclusion. The annex states that DFID adopts the World Bank's definitions of empowerment and social inclusion:

Empowerment is the enhancement of assets and capabilities of diverse individuals and groups to function and to engage, influence and hold accountable the institutions that affect them. Social inclusion is the removal of institutional barriers and the enhancement of incentives to increase the access of diverse individuals and groups to development opportunities (DFID 2011:2).

[203] Foreign academic residing in Nepal interviewed 14 November 2013, Kathmandu.

that his team lacked capacity to produce an alternative. Dr Sharma's true intentions in terms of his conviction to social inclusion are not known. Regardless, subsequent plans rewrote and redefined social inclusion without international assistance. This example epitomises the way development discourse is literally constructed.

The research identified four concrete examples of elite pushback on development partners. These examples highlight the various ways groups wield power in Nepal and try to involve external actors. The first involves withdrawing funding for the Nepal Federation for Indigenous Nationalities (NEFIN), one of the largest NGOs that supports indigenous people. When NEFIN organised *bandhs* (general strikes) to lobby for signed agreements on territorial autonomy to be upheld, DFID was publicly criticised for promoting divisive 'identity-based' federalism by funding the NEFIN (see Figure 9).

Figure 9 Anti-DFID Graffiti

Graffiti reads: 'DFID stop aid to Janajati (gypsy people). Janajati are cheaters.'

The political opportunity structures in Nepal and the culture of informal institutions are organised on an undemocratic and clientelistic basis. The power hold or leadership is drawn from an unrepresentative elite. Excluded and marginalised groups are more likely to resort to 'coercive contentious politics' such as *bandhs* because this enables them to mobilise, or at least to stand a better chance of being heard. As Chatterjee (2004) and many other theorists on state-society relations have shown, dramatic forms of protest are often the most effective for the marginalised. However, due to public pressure, DFID warned NEFIN that if they kept holding bandhs, then funding would stop – a threat they upheld. This signalled to Nepalese elites that DFID could be influenced on its support for inclusion.

The second example concerns the withholding of a statistically significant report. The report, 'Forging Equal Citizenship in a Multicultural Nepal', which was completed by the World Bank's social development adviser and funded by DFID and ADB and developed in partnership with the National Planning Commission, received significant negative press. Upper caste writers described the report as a document that promoted identity-based federalism, although the document simply mentions multiculturalism and fundamental rights for all groups. Developed as a companion to the well-received 'Unequal Citizens: Gender Caste and Ethnic Exclusion in Nepal' published in 2006, the report analysed the most recently available data on the economic, human development, and political status of the five excluded groups (women, Dalits, Janajatis, Madheshis, and Muslims) (Bennett et al. 2012:19). A news article alleged that upper caste individuals threatened the safety of development partners demanding the report be withheld from publication (Biswokarma 2012).

DFID chose to withhold the report's publication for reasons that never became public. One development worker commented,

> I think there is an assumption that aid is political but there is a slight naivety about it as well. In fact, a lot is about covering arse. Just take that GESI analysis [the withheld report]. When the first one came out nothing was really said, but the second one comes out and things are supposed to have happened and they haven't, and people got nervous.[204]

DFID was caught between different interest groups and their visions of *Naya* Nepal (Dhungel 2012) and did not understand the way different groups and leaders wield power. DFID's Independent Commission for Aid Impact (ICAI) (2013:19) report stated,

> DFID's delayed publication of a (leaked) report on inclusion featured strongly in the local press. Several groups took this delay as evidence that DFID was withholding the publication in deference to a particular group. Others criticised its content. DFID is evidently in a difficult position.

Other development partners also felt the pushback. The third example concerns The United Nations Development Assistance Framework (UNDAF). This 5-year (2013–2017) strategic framework was developed as the guide to the United Nations' (UN) development operations

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[204] Foreign development worker interviewed on 6 January 2014.

in the country. The UNDAF was based around vulnerable groups. It was delayed by the bureaucracy and references to social inclusion were watered down (Jha 2012). One respondent explained that there were three issues in the UNDAF that were particularly problematic. The first was statelessness:

> It was not necessarily about the Madheshis. It was also about Tibetan refugees, people in the hills who don't have citizenship. I mean if you read the profiling, you wouldn't have understood that it was only about Madheshis solely, but it was taken that way by the bureaucracy.[205]

The second issue was religion and the sacredness of the Hindu caste system:

> I think the international community has very slowly realised how important religion is in this country. Just because people might say that they are liberal and don't really go to a temple, caste and Hinduism is enormously important here. And so when we started talking about religious minorities . . . that went down very badly.[206]

Structural discrimination was another sticking point, which is connected to Hinduism but is more about the superiority of Nepali-speaking Hindus from the hills: 'we were told it's a secular country now, structural discrimination is something that Hinduism does, this isn't something that we do. Therefore we can't talk about it, because this is no longer a Hindu country.'[207] The informant implied that an incremental approach to reform was required, rather than a comprehensive strategy to restructure society in one document. Additionally, the respondent explained the importance of localisation: 'Even in the UNDAF, which was much more nuanced than other country plans, inclusion was done very badly. Even if we try to get away from identity, it was the issues and how they were framed that caused problems.' [208]

A respondent explained that at the time of the UNDAF incident (August 2012), the Maoist Prime Minister (PM) Bhattarai was just hanging on to power,

> There was a very concerted push back from the bureaucracy at that stage. The bureaucracy got the fright of its life in May 2012. We nearly had a genuinely

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[205] Foreign development worker interviewed on 30 August 2013.

[206] Foreign development worker interviewed on 30 August 2013.

[207] Foreign development worker interviewed on 30 August 2013.

[208] Foreign development worker interviewed on 30 August 2013.

inclusive constitution which would have changed everything and they blamed the international community for that.[209]

This example shows that the backlash against social inclusion may have coincided with the Maoist demise in power. In a post-conflict context with competitive clientelism, donors need to be aware that different groups and leaders may change tactics and priorities in order to maintain power.

The fourth example concerns complaints of bias. Elites suggested that The United Nations Mission in Nepal (UNMIN) was pro-Maoist, as were some other development partners (Adhikari, 2012: 267). One respondent explained the origin of this bias as correcting a former bias toward the monarchy:

> There was a position during the conflict of treating the Maoists as a rebel force not to be dealt with.[210] Our [the UK's] ambassador promised the king a couple of helicopters right in the middle of the insurgency. DFID found out and went absolutely bananas and said look they're going to cut holes in this thing and shoot people. Anyway they got the helicopters and six months later one crashed and was found with a hole in the bottom. DFID started to talk about the need for a more neutral stance; to say look what's going on here is that there are a lot of people who are excluded and picking up their tools and going out and fighting for it. Then we got a former social development adviser as our head of office who understood social exclusion. Once the Maoists signed the peace agreement our head of office became super matey with the Maoists.[211]

The UN Office for the Coordination of Humanitarian Affairs (OCHA) endorsed four humanitarian principles to guide the work of humanitarian actors: humanity, neutrality, impartiality, and independence. Consequently, donors are sensitive to charges of bias.

Elites, savvy in donor discourse, used evidence of bias to shame some donors into withdrawing support for social inclusion. As a respondent explained,

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[209] Foreign development worker interviewed on 30 August 2013.

[210] During the ten-year conflict, the international media and governments ignored or downplayed its scale and described it as a rebel insurgency; after 9/11 the Maoists were labelled 'terrorists' and this diminished legitimate claims for social inclusion.

[211] Foreign development worker.

Donnors saw the Maoists championing democratic rights for all and we [development partners] had basically hung our support on the Maoists. We had this ideology of addressing the root causes of conflict, and the root causes of the conflict were social exclusion so it all fitted together nicely.[212]

However, the elite-driven backlash against social inclusion exposed social inclusion to be a political agenda manipulated by Maoist leaders to gain power. One respondent explained,

Over time the Maoists didn't deliver anything. There was lots of corruption and Prachanda[213] got rich and then people became quite disillusioned with the Maoists. So by the time the criticism about funding NEFIN happened it became much harder for us to champion this independently because the Maoists weren't doing anything for these groups. If we had said initially this is about social justice and delivering equality because it is important, not because it was a political agenda then we may not have backed away.[214]

Development partners depoliticised their practice and never appropriately localised the norm social inclusion. What is unclear is whether Maoists lost power because they stopped supporting social inclusion or because the elite resistance to social inclusion also reduced the Maoists' power.

Development partners struggle to understand social norms and how change happens. Development partners underestimated the challenge to the elite's worldview that social inclusion would bring. A development worker revealed, 'The perception at the time was that Brahmans and Chhetris will suck this up. Things are changing.'[215] An informant explained that it should have been obvious that elites would resist the social inclusion agenda:

It's a failure of imagination on our part … we should've expected the right wing push-back. I can see exactly why they would've been upset with social inclusion. Everything you believe in is now being turned on its head or abrogated. Of course it's going to annoy people. And this turned people against the agenda of inclusion.

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[212] Foreign development worker interviewed on 6 January 2014.

[213] Chairman Pushpa Kamal Dahal (Prachanda) was the Maoist party leader during the conflict and in 2008–09 lead the Unified CPN–Maoist a coalition government.

[214] Foreign development worker interviewed on 6 January 2014.

[215] Foreign development worker interviewed on 6 January 2014.

All those things that we raised that relate to inclusion are exactly what they don't want to see happen.[216]

Development partners have a tendency to focus on the position development of certain groups as it relates to human development indicators, rather than consider those that might be losing out in relative terms.

The literature review revealed the way development partners opt for technocratic approaches as they misunderstand the importance of social relations. An informant explained that elites were able to 'game' development partners who did not understand the power structure that they operated within: 'Essentially, it has been like donors playing poker but not knowing the rules and getting thoroughly worked over.'[217] This comment was part of a broader discussion about donors getting frustrated by the length of time the constitution was taking to finalise and allegations of the bureaucracy's stalling programs. The informant explained how these delays impacted the performance of development partners as their performance benchmarks were linked to loans or grants or the disbursement of program funds in a timely manner. Many Nepalese who worked with donors were well versed in the incentives of donors, but donors did not have as complete an understanding of the culture or rent-seeking practices of the Nepalese. The next chapter reveals development partners are captured by an educated upper caste workforce. When elites understand the language of donors and what motivates them, they can frame arguments effectively. As Gaventa and Tandon (2010:15) point out, it is 'the politics of knowledge that affects the framing and legitimacy of key issues and actors across levels.'

Despite multi-donor agreements including the BOGs, some new development partner leaders abandoned the agenda of social inclusion. An informant argues,

> What we actually needed was to pile more wood on the fire. We stopped half way, and stopping half way to me is doing harm. Because you are letting down the people who think there's hope. Not following through just because people in the government started to get worried … It's like sending your foot soldiers into the battle and not following with the generals or not having cannons.[218]

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[216] Foreign development worker interviewed on 30 August 2013.

[217] Foreign development worker interviewed on 30 August 2013.

[218] Development worker interviewed on 26 July 2013.

Working toward social inclusion in conflict-affected states calls for strong leaders who are not swayed by popular opinion because they understand criticism as resistance to change. This can be hard when development partner workers move around every three years. As a DFID adviser explained,

> When there started to be a lot of criticism … it wasn't like we said we aren't going to do inclusion anymore, it was about specific tasks. The head of office said we won't fund the second Unequal Citizens report to be published and we stopped funding NEFIN.[219]

Some claims made against donor practice seem plausible, while others appear to reflect a desire to maintain the status quo. Privileged groups reference Nepal's tradition of social harmony to suggest that donors have brought instability and identity politics by supporting groups because of their identity (Cox et al., 2015:4). In contrast, many excluded groups describe the idea of a harmonious past as a myth – as evidenced by the ten-year civil war. Respondents also provided numerous examples of local violence perpetrated by upper caste employers or local leaders. Similarly, Lawoti (2007:33) concurs that Nepal has a long history of collective struggles and repressive regimes using violent tactics to quash protests. Potentially, there was social harmony for groups at the top of the caste hierarchy, but for those at the bottom this sense of harmony or security was rare. Fighting for equal rights has been an ongoing battle for excluded groups. This may appear obvious having reviewed the history of Nepal and thus begs the question why did some development partners buy into this discourse? The next chapter on affirmative action explores this further.

8.5 Constitution Drafting

Behind this backdrop, a new constitution was being drafted. Constitution drafting can address and shape fundamental questions related to nationality, citizenship, identity, trust and values (Haider 2011:21). The constitution sets the direction for the education system, elections, political inclusivity, state policies on language, and many other issues of concern to traditionally excluded groups (Haider 2011:21). As one GoN public servant said, 'First we

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[219] Foreign development worker interviewed on 6 January 2014.

have to finalise our constitution. The constitution will guide us. I don't know what will happen next until then.'[220]

Drafting a constitution should provide a forum and process to bring divided groups together to negotiate controversial issues and the meaning and definition of norms, and to think about a common vision of the state (Haider 2011:21). A respondent stated:

> The Constituent Assembly was very important [for inclusion]. There were 11 different thematic groups writing reports and the UN helped with consultations. It became a hub that was supported by donors as well. That shouldn't be underestimated … a lot of stuff was germinating there.[221]

As Rawls (1971) noted a constitution sets the extent of social justice in a country.

One Nepalese academic argued that a national dialogue on identity should have happened outside the constitution process and that the decisions reached by various thematic groups and caucuses were inclusive and rights based but did not go far enough: 'The CA was there but I don't know how much they deliberated on what do you mean by Janajatis, what kind of rights, what kind of Janajatis.'[222] Bennett et al. (2012:8) agreed:

> Although there has been much discussion and debate about 'federalism' and the various forms it could take in Nepal, there has not been enough open discussion about what underlies the Madheshi and Janajati demand for federalism.

The CA was under constant pressure by donors and the media to deliver the new constitution quickly.

In isolation the constitution drafting process was insufficient for changing attitudes towards social inclusion. Although the first Constituent Assembly (CA-I) was the most inclusive politically to date, accepting the products produced during the CA was another matter. Jha (2014) quotes a Nepali lawyer saying during CA-I: 'Take it from me. The CA will not write the constitution. What do these cooks, these cleaners, these vegetable-vendors, these women who have never got out of the house, know about constitutionalism?' The next chapter further

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[220] Janajati civil servant interviewed 28 November 2013, Kathmandu.

[221] Foreign academic residing in Nepal interviewed 14 November 2013, Kathmandu.

[222] Chhetri academic interviewed 4 September 2013, Kathmandu.

explores the way political inclusion through quotas did not translate into acceptance. Bennett et al. (2012:xv) write that:

> many ordinary Nepali citizens, including those from excluded groups, feel that the whole CA process is a shadow play. There is a sense that the real action is going on behind the scenes in ways and in places from which they are still excluded.

A former member of UNDP's Support for Participatory Constitution Building in Nepal confirms this is true. During CA-I, 'The political leaders of Congress and UML were anxious. They had to break the CA because they did not like moving towards a 10 or so state model where states were ethnicity based.'[223]

There are many possible reasons for elite resistance to the social inclusion project and federalism such as losing power and control. One respondent discussed the backlash towards social inclusion as fear based:

> In the last two years I can see a hardening and an anger and surprise but mostly just a gathering of wagons. Hill elites think social inclusion has gone too far and you don't want to let this go the rest of the way.[224]

The introduction to Nepal chapter mentioned that the Maoists made the elites and the Kathmandu upper middle classes pay taxes; became friendly with China (which angered India); and factions within the Maoist party and provocatively hinted that their goal was state capture and de facto totalitarian rule (ICG 2009). Elites may have thought that because peace was achieved there was no need to completely reform into an inclusive state if the cost was so high for them. There are several other possible explanations discussed below.

After the deadline for drafting the new constitution was extended three times, the term of the CA was ended on 27 May 2012 without a constitution drafted or federal structure approved. Although the Maoists tried to have the Interim Constitution amended to extend the term of the CA for a fourth time, a single bench of the Supreme Court blocked it and the Chief Justice involved later became PM during the caretaker government period. The role of ethnicity in determining administrative boundaries in Nepal's proposed federal structure contributed to

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[223] Foreigner and long term resident of Nepal interviewed 11 October 2013, Kathmandu.

[224] Foreign academic residing in Nepal interviewed 14 November 2013, Kathmandu.

CA-I's collapse (Tillin and Shneiderman 2015). However, what lay behind this dispute (power and identity) was never adequately discussed.

The media and other organisations portrayed the violent disruption during CA-II's attempt to pass the new constitution as proof that the Maoists are anti-democratic, self-interested troublemakers (Varughese 2015). The Guardian reported the constitution was crucial to ending the instability that has plagued Nepal since 2006, which is true. Additionally, the constitution proposes significant changes that would make Nepal a more inclusive state.[225] However, if the federalism components do not ensure the rights of excluded groups as previously agreed to in signed agreements and if the constitution is perceived to be undemocratic because it was pushed through without consensus, then it may only fuel further instability and illegitimacy.

8.6 Different Perceptions

Disputes over the basis of state restructuring were dramatic and emotional. Janajati and Madheshi groups used the *bandh* tactic to make ethnic-based state demands which elite groups resented it for the disruption it caused. One Brahman respondent drew a map of Nepal during the interview and tenaciously outlined why their model of state boundaries was superior to others. Many federal models were proposed based on individual vantage points and costs.

The culture of *bandhs* made certain aspects of ethnic federalism worrying for the hill elites. The area of the Terai, where Madheshis reside, is particularly problematic to demarcate as this area currently controls the trade routes from India. Past *bandhs* cut off the supply routes into Kathmandu, starving the city of goods and contributing to inflationary prices. Some hill castes want access to the Indian border in a canal-like demarcation so that they can still access the trade routes necessary for business growth regardless of *bandhs* called by Terai residents. The Madheshis do not want to rely on the good will of those who control the proposed canal-like parcels of land to pass through to visit their relatives in other states.

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[225] Bennett et al. (2012:xiii) states 'our examination of the Interim Constitution and the drafts emerging from the various constitutional committees suggests that major changes are underway to make the formal institutions of the state more inclusive.'

Some excluded groups found certain forms of federalism very appealing. Madheshis began lobbying for a single Madhesh state that would give them greater autonomy and power. The Janajatis within the Madhesh began asking for autonomous zones and this spread to a strategy demanding ethnic-based states and self-determination (Sedhai 2014). The naming of states after linguistic groups was another demand. While many Nepalese wanted administrative decentralisation, the idea of identity-based states or living in a state named after an ethnic language was far removed from this vision, even for some groups defined as excluded (Hangen 2007:49).

Not all excluded groups agreed with the federal model proposed by their identity group. Some Madheshi female informants felt that the patriarchy within Madheshi political parties is the worst amongst political parties in providing space to women representatives and supporting gender equality. As one female Madheshi NGO leader stressed, 'If Madhesh is declared as a single state, the situation of Madheshi women would be even worse because they won't be represented properly. One state is not a practical and viable situation.'[226] Some people worried that single ethnic states would create minorities within minorities. A Dalit NGO leader explained:

> If there is a separate Dalit area, again there will be more discrimination. We need to
> be assimilated within the overall structure but they must respect others. Not their
> hierarchy again Brahman, Chhetris. We want a different system this time.

Dalits are spread throughout the country and would remain a minority in all states under any federal model even with special autonomous zones. Federalism offered them little hope for change unless it overhauled the Brahman and Chhetri dominance, the legacy of untouchability and the caste system.

Some people thought federalism would create further geo-political problems because India and China already divide Nepal:

> Some people support hill/mountain based political parties, so these few people can
> create some kind of influence into Tibet, and India wants to influence some people

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[226] Madheshi NGO director interviewed 8 August 2013, Kathmandu.

too. Therefore, the introduction of federalism itself can be a problem and it will hamper each and every step [of rebuilding].[227]

Regardless of the model of federalism supported, informants repeatedly raised power and control issues:

> Everyone thinks if my state is drawn this way, then I can become the chief minister. But if the state is drawn that way then I won't have a chance. They are not thinking about how to develop that area.[228]

For some, federalism was irrelevant to *Naya* Nepal – A Muslim Madheshi female described her vision for *Naya* Nepal as one where:

> Muslim women are educated, self-dependent, and in big posts. Like in government or business, every sector, whatever they want. They would be free to follow their religion, like Lebanon. They would be in the policy level and could wear their veil and be commanding.[229]

Different forms of exclusion require different solutions: class injustice requires redistribution as a remedy whereas status injustice requires recognition (Fraser 2003; Kabeer 2009). Some people will demand both redistribution and recognition and the right to have different identities. One Dalit articulates:

> Discrimination is common but untouchability is the worst because it attacks the dignity. Madheshi women, they have cultural discrimination, especially if Muslim. We cannot say religious discrimination because they have very deep-rooted culture. If we go talk to Janajatis they don't have any discrimination. Their issue is their participation and the linguistic problem in comparison to Dalits. Even for the Muslim woman or the disabled there is no discrimination like untouchability.[230]

Different groups have different experiences of exclusion that matter to them and to the way they need to be included. They interpret other excluded group experiences by comparing it to their own experiences.

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[227] Lawyer involved in social security legislation drafting process interviewed 21 September 2013, Kathmandu.

[228] Lawyer involved in social security legislation drafting process interviewed 21 September 2013, Kathmandu.

[229] Leader of Madheshi Muslim women's NGO, interviewed 22 August 2013, Kathmandu.

[230] Dalit NGO leader interviewed 7 August 2013, Kathmandu.

The rich in all groups and especially those who reside in Kathmandu have different needs from those in the villages:

> It's the elite among the Janajatis, it's the elites among the Dalits, it's the elites among the Madheshis who want greater recognition for their separate identity. For the poor Janajatis, the issue of identity and recognition is not as central as getting redistribution. That is not to say that at the village level, people don't want representation but there it is more muffled by their other basic needs.[231]

Wealth, education level, rural/urban can influence the importance of federalism, identity recognition and the social inclusion project.

Caste segregation practices result in many upper caste people, especially residents of Kathmandu, moving in circles with other upper castes, resulting in a lack of understanding about, and respect for, different perspectives:

> I used to say in my school class what's wrong with caste hierarchy? This is just a way of structuring occupation. I moved from there to a more liberal person. I had never met a Dalit in my life and I had no idea, you know, the kind of suffering that they had to endure.[232]

A social inclusion project in a context where misunderstanding and a lack of empathy governs social relations will be fraught with disputes. Upper castes have a different understanding of the caste hierarchy to lower castes.

Horizontal inequalities refer to differences between groups and this may require different solutions to vertical inequalities that exist between individuals (Stewart 2015). Bevan (2004:102) clarifies that:

> when the exploited exercise voice they are trying to change vertical structures of inequality. When the excluded exercise voice they are sometimes seeking some or greater inclusion and sometimes to wrest control of resources from those who have excluded them—to change the regime elite rather than the regime itself.

Social inclusion is not the obverse of exclusion, rather 'social inclusion is a distinct project with its own logic' (Askonas & Stewart 2000; Hanney 2002).

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[231] Chhetri academic interviewed 4 September 2013, Kathmandu.

[232] Chhetri academic interviewed 4 September 2013, Kathmandu.

8.7 Identity Formation

Whereas in political manifestos federalism appears well thought out and captures the complexity of dividing the state, the way federalism was debated—especially in the media— highlighted a lack of trust in 'the other.' 'Identity' became an issue used by the powerful to undermine 'ethnic' claims for equal rights (Tillin & Shneiderman 2015). One Janajati activist was quoted in the newspaper as believing that the hill elite resistance to their federal model was fabricated to maintain power: 'This state has been ruled by one ethnic group for long and when we ask for equal recognition and our rights, the rulers sow the fear of ethnic wars and of division' (KTM 2015). This sentiment was also repeatedly heard during interviews. Meanwhile the hill elites drove a campaign that pitched federalism based on identity and an ethnic sense of belonging as impractical and too expensive, and suggested this proved that excluded groups could not make national interest decisions. The use of the bandh tactics furthered this campaign.

What was at stake from a federal structure was more than a question of 7 or 14 states which the political parties debated. The Maoist-Madheshi coalition wanted more states and proposed state boundaries that recognised deep-seated ethnic attachments to specific parts of the country by carefully shaping electoral constituencies, and naming new states according to the primary ethnic group in each area (Tillin & Shneiderman 2015:28). The NC and UML believed a 14-state federal model would weaken the country, be dangerously divisive to Nepalese society and lead to a Balkan-like civil war in the future (ICG 2012a).

A fundamental aspect of federalism debates concerns who should define the boundaries of identity. Anthropologists researching Nepal demonstrate that historically in Nepal, the process of bringing ethnic groups within state control has involved linking ethnicity to specific territories.[233] This is why Tillin and Shneiderman (2015:8) proclaim that it is ironic that those who control the state resist the association of ethnicity with geography in federalism debates. Identity was, and still is, historically and politically constructed and contested in Nepal (Tillin & Shneiderman 2015:11).

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[233] See: Burghart 1984; Gellner et al. 1997; Levine 1987; Tillin & Shneiderman 2015, 32.

Not all upper castes are happy with state-sanctioned identity categories either. Some Brahman and Chhetri communities resented being categorised as 'Anya' (others) by the Nepal state (UNRCHC 2012). Many Brahman and Chhetri groups felt that this denigrates their ancestors' contribution to unifying Nepal and makes them feel like foreigners in their own country (UNRCHC 2012). High caste Hindus resent the label of 'advantaged' that is often given to them because there are poor high caste Hindus and this label downplays individual agency and effort.[234] Federalism disputes fuelled emotions associated with identity labels on all sides.

Claims for social inclusion and ethnic-based states go against the internalised right held by many advantaged groups about maximising the benefits of social change (Bennett 2008:204–10). One Janajati development worker believed:

> They [dominant members from upper castes] became nervous … They never had to think how minorities felt. Now the dominant groups had to feel pain and fear about what they were losing … They felt excluded for the first time. Instead of thinking 'I don't want to be excluded and let's also not exclude the Dalits and the Janajatis', they said, 'if you take our language and religion as a factor for building a nation, it's ok. If not, it's not ok.' This is silly. If it is managed well everyone will win.[235]

Gaventa and Tandon (2010:15) explain that 'struggles over citizenship have always been, not only about the progressive expansion of rights and identities, but also about counter pressures or trends which serve to limit the rights and identities of others.' It can be very hard to find the middle ground on historical issues that are deeply personal and emotional.

Drawing on Kabeer (2005a) it is a search for justice and inclusive citizenship that demands ethnic-based states and identity recognition. The terms on which individuals participate in collective life and the forms of agency they are able to exercise is what defines their sense of citizenship (Kabeer 2005:22). Upper castes have the right to define their identity, link it to geographical places, and name places according to their mother tongues. According to citizenship theory, sometimes the struggle for rights begins with the 'right to have rights'—to be recognised as a full citizen (who can set the direction for the state, determine boundaries

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[234] Conference discussion at *Annual Kathmandu Conference on Nepal and the Himalaya.* Kathmandu: Social Science Baha.

[235] Janajati development worker interviewed 12 June 2013, Kathmandu.

and place names)—and later progresses into more substantial strategies (Arendt 1986). Building an inclusive state came to mean the same rights for excluded groups as what was enjoyed by the dominant groups (Tillin & Shneiderman 2015:27).

Excluded groups have always been excluded because of their identity and therefore their primary affiliation is to their identity group. A Brahman adviser for a donor explained that excluded groups are not recognised as Nepalese:

> Many marginalised communities are working hard to get their identities recognised. Inclusion is an aspiration for me but just the recognition of who you are is an important topic here. And after recognition then comes the question how to accommodate you in the governance system, but that is separate story. The first question is whether I know you as a citizen of Nepal.[236]

Being known as a citizen of Nepal morphed into the quest for a territorial base. This may 'reflect a lack of trust in the law as a guarantor of rights' (Bennett et al. 2012: xiii) or a lack of trust in the state.

In Nepal, most people's primary affiliation and how they define themselves is based on the characteristics of caste, ethnicity, religion, gender, race and geography. Over time these characteristics have become identities. Identities are shaped by encounters. For some elites that engage more in international affairs, their individual identity may be more about their country of origin or their business. According to respondents, many elites in Nepal tend to align with the discourse of neo-liberalism because this is what they encounter internationally, and by emphasising the individual neo-liberalism implies that they have worked hard as individuals to gain their elite status. One foreigner respondent stated that identity became more relevant during federalism debates: 'A Nepalese friend of mine said to me last year when she visited that when she left Nepal two years ago (2011) for study she was a Nepali and now she has returned as a Chhetri.'[237] The focus on identity and difference has created resentment and new grievances.

For excluded groups, being able to embrace, celebrate, define and assert their identity is crucial to their sense of belonging. Belonging involves one's status and one's sense of identity

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[236] A DP Brahman governance adviser interviewed 11 November 2013.

[237] Foreign development worker in risk management interviewed 30 August 2013, Kathmandu.

and 'tremendous emotional capital' that connects one (in terms of security and survival) to a group—whether the state or another group (Migdal 2004:14). The idea of identity and security being linked is relevant to research on social protection. Having one's group recognised by the state will first bring security (a form of protection), because being 'seen' results in resource allocation. This will be verified in the next chapter on affirmative action. It also suggests that distributing cash transfers by caste and ethnicity could bring double benefits – first by social security payments and second from identity recognition.

It is not that elites sat down and collectively worked out a strategy to subvert federalism or social inclusion. Individually elites had encounters with *naya* Nepal and did not like the outcome either because they believed they were entitled to a privileged position (consciously or unconsciously), were discriminatory, or sought greater power. Elites have always positioned their clients in a manner to achieve their desired outcome. With social inclusion and new political competition, the cost of doing this increased. While there may have been some collaboration between elites, especially between patrons and clients over the need to block social inclusion, they mainly would have worked independently.

While elites were able to assert their will through power, excluded groups only had their identity. Citizenship theory helps to make sense of the importance of federalism and why it contributed to a more general backlash against social inclusion. An earlier section revealed the way excluded groups identified potential advantages in their membership and mobilised around these even though it marginalised some members. Similarly, identity become a politically defined and asserted agenda. Identity is multi-faceted (Cederlöf & Sivaramakrishnan 2006) and contemporary ethnicity is particularly complex and contested (Tillin & Shneiderman 2015:10). Janajatis wanted to self-identify as indigenous and to have a degree of self-determination. They used ILO169 legislation to reaffirm and give meaning/credibility to this claim. Self-identification is a common feature of identity around the world and even when people are aware of its constructed nature it is emotionally powerful for them.[238]

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[238] See: Albert 2012; Chandra 2012; Comaroff & Comaroff 2009; Scott 2009; Tillin & Shneiderman 2015, 11; Wimmer 2012.

In Nepal identifying one-self as 'indigenous', under the definition provided by by ILO169, was rejected by upper castes as a fabrication:

> To assert one's identity is one thing, but to just manufacture identity for the sake of asserting it is another. There has been a radicalisation or an essentialisation of identity. Janajatis can appeal to international conventions and the discourse is towards special relationships that indigenous groups have with the land, etc. And you know, here you don't find that kind of group. There are very few groups in Nepal who have not been touched by modernity.[239]

Norms like 'ethnicity' or 'indigenous' carry values that may be judged as 'authentic' or 'inauthentic' in order to 'reverse or empty the content of the norm' (Krook & True 2010: 110). Or, to recolonise such terms in a manner that is more palatable to those with power. A rejection of ethnic identity may be related to misunderstanding as much as to power and control.

The conservative Chhetri Samaj group aimed to subvert the social inclusion agenda and is the only example of collective upper caste mobilisation. They argued that the Khas people (Chhetris) living in the Mid- and Far West regions of Nepal should receive Adivasi ('first settler') status (UNRCHC 2012). As this term is commonly translated into English as 'indigenous', it would entitle them to ILO169 consultations, affirmative action policies, quotas and other state benefits reserved for Janajatis. Many Janajati's resented Chhetri groups claiming indigenous status based on Adivasi or first settler definitions, especially as their native language was Nepali (UNRCHC 2012). Nonetheless, in May 2012 the government of Nepal (GoN) granted Adivasi status to the Khas people, angering Janajati groups and exacerbating emotions during final CA-I negotiations (UNRCHC 2012). The Chhetri Samaj wanted to show that indigenous identity was easily manipulated and not a strong basis for a state. According to Kabeer's (2005a) definition of justice, this must have felt unjust for Janajatis.

The problem with identity-based agendas is that social boundaries between groups are often more blurred than fixed definitions assume (ICG 2012a). Not all excluded groups wanted ethnic-based states or future secessionism. Not all political parties or Brahmans and Chhetris were anti-federalism or anti-ethnic-based federalism. There were other ways aside from federalism to address claims for rights. Seddon (2012) proposes that the concerns of the

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[239] Chhetri academic interviewed 4 September 2013, Kathmandu.

Madheshis would be solved without a 'one Madhesh state' if the electoral constituencies were re-examined to represent the actual populations that live in certain areas and that this should be done on the basis of universal rights rather than ethnic or caste identity. Tillin and Shneiderman (2015:32) point out that changing or creating new electoral boundaries across Nepal, would lead to changes in patterns of political representation. Upper castes in power were unwilling to give the Madheshis the reassurance they needed that their rights would be protected and some even went back on their promises to support federalism.[240] This made the Madheshi and Janajati demands for ethnic-based states more persistent. They were fearful that they would not have any rights without self-determination and ethnic-based states. They feared that all post-conflict social inclusion gains would be reversed. Historically divided societies have little trust between groups.

A limited understanding of states and democracy and unclear strategies further prevented a common understanding from emerging:

> This sounds very condescending but there were a lot of people who really didn't understand much political economy and they have a very old-fashioned idea about what nationality is and what a nation should be and that's what they wanted. They wanted a nation for their Tamangs or a nation for their Madheshis and they didn't realise that power can be transacted on lots of different levels. You need to have a state that reflects that Nepal is a multicultural state but you don't have to do it in terms of territories.[241]

There was a 'total miscommunication between the Janajatis and the Brahmins and Chhetris. Both had an old-fashioned Westphalian idea of the nation state which is totally outmoded and which would never work.'[242] Bennett et al. (2012, vii) note that 'there is probably an element of "bluff" in some of the demands because some minority groups are still unsure which of their claims are "appropriate" and which are not.'

For excluded groups to have their identity recognised they felt they needed to critique or deny aspects of Brahman and Chhetri identity. This meant excluded groups did not practice equal rights either. Kabeer (2005a:5) notes that the struggle for rights is expressed in ways that

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[240] Chhetri academic interviewed 4 September 2013, Kathmandu.

[241] Foreign academic residing in Nepal interviewed 14 November 2013, Kathmandu.

[242] Foreign academic residing in Nepal interviewed 14 November 2013, Kathmandu.

reflect particular experiences of being denied self-determination. At the village level, like at the political level, Brahmans and Chhetris wield considerable visible power. When the state is also disproportionately represented by upper castes, it is easy to see why upper castes, and not the impersonal, abstracted state (or even some of the Ranas who still control the state from the shadows) became the focus of Janajati resentment and misrecognition. How citizens perceive their own agency is immensely important along with how and who they hold accountable for their rights (Gaventa & Tandon 2010:11). This understandably caused upper caste groups concern as they felt *naya* Nepal would not offer them justice if they conceded to the demands of excluded groups.

8.8 Conclusion

According to the Tenth Plan, building an inclusive state means 'the state' will value, respect, include, protect and share power with the excluded. However, in practice it is very different and strongly disputed by upper castes and elites. The politics of representation and accountability become more important in an exclusive state because the power differences and diversities that exist between various actors and within groups needs to be restructured in a fair manner, and this requires support from external actors like donors (Scoones 2010). Political entrepreneurs and development partners play a critical role in cementing an agenda like social inclusion. Development partners can help create spaces for the legitimate application of rights and can ensure that marginalised and silenced voices are heard and participate in decision-making processes (Eyben 2005). Political entrepreneurs can also help the excluded to frame their arguments affectively and lobby on their behalf.

In Nepal, political actors mobilise people and resources to support them. Elite pacts may involve support from regional and remote areas, ethnic groups and even poorer social segments if it serves the interests of elites. It may also involve development partners or the exploitation of excluded group issues. Ethnic-based federalism claims aligned with the Maoist and Madheshi coalition but were opposed by a UML and NC alliance that represents wealthier (and therefore majority upper caste) groups. Upper castes stood to lose the most power from a federal model and the social inclusion project. The next chapter on affirmative action explores their domination of the development partner workforce. Potentially some

development partners were bought into the political settlement through public shaming and other tactics and this reduced the support excluded groups received.

Development partners need to be aware of the political settlement when they do engage in politically sensitive issues or they can unwittingly become complicit in elite pacts that lead to exclusive political settlements that reproduce inequality. While development partners can correct imbalances they too easily condone exclusionary practices and engage in passive exclusion as they rely upon Western assumptions about how states and societies should function. However, caution is needed not to overstate the role of development partners, because even without their involvement, the political settlement is likely to revert back to a more exclusive settlement because Nepal's institutions reproduce exclusion.

An inclusive settlement brought an end to the conflict and involved a large number of interest groups that made elite pacts for different reasons. Many had never experienced this degree of power before. Nepal has been a highly stratified and exclusionary state for centuries, and it will take some time for it to become an inclusive state. Yet, when external actors are involved in major state reform, changes can feel imposed and this can lead to fear and disempowerment for former power holders. Those who stand to lose may look to allocate blame, and as outsiders, development partners are easier to blame. Broader processes and systems, not just donors, produce inequality (Engel 2014:1385).

The theory of inclusive citizenship reveals how excluded groups construct their identity and give meaning to their actions. "Who" is held accountable for Nepal's situation and "how" effects inclusive and equitable state building. For an inclusive state to emerge, all sides of the inclusion-exclusion spectrum have to respect diversity and guarantee fundamental rights for all identity groups. Social inclusion in Nepal requires the values and norms of excluded groups to be given equal rights in policy and legislation and for them to have equal decision making rights in matters of the state. At the same time, the rhetoric that equates recognition of excluded identities with parity and denies upper caste identity needs to be revisited. Official recognition of identity does not equate with being treated fairly (Fraser 2003:203). Daily discontent is not always a matter of denied recognition. It may be about: resentment of unearned privilege; cruelty; aversion to arbitrary power; and revulsion against gross disparities of income and wealth (Fraser 2003:203). Additionally, criticising Brahmins and Chhetris and their worldview legitimised their self-interest, which is the very factor that needs

to change for equality to prevail in Nepal. This did a disservice to the whole social inclusion agenda, not just federalism debates.

This 'politics of becoming' (Pandian 2009) or learning how to strategise and mobilise through engagement, may be downplayed by some as semantics, self-interest or a lack of sophistication at understanding 'the rules of the game', but this over simplifies the huge role that identity plays in an excluded person's life; in their ability to access clean water, educate their children, etc. Although a lack of strategic capacity may be one explanation for why excluded groups were resolute about ethnic-based states, insisting on a politics of identity and difference is an attempt to turn categorical exclusions into categorical rights.[243] Collective rather than individual rights are necessary precisely because groups are excluded on the basis of their identity category (Tilly 2007:63). Kabeer (2009) takes this critique of power and state dominance further by highlighting cultural forms of exclusion, 'which are manifested in the ways in which the dominant social groups invisibilise, seek to impose dominant values, or routinely devalue and disparage certain categories of people.' In Nepal, discourse, identity, and policy is constructed to serve the interests of those with power.

For excluded groups to gain inclusion they must manifest the attributes of those who are already included but they do this at their own peril if they also adopt a rights based agenda. In Nepal's current society and culture, power involves social closure and shutting out the rights and opportunities of other groups in favour of your own group, among other traits. For social inclusion to prevail, networking needs to be inclusive and to break down barriers of difference and misunderstanding and any internal in-groups (Alexander 2005:10). Moreover, group power is a direct threat to elite bargains as it costs more than individual bargains.

Informal institutions produce and reproduce exclusion because exclusionary practices are internalised through socialisation (Lawoti 2010a). Excluded groups mirror the political game and their actions and strategies can be considered a product of an exclusive state. Excluded groups need to practice inclusion and develop strategies that can change (and not reproduce) the rules of the game. This will take time, education and motivation. Citizen mobilisation is fraught with challenges in Nepal. However, one critical adviser optimistically notes:

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[243] See: Mosse 2010; Pandian 2009; Tilly 1996, 2007.

Things have changed in a small, slow and much more realistic way. We were thinking the world would change and the world didn't change any more quickly than the world usually changes. I don't think it's going in a bad direction. I just think it's slow.[244]

Federalism may only marginally contribute to social inclusion, if at all. However, it is too premature to assess the potential of federalism to contribute to social inclusion because federalism has not been implemented, only debated and written into the constitution. An unknown variable is sequencing and whether consecutive reforms inflamed the backlash against social inclusion. If federalism had come before affirmative action, then the constitution drafting process would not have been as inclusive and the Maoists probably would not have gained so much power. When many initiatives are implemented together backlash is more likely and thus should be planned for and managed as a necessary part of finding the middle ground after conflict. Coercive and contentious tactics should also be expected, planned for and managed.

This chapter answers the supplementary research question; what does building an inclusive state mean in post-conflict Nepal. When compared to the social protection chapters, it becomes clear that building an inclusive state requires reducing elite capture and elite jettison. Achieving this involves many initiatives and persistence. It requires more savvy donors and more organised, educated and represented marginalised groups. Major structural transformation is required to build an inclusive state in Nepal and this will take time.

Social protection is connected to the inclusive state-building agenda but efforts occurring in the social protection space should be better integrated into the state-building agenda and successes and challenges compared and shared. The initial reason for examining federalism (and affirmative action) was contextual. However, the grounded theory method allowed for a deeper analysis. This revealed the way the social inclusion project, or inclusive state building, threatens elite power and unravels elite bargains. Social inclusion is not the obverse of exclusion, rather 'social inclusion is a distinct project with its own logic' (Askonas & Stewart 2000; Hanney 2002). The next chapter examines affirmative action and reveals similar themes.

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[244] Development worker interviewed on 26 July 2013.

Chapter 9: Affirmative Action[245]

9.1 Introduction

As explained, the alternative instruments initiated to achieve social inclusion represent the changing structural context against which social protection must be understood. They highlight the major efforts occurring to produce transformative structural change in Nepal. While the previous chapter showed that resistance to ethnic-based federalism is public and dramatic, resistance to affirmative action is more covert. This chapter captures the nature of Nepal's shadow state.

The previous chapter contextualised the social inclusion project, federalism, excluded group mobilisation and revealed the state to be highly fragmented and influenced by elites. This chapter explores the role of affirmative action in creating a more inclusive state and reveals why Nepal's informal institutions, like the *aafno manchhe* are still practiced despite modernisation and democratisation. This chapter further illustrates the way a major axis of organisation in states like Nepal involves the formation of clientelistic networks and factions' (Gore 1994). Thus 'exclusion from representation is seen in terms of lack of access to the economic advantages that pertain to government offices' (Gore 1994). This is why the adverse incorporation and social exclusion framework argues that clientelism 'acts as a form of closure, whereby political elites [are repeatedly able to] secure the resources required to fuel the patronage system and maintain power' (Hickey and du Toit 2007:10).

Access to the state provides a level of security hard to find elsewhere for Nepal's excluded groups. Holding a government office delivers the opportunity to align with a powerful patron, as well as a secure income, health insurance and a pension. Additionally, in a largely unaccountable state, bureaucrats and politicians can help themselves to additional state revenue and resources that allow them to maintain their own *aafno manchhe* (one's own people) network. This includes the ability to form one's own clientelist network and faction. There are many benefits to state access in a clientelistic state that go beyond employment.

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[245] A version of this chapter has been accepted for publication in the journal *Development Policy Review*.

Jeffery and Lerche (2000:861) note that it is 'access to state power in a wider sense that is of importance for the reproduction of social difference' and class advantage.

Affirmative action was part of the political settlement that emerged post-conflict and therefore was part of the bargain struck by elites to maintain peace and social control. The interim constitution and CPA mention positive discrimination and proportional representation. The *Civil Service Act 1993* was amended after the interim constitution was drafted in 2007 to include quotas. A reservation of 45 per cent was set and of this, 33 per cent was reserved for women, 27 per cent for indigenous groups, 22 per cent for Madheshis, 9 per cent for Dalit, 5 per cent for differently abled and 4 per cent for 'backward regions.'[246] The remaining 55 per cent of posts were to be filled through open competition. Following the 2006 CPA, the Nepalese government looked for guidance on how to implement affirmative action and turned to international actors for support. The government took the Swiss policy on workforce diversity as a starting point for affirmative action.

Evans (1995:204) argues that when states are embedded with society then the government is more efficient and representative. In Nepal's case, the state is embedded in society, even mirroring the hierarchical, Hindu based social stratification system introduced when Nepal was unified by the Rana Dynasty between 1740 and 1769. However, the state is not representative of all citizens nor all of society. The values and beliefs of the ruling Ranas and upper castes have been prioritised and institutionalised since the 1854 *Civil Code* was introduced. To apply James Scott (1998), the state 'sees' the country framed by the ruling elite who dominate the state apparatus. This will have a bearing on a range of policies, including those that comprise the social inclusion project and social protection.

The state chooses to 'see' those it considers citizens (Scott 1998) and in terms that they control. Caste and ethnicity were first recorded in the 1991 census where 59 ethnic/caste groups and 31 languages were recorded (Niroula 1998). This recognition improved gradually: the 2001 census recorded 103 ethnic/caste groups and 92 mother tongues and the 2011 census recorded 123 mother tongues and 125 caste/ethnic groups. The 2001 census established proportional representation quotas but still held a limited view of the citizenry. The state of

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[246] The bottom nine districts (of 75) on Nepal's development index are considered 'backward' and include Achham, Kalikot, Jajarkot, Jumla, Dolpa, Bajhang, Bajura, Mugu and Humla.

Nepal has been blind to the needs (and even existence) of certain caste and ethnic groups. Being "seen" as a citizen in Nepal can arise from conflict or cross group alliances.

Prior to the civil service being formalised in 1956, it consisted of monarchy-appointed relatives and friends (Awasthi & Adhikary 2012:5). Colonial strategies used for political stabilisation involved the promotion of administrative groups and an 'intermediate class' (Khan 2010:56). In Nepal's case, the intermediate class comprised largely of Brahman and Chhetri groups and some Newars. The proximity of Newars, who are the indigenous inhabitants of Kathmandu, to the state machinery has seen them better represented in state structures than other indigenous groups. In 2006, Brahman, Chhetri and Newars held 95 per cent of total civil service positions; 91 per cent of the judiciary; 72 per cent of cabinet positions; and 68 per cent of parliament—yet represented only 36.37 per cent of the population (Neupane 2005, cited in Lawoti 2010).

The armed forces, political parties, academic leadership and civil society leadership reflected this demographic dominance, indicating a monopoly over all forms of leadership (Lawoti 2010). Men were also disproportionately represented. Prior to 2007, the civil service had only seven per cent representation of women; less than one per cent was senior first class officers (Bennett & Sharma 2006). The Rana's strategy of promoting an 'intermediate class' of Brahmans and Chhetris has had a significant and long-lasting effect on the state structure of Nepal. This is why Laws (2012:28) argues that 'exclusive pacts can lead to political instability.' Struggling for resources and representation is a gigantic challenge for disempowered and excluded groups in such as a state.

Affirmative action necessitates replacing personalised arrangement of appointments with a structure that favours unknown members of different identity groups. Contemporary arrangements of power in clientelist states involve an exchange of favours and rewards that come in different guises and include public jobs[247] (Khan 2010:63). Patrons maintain the loyalty of their clients through rents or risk clients offering their services to other patrons (Khan 2010:63). As these relationships are mutually constitutive, clients need to offer benefits that have value to patrons and demonstrate loyalty to maintain the relationship. 'Power begets

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[247] Favours and rewards can also be called 'rents' and include 'access to natural resources, *access to public jobs* and procurement contracts, or of the conferral of privilege through restrictive economic policies' (Levy 2014:23 [emphasis added]).

power' in such a system, meaning excluded groups are unlikely to offer the same utility to patrons even when they have greater access because they lack the networks required to manoeuvre backroom deals.

This chapter examines the implementation and outcomes of affirmative action policies in the civil service, political parties and development partners. It discusses the manner in which class, caste and informal practices such as discrimination, *aafno manchhe* and clientelism affect the potential of the social inclusion project. It concludes that parity of participation alone cannot achieve social inclusion in a clientelistic state where many informal institutions govern behaviour. Nepal's institutions have to formalise. This chapter further illustrates that the problems of society in Nepal are 'rooted in structures that reproduce inequalities of a systemic basis' (Kabeer 2005a:196).

9.2 Civil Service Affirmative Action

Development partners helped to implement the civil service affirmative action system. DFID[248] funded a civil service reform program that had a large affirmative action component. It worked with the Public Service Commission (PSC), which had the mandate for affirmative action. It addressed the policies of recruitment and selection of applicants by raising awareness of reservations, and encouraged excluded groups to apply by running preparatory examination classes and accepting lower exam scores.[249] It added six days of diversity training to the 90-day basic administrative training for new recruits.[250] In short, a concerted effort was made to recruit more excluded groups.

Data challenges were also overcome. The Swiss Agency for Development and Cooperation (SDC) and DFID together supported a program that worked with the Department of Civil Personnel's Record Office under the Ministry of General Administration (MoGA), which collected sex-disaggregated data but did not collect caste or ethnic data. Although caste and

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[248] DFID, the UK aid organisation.

[249] Open seats require a mark of at least 60 per cent and reserved seats, only 40 per cent or higher.

[250] Information in this paragraph comes from an interview on 24 July 2013, with an *Enabling States Program* employee.

ethnicity can often be determined by surnames, some Dalits have changed their surnames to Brahman names to avoid discrimination and so a system was implemented to allow for the self-reporting of all civil servants' caste and ethnicity. This way an accurate baseline could be used to assess the diversity of the civil service overtime.

There was even leadership support. A PSC employee involved in implementing the DFID-funded project for affirmative action explained that his manager is supportive of affirmative action. His manager (secretary level) wanted to come to district recruitment drives to raise the profile of the civil service as an inclusive employer.

> He is Chaudhary you know from the Tharu community, so if he wants to go with us, it is very nice because it shows the public service is very fair. More people will believe it.[251]

Unfortunately, the secretary's lack of availability delayed the program.

Comparing the posts available in 2009/10 (see Table 9 second column) versus those recommended by the PSC for employment (second last column) shows quotas were substantially under-met in 2009/10. However, the 2010/11 quota targets were met or exceeded except for the Dalit target (also Table 9). Surprisingly, the total number of applicants between 2009/10 and 2010/11 did not increase overall, but the number appearing in interview did, suggesting more were passing the entrance exam.

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[251] He is referring to the week-long Dashain holiday that is followed around four weeks later by the Tihar holiday. Nepalese frequently take a month off to travel back to their home village for this festival.

Table 9 Civil Service Statistics Comparative Chart[252]

Description	Total Posts		Total Applicants		Those appeared in written examination		Those appeared in interview		Recommended by PSC***	
	09/10	10/11	09/10	10/11	09/10	10/11	09/10*	10/11**	09/10*	10/11**
Women	495	367	55,902	44,137	NA	29,297 (66.38%)	181	987	86	471
Adibasi janajati	368	286	22,196	18,694	NA	10,593 (56.67%)	124	803	59	371
Madheshi	319	235	13,734	12,597	NA	6,894 (54.73%)	78	547	36	300
Dalit	142	119	4,155	4,284	NA	2,349 (54.83%)	10	210	10	105
Disabled	64	45	2,106	2,348	NA	1,346 (57.33%)	23	132	9	59
Backward Areas	43	34	2,830	2,167	NA	1,241 (57.27%)	20	127	6	43
Total	1431	1086	100,923	84,227		51,720	436	2,806	206	1,349

Source: Awasthi & Adhikary 2012:67

By 2012/13 (Table 9), more members of excluded groups applied for civil service positions compared to 2009/10 or 2010/11, and sat the exam, suggesting the recruitment drive was working. However, fewer people passed the entrance exam nor made it to the interview stage. So despite leadership support and success in 2010/11, quotas were not met in 2012/13. The number of selected recruits from excluded groups had not reverted to 2009/10 levels but there was a considerable loss on the 2010/11 gains.[253] Nevertheless, Table 11 shows that overall the bureaucracy is more representative of excluded groups in 2011 than what it was in 2006, when the Brahman, Chhetri and Newaris held 95 percent of positions.

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[252] * Covers only those interviewed in the central office.

** Also includes those interviewed in regional and zonal offices

*** The number of recommendations made by the PSC is more than the total positions due to the carryover of the recommendations from the previous financial year.

NB: On average more than 40 per cent of the applicants do not attend the written examination.

[253] Unfortunately, the 2011/12 figures were not collected by the researcher and the public release of the figures was held back by the long caretaker period of government and backlog of work.

Table 10 Civil Service Recruitment Data for the 2012/13 Financial Year

Description	Total posts	Total applicants	Appeared in written examination	Appeared in interview (central level)	Central level recommended by PSC	Appeared in interview (regional/ zonal)	Regional/ zonal recommended by PSC	Total selected
Women	617	70,450	37,758	164	76	595	296	372
Janajati	482	36,384	16,803	134	62	556	256	318
Madheshi	369	26,584	11,489	112	51	427	203	254
Dalit	165	6,317	3,208	33	17	201	89	106
Disabled	97	2,509	1,630	14	7	117	44	51
Backward region	66	3,936	1,990	11	5	90	30	35
Total	1,796	146,180	110,478	468	218	1,986	918	1,136

Source: author collected during interview with PSC 10 November 2013.

Table 11 Representation in the national bureaucracy by broader social group 2011 figures[254]

Caste/Ethnicity	Employee %[255]	2011 % National Population[256]
Hill Brahman	39.2	12.2
Hill Chhetri	22.3	16.6
Terai Brahman/Chhetri	3.3	0.5
Terai Other Caste	9.7	15.4
Hill Dalit	0.9	8.7
Terai Dalit	0.5	4.6
Newari	7.9	5.0
Mountain/Hill Janajati	15.6	24.4
Terai Janajati	7.0	7.3
Muslim	2.6	3.5

Source: Gurung and Tamang 2013:43-44 and GoN 2012.

A number of possible reasons including program delay and bureaucratic inefficiencies were said to explain the poor quota results in 2012/13. Only the secretary level has decision making and financial delegation responsibilities. One respondent suggested they micro manage so many tasks.[257] The process of having decisions approved in the bureaucracy is slow and being accountable to an external actor added an additional layer of process and further delayed implementation.[258]

It is a notable improvement that examinations are now allowed in English as well as Nepali, although some respondents suggested it should be in other languages as well. According to a

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[254] There are considerable challenges making comparisons across time and social group. Different reports count and subdivide social groups differently. For example, certain groups categorised as Terai in 2001 census and lobbied to be defined as Terai Janajati in 2011 census reports. 'Tarai middle castes' have been labelled and divided differently in different reports. Additionally, Dalits argue that their proportion of the population is closer to 20 percent but many do not identify as Dalit during census data collection because they have spent considerable time investing in moving locations and changing their surname to escape their 'low caste/untouchable' status.

[255] Source: Gurung and Tamang 2013:43-44.

[256] Source: GoN 2012

[257] Bureaucrat from the PSC 10 November 2013.

[258] Bureaucrat from the PSC 10 November 2013.

respondent, the exam questions are biased towards a Brahman–Chhetri worldview and if it was written in other local languages this bias would reduce.[259] Additionally, many excluded groups, are not proficient in English nor Nepalese and feel that language is a barrier to entering the civil service (See: Miklian 2008:13).

A PSC employee complained that it was difficult to reach quotas because it is hard to attract the 'right' people to the civil service. The educational attainment rates of some excluded groups are particularly low. The Dalit quota was the hardest to fill because 'If Dalits are educated they go and work for an NGO, which pays better than the civil service.'[260] Education may be a plausible explanation for the Dalit quota not being reached but it cannot as readily account for the Janajati or female quota not being reached. Other factors influence the impact of affirmative action.

9.2.1 Discrimination

Some respondents cited deliberate attempts to undermine affirmative action. According to respondents, there is a regulation in the *Civil Service Act* that states that if quotas are not filled one year, they should be added onto the next year's quota. A Madheshi lawyer who has taken the government to court about this on a 'number of occasions,' claims this is only arbitrarily done. He said:

> In the Public Service Commission, there were three quota seats for officers in the bureaucracy last year but no Madheshis passed. But this year the bureaucracy did not add the seats. So, we are going to challenge it this week.[261]

While this could be a sign of inefficient office practices and weak governance, the respondent suggested the reason was discrimination. He explained:

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[259] Janajati development worker interviewed 12 June 2013.

[260] Bureaucrat from the PSC 10 November 2013.

[261] Madheshi lawyer interviewed 30 December 2013, Kathmandu.

We litigated 70 cases of discrimination against social inclusion by the bureaucracy, judiciary and security forces at the Supreme Court and in most of the cases we had success.'[262]

In these instances, even the courts agreed that discrimination existed.

Discrimination could also explain the challenges in meeting the quotas after 2010. MoGA narrowed the eligibility for identity-based quotas to those who are economically and socially deprived. A foreign academic thought that means-testing the quota was done to reduce the pool of eligible candidates who could pass the entrance exam:

I think it is very insidious what the civil service is doing. Representation in the civil service is really about who you are. It's a political influence thing. It's not about your welfare. So not allowing an educated well-off Dalit to take advantage of the quotas is a sneaky little trick as far as I am concerned.[263]

So, while anyone can sit the exam, the ability of excluded groups to face an interview depends on their economic status as well as their result. Given the low literacy rate and historical barriers to education of Dalits, there are not many poor but educated Dalits. The academic felt that introducing this caveat will reduce the ability of the civil service to recruit Dalits and was discriminatory. Bennett et al (2010) explain this interpretation of the *Civil Service Act* 'as an illustration of the way that elites in the civil service can block implementation of changes agreed to in the political arena.'

A number of respondents concurred that it was the attitudes of elite castes and their sense of entitlement that prevented quotas from being fulfilled. A lawyer explained:

Look we have had reservation policies in India since 1947 and they are implementing it quite well there. There is diversity but diversity and difference is not seen as a problem, it is a beauty. But in our context it is projected as a problem as something that creates violence and this is because everyone in the bureaucracy and donors too are Brahman/Chhetri.[264]

A Dalit argued:

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[262] Madheshi lawyer interviewed 30 December 2013, Kathmandu.

[263] Foreign academic interviewed 14 November 2013.

[264] Madheshi lawyer interviewed 30 December 2013.

Active participation means there must be positive discrimination but there must be special provision in the decision making level, in the executive committees. Dalits talk and nobody listens in Nepal. This type of mind-set we have here. I went to an international conference and everyone listened to me … the system suppresses people like always.[265]

Quotas were not enough in the context of Nepal because the attitudes of advantaged castes also need to change to build an inclusive state.

Similar to the findings in the literature, affirmative action measures were labelled as anti-merit and unfair by hill elites. A government interviewee described a commonly heard complaint against affirmative action:

Some people score higher than 60 per cent on the civil service exam but miss out on a place and complain. They say 'there are no opportunities in Nepal' and that they have to go overseas for opportunities because even their government won't let them in.[266]

A senior bureaucrat felt that affirmative action reduced the productivity of the country and caused disputes:

In the name of inclusion and targeting, we should not compromise the meritocracy. That merit can yield more product. If we empower properly the Dalit and vulnerable community, even the poor Brahman, we will be a global asset. But if we give only to them, the remaining society will be frustrated.[267]

Some respondents suspected that affirmative action did not find the best person for the job. As the literature review highlighted, singling out certain groups for special treatment is frequently met with resistance around the world.

Some respondents blamed the lack of accountability in the civil service as an inhibiting factor to the bureaucracy becoming more inclusive:

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[265] Dalit NGO leader interviewed 7 August 2013.

[266] Bureaucrat from the PSC 10 November 2013.

[267] Senior bureaucrat interviewed 28 November 2013.

at the implementation level there is no mechanism to monitor bureaucrats. There is no monitoring to strategically change the behaviour of the bureaucracy. They are not very friendly to inclusion. So, convincing them is not happening.[268]

A Janajati development worker lamented that:

There is no performance evaluation in this country. It is just on the whim of the supervisor who gives some marks because he/she likes that person. In the whole bureaucracy you might have 10 people who sincerely focus on delivery and are highly professional. Most have lost all motivation and have no accountability.[269]

In post-conflict states, the appetite for reform and productivity is slow in the absence of accountability (Becker & Golstone 2005).

The broader institutional culture can actively discourage affirmative action and social inclusion (ADB et al. 2012:14). Stereotypes about groups can be so ingrained in the labour market that recruitment managers or peers do not even realise that they have internalised them (see Deshpande & Newman 2007). Indications were given that bureaucrats felt they would be 'laughed at' if they advocated for excluded groups or women (ADB et al. 2012:14). One respondent explained:

My conclusion is that the culture of institutions hasn't changed at all. Because our bureaucracy is not very diverse—highly one gender, one caste and one set of orientation—all agreeing to one set of values and it would be difficult for them also to think of the other way, find alternatives and know that there are also different ways of doing things which could be better.[270]

This led a number of respondents to advocate that behavioural change should accompany affirmative action. Collectively, the evidence suggests that discrimination, resistance to quotas and weak governance and potentially a desire to maintain the status quo inhibit civil service affirmative action from being more successful.

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[268] Madheshi lawyer interviewed 30 December 2013.

[269] Janajati development worker interviewed 12 June 2013.

[270] Janajati development worker interviewed 12 June 2013.

9.3 Political Inclusion

This section explores the history of affirmative action in political parties. Of utmost concern to excluded groups is political representation. Brahmans and Chhetris have always dominated all major political parties at the local and central levels (ILO 2005; Neupane 2000). Hasan (2014:240) explains that political representation is often viewed as a pursuit of recognition—the quest for dignity and a way to redress disparities. A Dalit respondent confirms this:

> Unless and until people from the Dalit community are in political decision making positions and they are making policy and can focus on whatever our people need and can raise our agenda, things will not change.[271]

Given the importance of political parties and regimes to Nepal's state and society, political representation is considered a precondition for securing rights, justice, basic services and development resources.

The 2008 CA elections were the most successful for women[272] and were impressive by international standards: Nepal ranked 13th out of 188 countries in the world (up from 69th in 2007) in terms of percentage of women in national parliament.[273] According to the *Election Act 2007*, political parties that win over 30 per cent of proportional representation seats should ensure 50 per cent women members, 31.2 per cent Madheshi members (equal gender ratio), 13 per cent Dalits (women and men 6.5 per cent each), 37.8 per cent Janajati (equal gender ratio), 4 per cent from backward regions (equal gender ratio) and 30.2 per cent 'others' (equal gender ratio). Although the actual quotas for women and Dalit were not met, the new electoral system produced a far more inclusive CA than what would have been possible without quotas (Vollan 2008).

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[271] Dalit NGO leader interviewed 7 August 2013.

[272] Political quotas for women were first implemented in the *Local Election Act 1997*. This Act mandated all political parties to have at least one female candidate at the village, municipality and district levels, resulting in several thousand female candidates being elected to the Village Assembly in 1997 (ADB 1999; Parajulee 2010). At the central level, the 1990 Constitution required every party to allocate at least 5 per cent of seats to female candidates for the Lower House but just 3 per cent to the Upper House, resulting in 7 elected female representatives in 1991 and 1994 and 12 in 1999 (ADB 1999). However, the elected women were largely from the dominant Brahman, Chhetri or Newar groups and held junior positions within the party (UNDP 2007).

[273] Unfortunately, after the 2013 CA elections this figure dropped to 29.9 per cent, ranking Nepal 36th out of 189 countries (See: http://www.ipu.org/wmn-e/classif.htm).

Despite successes, there were problems with the new proportional representation system. The quota process was more complicated for the parties than it needed to be to produce a proportional representation result (Vollan 2008). Identity definitions were complex and unclear: the United Nations Mission in Nepal (UNMIN) found more than 20 obvious mistakes when they reviewed the classification of all the proportional representation candidates. The short-listing process was not as helpful as intended: of the 58 seats won by short listing, the Madheshis won 72.4 per cent, Janajatis 22.4 per cent and Dalits only 8.6 per cent (Vollan 2008). Madheshis and Janajati did well even in the FPTP race where quotas were not applied because the votes were captured by the privileged and the well networked (Vollan 2008). The genuinely underprivileged and excluded did not win seats; the lower castes within the Madheshi group and the marginalised Janajatis were only slightly helped by quotas (Vollan 2008).

Voices from all sides of affirmative action called for the *Election Act* to be reformed before the 2013 election. Vanaik (2015) found that Nepal's old elite 'considered the social composition of the assembly to be an affront' and that it was too large to bring results and that quotas should be reduced. Excluded groups were concerned that the 2013 results would not be as inclusive as the 2008 election unless the system was changed. Some argued that parties had learned to manipulate the proportional representation system and the short-listing process, and others that it was not as helpful as hoped for initially because the wealthier and well networked still won more seats (Vollan 2008). Either way, excluded groups wanted the *Election Act* amended prior to the 2013 election.

The electoral system is part of the constitution drafting process and was therefore left unchanged for the 2013 election, knowing that change would follow once the constitution was passed. However, the 2013 CA election results not only had less inclusive representation (See Table 12) but gave the majority of votes to the conservative traditional NC party. Despite a ten-year civil war and affirmative action policies, Nepal currently has a similar leadership as in the 1990s (Panday 2012:92). The next section will explore some of the reasons given by interviewees.

Table 12 Constituent Assembly of Nepal: Statistical Comparison

Ethnicity	2008					2013				Difference (2013 – 2008)				
	FPTP	PR	N^2	Total	%	FPTP	PR	Total	%	FPTP	PR	Total	% Within	% Overall
Hill Dalit	6	30	0	36	5.99	1	26	27	4.70	-5	-4	-9	-25.00	-1.57
Madhesi Dalit	1	12	0	13	2.16	1	12	13	2.26	0	0	0	0.00	0.00
Hill Janajati	66	89	9	164	27.29	43	88	131	22.78	-23	-1	-24	-14.63	-4.17
Terai Janajati	13	30	7	50	8.32	19	27	46	8.00	6	-3	3	6.00	0.52
Madhesi	48	76	4	128	21.30	36	65	101	17.57	-12	-11	-23	-17.97	-4.00
Muslim	7	9	1	17	2.83	5	12	17	2.96	-2	3	1	5.88	0.17
Hill Brahmin, Chhetri	99	89	5	193	32.11	135	105	240	41.74	36	16	52	26.94	9.04
Total	240	355	26	601	100	240	335	575	100	0	0	0	0.00	0.00
Women	30	161	6	197	32.78	10	162	172	29.91	-20	1	-19	-9.64	-3.30

Source: UNDP 2014[274]

9.4 Challenges with Political Quotas

Affirmative action is useful for moving excluded groups into political office but this does not translate into decision making power. Indeed, very few senior roles within political parties were assigned to quota seat holders. Of 308 members in the central committees of the four main political parties, only 42 (14 per cent) were women, Dalit presence ranged from 2 per cent in the Unified Communist Party of Nepal (Maoist) to 7 per cent in the Communist Party of Nepal (CPN–Maoist); Janajatis fared the best in the CPN–Maoists at 35 per cent and the worst in the NC at 18 per cent (Thapa 2013). A female Madheshi Muslim bemoaned, 'If we had real decision making power, we would have brought development to our places which would have created employment opportunities and the younger generation would not have to go abroad for work.'[275] Excluded groups may have been included in political parties but not necessarily given equal power as Table 13 reveals.

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[274] While the FPTP results were worse for excluded groups in 2013 than 2008, the point to note is that Hill Brahman and Chhetris gained more PR seats in 2013.

[275] Leader of Madheshi Muslim women's NGO, interviewed 22 August 2013.

Table 13 Representation on the Central Committees of Political Parties by Broader Social Group—2008 Figures

Caste/Ethnicity	% in central committee	% National Population 20 Census
Hill Brahman	24.3	14.3
Hill Chhetri	18.1	16.6
Terai Brahman/Chhetri	4.1	1.0
Terai Other Caste	13.4	13.6
Hill Dalit	2.8	9.1
Terai Dalit	2.7	3.9
Newari	6.4	5.5
Mountain/Hill Janajati	15.6	21.9
Terai Janajati	7.0	9.8
Muslim	2.6	4.3

Source: Gurung & Tamang 2014:36

This evidence suggests that political parties do not genuinely practice social inclusion. Social inclusion brings political capital and that is why political parties superficially support it. Outside the mandated requirements, social inclusion is not practiced.

The perceived low performance of quota seat holders in the 2008–12 CA and the running of uneducated and disempowered candidates was seen as another reason why the 2013 elections went badly for excluded groups. One Dalit interviewee commented:

> Parties don't want to take vocal, educated, and able people into the party. They just pick people in the name of inclusion. If you look at who they choose, these Dalits don't know anything about international conventions or policy or what the government has signed, they have no analytical skills and they can't raise their voice or put issues on the table. They are just symbolic representation. We want to see meaningful representation, active participation overall.[276]

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[276] Dalit NGO leader interviewed 7 August 2013.

Quotas drove political parties to run candidates from excluded population segments and they supported candidates who were often timid or depoliticised, possibly due to the desire to maintain the power embedded in existing arrangements and possibly because of discrimination or resentment of the quota system. Regardless, it reaffirms that political parties have little regard for accurate and inclusive representation.

In addition, those who win seats from affirmative action measures are never seen as fully competent because they are integrated into activities and institutions that favour elites and those who are well networked (Shneiderman 2013:53). Class adds an extra layer of challenges to quota seat holders. Quota seat holders cannot buy votes and cannot compete with the wealthy for political seats without political party backing. Members of excluded groups lack a wealthy and well connected network. This makes them dependent on the political party funding during campaigns and, they 'owe' the political party once elected. Wood (2003) describes this as a Faustian bargain whereby those with the least power trade away their agency in return for benefits. This means they may not be able to voice their true concerns if they are at odds with their patron. Quotas do not necessarily produce parity of participation in clientelist states and this affects voting preferences. An additional point to emphasise is that class and wealth shape political opportunity.

Another academic concurred that power and wealth can be bigger barriers to substantial social inclusion than caste or ethnicity:

> I would emphasise the class nature of this dominance. It's not just that people are Brahmans and Chhetris or Newar. I see it as a power and wealth control issue rather than one that should be framed always in terms of caste and ethnicity. … in my view there is a class basis under which it is the rich and powerful who control the country (Seddon 2012).

Fuller (1996:17) argues that in India class distinctions are as culturally constructed as caste or other identity categories. Whereas Jeffrey (2001:232) emphasises how caste and class are separate but overlapping axes of domination in India. These categories can be used as a basis for spatial and social control that result in double exploitation (Jeffrey 2001:232). This also seems relevant to Nepal because even when the state chooses to "see" citizens through quotas it can reinforce asymmetrical relationships and only include them in restrictive or superficial terms. This illustrates the way traditional forms of exclusion – social closure (whereby groups

with power prevent others from having the same opportunities through various processes such as monopolising resources or creating relationships of dependence and adverse incorporation) and the caste system – interact with wealth to deepen exclusion and prevent meaningful political representation.

An additional variable is the *aafno manchhe* system which reinforces clientelism and undermines many reform efforts including affirmative action and undermines the individual efforts of excluded groups. In Nepal's system individuals gain power by serving patrons and helping them to find ways to win the game. When older patronage models combine with social stratification associated with wealth and caste, it is very hard for traditionally excluded groups to move out of their excluded position. To do this would require resource transfers as excluded groups are unlikely to generate enough resources alone to improve their position as the state and social structure continues to work against them regardless of how much effort they put in. As Stewart (2015) notes horizontal inequality or group based exclusion has little value to society because even if individuals work hard it will not change their social position. It is no wonder that Bista (1991) exclaimed that the *aafno manchhe* system leads to a sense of fatalism.

Informal systems dictate the way formal systems operate. Rawls idea of social justice being connected to just institutions is highly relevant in the context of Nepal. Democratic consolidation increased competition for power but it did not change the informal institutions that operate behind the state or processes of exclusion:

> The parties have no interest. The parties are controlled by people who've no interest…in fact they have an interest in not letting this [the social inclusion project] work. So that's status quo and basically the whole power structure, the whole set of power relations is built on not letting this happen.[277]

Instead of having a monarchy, Nepal now has four fiefdoms all competing with, and for, state resources:

> The Brahman and Chhetris who control the political parties are basically interest groups. They are clans of groups that are going to share patronage. They are not ideological parties and that's one of the things you have to get. The ideologies that they say they represent is bullshit. I mean they do on some level because that's the

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[277] Foreign academic interviewed 14 November 2013.

game they are playing but...basically there are no parties that represent the interest of the excluded groups.[278]

All political parties nurture and exploit patterns of identity and social division for personal gain.

Informal institutions have endured despite democracy and modernisation because they reinforce and reward an unaccountable state that maintains the status quo. Regimes and leaders may change but what underlies this are many informal institutions – 'the rules of the game' – that structure social relationships and opportunities for power and mobility. Despite formal systems changing, the informal systems remain and players learn new rules to navigate behind the formal changes. This situation is akin to isomorphic mimicry whereby states only pretend to reform. In Nepal, an estimated 400 individuals hold key influential positions and despite knowing each other do not collaborate to solve the country's problems as maintaining power takes priority (Ghani & Lockhart 2009:76).

9.4.1 Attempts to Maintain Power

This section confirms how an unaccountable state maintains the status quo. Patrons and the political parties control and maintain power in various ways including through the manipulation of recruitment in Nepal. Thapa (2010:123) argues that:

> At all levels of Nepalese public services, favouritism is being practised based on proximity to political parties. Nepotism and kinship are other instances that help to provide appointments while side-lining meritorious candidates.

Mishra (2014) concurs and argues that political parties control all leadership positions, even in universities: 'political parties mutually allocate "seats" among themselves and appoint party members and well-wishers as well as personal relatives to such positions.' The intellectual quality of applicants is a peripheral attribute, which is why merit-based claims against affirmative action by upper castes are incongruous.

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[278] Foreign academic interviewed 14 November 2013.

Political manipulation also affects the bureaucracy and affirmative action outcomes overall. In Nepal's state and society there is only upward accountability to a patron and not downward accountability to the people/citizens. In terms of the civil service Mishra (2014) claims that:

> The employee unions, egged on by political parties, play havoc with physical and ministerial location of staffing—much of which has to do with the distribution of corruption-high opportunities and direct rent seeking … [and they] bend and break the monitoring and supervisory system.

Similarly, a Madheshi NGO director claimed the quota for women was manipulated:

> The 33 per cent government jobs allocated for women is being misused because the seats are represented by the family members of the politicians belonging to the hilly areas. Educated and qualified women are not getting an opportunity. We are demanding a separate mechanism to ensure representation of Madheshi women from the allocated 33 per cent.[279]

Additionally, one newspaper article suggested that:

> high caste men have been manipulating their surnames to sound more like prominent indigenous and Janajati surnames. For example, the use of 'la' at the end of surnames (e.g. Dahala, Nepala, Khanala) has spread in order to secure the control of the traditionally dominant groups over state bureaucracy and resources (Chaudhary, Tamang & Leslie 2014).

There is a myriad of ways to manipulate control in a state that is only accountable upward.

According to respondents, some upper castes with power co-opt a system that works for them with as little cost and effort as possible. Their intent is believed to be deliberate, discriminatory and involves social closure. For other respondents, the discriminatory behaviour reported is based on 300 years of socialised practice and it is now so ingrained that it is automatic but unconscious. So while meddling in recruitment can reflect patron client relations, the research reveals a separate and distinct problem associated with the sense of entitlement and superiority held by upper caste groups.

Nevertheless, all castes and ethnic groups recruit according to personal interest and not merit. A review completed by the Social Inclusion Action Group (SIAG) (2008:24) concurs that

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[279] Madheshi NGO director interviewed 8 August 2013.

aafno manchhe is practised by all social groups in Nepal and not just the privileged. Project Team Leaders seemed to favour recruiting staff from their own community whether they were from 'advantaged' or 'disadvantaged' communities. Leaders with or without intention promote caste loyalists because they feel secure and comfortable with family and caste members who share a similar world view, language, culture and religion (Lawoti 2010a:38). According to Earley and Mosakowski (2000) it is typical for cultural groups to prefer similar company, even in the workplace. Yet in Nepal these practices destabilise the state, discredit the social inclusion project, and contribute to weak governance. Even the human rights movement risks being side-lined by donors because 'different human rights organisations belong to particular ethnic groups' (Cox et al. 2015:3).

In clientelist states, the lack of accountability and transparency generally and in recruitment is a major inhibiting factor of many reforms. The opportunities presented by such a system can demobilise new political alliances from forming, especially rights-based agendas as the federalism data captured. Gaining power and authority in such a system involves social closure and shutting other groups out of having the same rights and opportunities. Affirmative action may attempt to shift the balance of power to better favour excluded groups but there is no guarantee that excluded groups would act less nepotistic than their predecessors. As one academic respondent stated, 'the patronage model really needs to be understood. It is expected and it is the way things work. You can't get anyone to follow you if you are not using that model.' Quotas alone will not overcome this scenario.

Yet, affirmative action is a necessary component of building an inclusive state, economic growth and an entry point for governance reform. Harriss (2005:227) found a relationship in India between a history of upper caste/class social and political dominance and economic under-development. So if affirmative action creates a more representative state, then, it can have wider ramifications for the country as a whole. However, it needs to be accompanied by improvements in citizen accountability and the accountability of human resource officers to be more effective in Nepal.

9.5 Development Partners and Affirmative Action

Different development partners supported affirmative action to different degrees and seemed unaware of the potential for political influence in recruitment. The annex to the Basic Operating Guidelines (BOG)'s for development partners states, 'the signatories of the (BOGs) are committed to strive for diversity within their organisations and development programs.' Further, it states that staff be recruited on the basis of suitability for the job while promoting workforce diversity and that signatories will not recruit 'on the basis of political or other influences.'

Although some development partners tried to draw on local expertise and had social development advisers with extensive in country experience along with a well-educated Nepalese workforce, Table 14 illustrates that development partners model and reinforce the relationship between the state and elites through their workforce. Excluded groups suggest this creates a biased view of development:

> After foreigners, the second level officers of development agencies are all Brahman–
> Chhetri. Even the translators they use when they come to the Madhesh are Brahmans
> and Chhetri, so how can they understand Madheshi problems?[280]

A few respondents from excluded groups felt that because development partners lack a representative workforce, they were misinformed about the importance of social inclusion: 'Most of the donors are captured by Brahman/Chhetris. They all misinterpret what we say to convince outsiders that their own way is better.'[281] Other chapters confirm that development partners find it difficult to understand the needs of excluded groups and even how the state of Nepal functions.

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[280] Madheshi lawyer interviewed on 30 December 2013.

[281] Madheshi lawyer interviewed on 30 December 2013.

Table 14 Workforce Diversity in International Organisations[282]

Identity Group	Female	Male	Grand Total	% Staff in Participating International Agencies	% National Population in 2001 Census
Hill Brahman/Chhetri	129	403	532	37.3%	30.9%
Hill Dalit	14	37	51	3.6%	7.9%
Hill Janajati	111	211	322	22.6%	21.9%
Newar	139	264	403	28.3%	5.5%
Terai Janajati	8	28	36	2.5%	9.8%
Madhesi Brahman/ Chhetri	6	23	29	2.0%	1.0%
Madhesi Dalit	1	6	7	0.5%	3.9%
Other Madhesi Caste Groups	5	17	22	1.5%	13.6%
Muslim	3	14	17	1.2%	4.3%
Other	1	5	6	0.4%	1.3%
Grand Total	417	1008	1425		

Source: SIAG 2008

Development partner recruitment may also be manipulated to maintain power:

> Many people don't even get shortlisted because of their caste or family background. You need to remember that most staff who manage HR in international organisations are Nepali nationals and Brahman and Chhetri ones at that.[283]

An ex-pat respondent from a development partner confirms this:

> We had this governance adviser who was a Brahman. I don't know his political allegiance but I did get the sense that he offered a biased view. When he left only one person applied for his position—a Brahman Government secretary. We were stupid enough not to do anything about it. I heard later that he told everyone who inquired about his position that it was going to this person, which is why no one else bothered to apply.[284]

The internal organisational culture, the political alliances of staff and the overall power structure that development partners operate within is ignored by some development partners. It is plausible that the adviser legitimately thought this government secretary was the best

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[282] The survey covers 1425 Nepali staff (417 women, 1008 men) working in 30 international agencies in Nepal (12 Bilateral Agencies (including Embassies), 3 Multilateral Agencies, and 15 UN Agencies) See: SIAG 2008 for more details.

[283] Janajati development worker interviewed 12 June 2013, Kathmandu.

[284] Development worker interviewed on 6 January 2014

person for the job and that this example has nothing to do with politicisation. Even so, it shows a lack of development partner awareness around recruitment processes.

The SDC has proven that workforce diversity in a country like Nepal is possible – it just requires commitment to diversity and strong leadership. A respondent explained:

> The [Swiss] leadership saw social inclusion as an opportunity and a moral obligation. We took diversity and inclusion as one of the, let's say, pillars of conflict-sensitive program management. Though Switzerland is known for its neutrality, for Nepal's case the leadership actually took the risk to introduce impartiality[285] and for some time we invested a lot of time defining what that means.[286]

One respondent explained that the reason SDC supported social inclusion so purposefully and consistently was because they had a representative workforce (see Tables 15 and 16). A respondent explained, 'Even the Nepali nationals in SDC are quite assertive on this [social inclusion]. There is a critical mass over there unlike in other organisations.'[287]

Table 15 SDC Staff Composition by Caste/ethnicity and position[288]

	Manager		Officer		Assistant		Support	
	2005	2012	2005	2012	2005	2012	2005	2012
Brahman (Hill)	11[289] (1)	56 (5)	11 (1)	22 (2)	22 (2)	-	56 (5)	22 (2)
Chhetri (Hill)		67 (2)		-		-		33 (1)
Dalit (Hill)	33 (1)	20 (1)	-	-	-	-	67 (2)	80 (4)
Newar	18 (2)	45 (5)	36 (4)	27 (3)	18 (2)	9 (1)	27 (3)	18 (2)
Other Janajatis (Hill)		20 (3)		13 (2)		7 (1)		60 (9)
Other Janajatis (Madheshi/Terai)	15[290] (2)	0	15 (2)	25 (1)	-	0	69 (9)	75 (3)
Other Janajatis (Mountain)		100 (1)		-		-		-

Source: Author collected during interview with SDC 15th November, 2013.

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[285] The UN Office for the Coordination of Humanitarian Affairs (OCHA) endorsed four humanitarian principles to guide the work of humanitarian actors: humanity, neutrality, impartiality and independence.

[286] SDC Nepalese employee interviewed 15 November 2013, Kathmandu.

[287] Janajati development worker interviewed on 12 June 2013.

[288] N.B figures in brackets are actual number of people.

[289] Brahman and Chhetri were counted as 1 group in 2005.

[290] Janajatis were counted as 1 group in 2005.

Table 16 SDC Staff Composition by Gender and Position

	2005		2012	
	Male	**Female**	**Male**	**Female**
Manager	86	14	41	59
Officer	71	29	75	25
Assistant	75	25	50	50
Support	84	16	67	33
Total	81	19	42	58

Source: Author collected during interview with SDC 15th November, 2013.

The internal operations of development partners matter because informal power, elitism, and clientelism can affect them and their decisions. A development worker said 'Every time something blew up we would go and ask our Nepali advisory staff what they thought and what the implications would be for us.'[291] If the majority of staff are upper caste then they will offer a certain perspective, as the federalism data also indicated. A Brahman adviser working for a multilateral admitted that he is biased in his world view but it is up to his employer to create the variety in opinions—he should not have to manage his own biases, for this is very difficult to do.[292] Given Nepal's *aafno manchhe* system promotes patron–client-type relationships and that the political settlement is one of competitive clientelism, it is surprising that development partners overlooked the potential of recruitment to be politicised and suggests that they are in fact 'captured' by upper caste views.

9.6 Conclusion

In fragmented societies and historically exclusive states, dominant social groups will look to maintain their advantage during processes of change. As Kabeer (2006) suggests, 'dominant social groups invisibilise, seek to impose dominant values, or routinely devalue and disparage certain categories of people.' So even when a state acknowledges excluded citizens, the practice of including them through quotas or otherwise will reinforce their subordinate status.

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[291] Development worker interviewed on 6 January 2014.

[292] A development partner Brahman governance adviser interviewed 11 November 2013.

Other inclusive and peaceful initiatives attempted at the time also suffered under clientelism. Local peace committees were established by the UN but became 'parallel state structures open to political party capture' until the funding stopped (Cox et al. 2015:4). Leftwich (1993) argues that all 'development is a difficult and potentially risky, political process that involves changing the economic and political power between social groups.' Building an inclusive state in a post-conflict situation will be immensely political and donors are ill-equipped to tackle this challenge.

These findings show that in Nepal, informal institutions create insurmountable challenges for excluded groups to move ahead. A state with deep historical and structural forms of inequality works to reinforce exclusion across levels. This affects all policies from federalism to social protection and even constitution drafting because the bureaucracy and the courts work for elite patrons and only really include those who are well networked and well-off. The data demonstrates that the state does not function for, nor include, the masses of citizens. A political settlement's framework exposes the rise of intermediate classes to power and their stake in an exclusive state. Combining this with a social exclusion lens illuminates the way affirmative action challenges the power hold of elites and the intermediate classes and the way that informal institutions and practices of clientelism and the *aafno manchhe* system influence decision making and state institutions. Patron-client relations operate as a pyramid, as does the caste system; those higher up enjoy many privileges and these privileges multiply by shutting out others.

The nature of the political settlement is one that is based on agreements between groups of elites that use state resources and institutions to augment their power. While the political settlement became more inclusive to end the conflict it was not enough to deliver structural reform. Reforms can be blocked or achieved depending on a patron's network, as bureaucrats are only accountable upwards to their patron. Power works through informal practices, institutions and mechanisms that are internalised and accepted as the way things are done. This may be conscious or unconscious, as it is deeply embedded in the state and society of Nepal and its history.

As the adverse incorporation and social exclusion framework outlines the vertical nature of patronage networks can have a 'deadening effect' (Hickey and du Toit 2007:10). It may be hard for quota representatives to feel able to challenge those who have 'given' them their

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foothold in power (Goetz and Hassim 2003). Translating inclusion from quotas into influencing power is a longer term process that requires significant capacity building, understanding 'the rules of the game' and how to use soft power in the early years and translate that into more demands when trust or respect (or networks) and power have been built (sufficiently earned).

There are numerous exclusion vectors that divide state from society in Nepal. Some of these are historically founded and cumulatively developed and others are more recent. Jeffery and Lerche (2000:858) found that in India it is class (rather than caste) that enhances 'the ability of dominant groups to enter and maintain social networks' that bring advantages and 'allows them to colonise state institutions.'[293] Wealth can buy education, healthcare and networks of power and status. This dominance may have originated from the caste system and colonial strategies of constructing administrative and political classes to manage the empire but in contemporary times is maintained through the combination of wealth, discrimination, social closure and exclusion. This type of exclusive state structure is especially hard to reform. However, it does suggest that cash transfers may have an influence on some exclusion vectors because overcoming such deeply entrenched forms of intersecting exclusion will require a resource transfer.

Affirmative action can help to bring changes slowly. Quotas build capacity for decision making and understanding 'the rules of the game' and give future generations of excluded groups role models (Thapa 2103). When quota seat holders return to their communities they experience elevated status and can share the knowledge gained from political participation. Electoral reform enables power to be shifted and this gave the Maoists a victory. It allowed more excluded voices to be present for constitution redrafting, even if it did not translate into decision making power. Additionally, affirmative action will keep the issue of caste, gender and ethnicity on the nation's agenda even if it does not change the rules of the game. This will be important for future reforms and resource allocation as it ensures that the state 'sees' and acknowledges excluded groups. Affirmative action has a place within Nepal's social inclusion agenda and it has increased the participation (or at least attendance) of excluded groups in the state and political apparatus but should be accompanied by an increase in government

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[293] Many other authors (e.g. Chandhoke 1995; Evans 1996; Schonwalder 1997) have noted the relationship between class and state society relations.

accountability and development partner workforce diversity for the benefits to outweigh the risks.

It is difficult to assess the impact of affirmative action overall on Nepal's excluded groups. Firstly, a range of factors such as mid-cycle policy changes could have impacted affirmative action outcomes, along with the capacity and the interests of donors. Isolating these influences is difficult with the data available. What would be beneficial is to do further research identifying the effects quotas are having on education levels and household consumption and other indicators of social and economic development for excluded groups. Additionally, there is a dire need to understand the attitudes and approaches of Nepalese human resource officers and locate the gaps in capacity and accountability.

This thesis sets out to answer the question 'what is the potential of social protection to contribute to inclusive state building' and the past two chapters have answered the supplementary research question, 'what does building an inclusive state mean in post-conflict Nepal'. The last two chapters have also partly answered, 'what are the ways social inclusion can be achieved in a traditionally exclusive, low-income post-conflict state'. The politics of social inclusion and social protection are similar as they have similar factors shaping their failure to implement reform. In contrast to federalism and affirmative action, cash transfers have the ability to maintain elite bargains, whereas federalism and affirmative action threaten elite bargains and increase the cost of maintaining them. When comparing cash transfers to affirmative action and federalism, cash transfers have a better chance of being approved and of reaching large numbers of excluded citizens, albeit with some leakage, as the next chapter on cash transfer recipients reveals.

Chapter 10: Cash Transfers and the Views of Recipients[294]

10.1 Introduction

When framed by typologies of political settlements and a framework of adverse incorporation and social exclusion, the data so far has revealed the nature of the state, regimes, and the way decisions are made by the powerful. The data (especially on identity politics and federalism) has shown that citizenship and the state are mutually constitutive, especially in terms of the divisive nature of identity construction. The forms of exclusion that are practiced in society are also practiced by the state. Traditionally excluded groups will feel included in the state when their identity is validated. However, their identity threatens the identity and power of dominant groups. The data suggests that clientelism at the level of the political settlement influences the scope for mobilisation on issues of exclusion and inclusion, as does history, wealth and identity. Exclusion is particularly intractable when older patronage models combine with the caste hierarchy and class, and are reinforced through state structures.

So far, the research has shown that the potential of social protection to make a contribution to inclusive state building is limited by informal institutions and those who hold power. One section of welfare state actors has been omitted from the research thus far—local recipients. Poor people living real community-based lives are also agents of the welfare state (Wood 2004:51). In keeping with an actor-oriented 'seeing like a citizen' approach, this chapter looks at how cash transfer recipients perceive and experience the cash transfers. Corbridge et al. (2005) demonstrates how service delivery like welfare can provide an opportunity for 'sightings of the state.' Through these 'sightings' citizens interpret their rights and obligations (Corbridge et al. 2005) and this research adds identity and status to this list. This chapter shows how being in receipt of a cash transfer can help local poor and excluded people to understand what democracy is about and what it means to be a citizen of a state, and as such suggests that social protection can contribute to inclusive state building and an individual's sense of inclusion.

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[294] A version of this chapter has been published in the journal *Oxford Development Studies*.

As the methodology explained, recipients and non-recipients were interviewed about their wealth and inclusion status, self-esteem, the state, perceptions of equality, inclusion and local government. Additionally, cash transfer-specific questions were asked about their usefulness, design, delivery, effects and ways to improve delivery. The data captures how recipients interpret and respond to their encounters with the state. Dalit responses are emphasised in this chapter for they encounter the most extreme forms of exclusion and intersecting inequalities. The introduction to Nepal chapter showed that different excluded groups experience exclusion in different spheres and that Dalits experience it more acutely at the village and community level – where the cash transfers are distributed. Yet, the data highlights that Dalits gain the most benefit from cash transfers. Before covering the recipient responses, the chapter begins by outlining the cash transfer implementation process and VDC opinions. It then collates recipient responses according to questions and findings before concluding that cash transfers do in fact have a unique contribution to make to inclusive state building.

10.2 Implementation Process

Before discussing recipient responses, the cash transfer implementation process will be explained. There are 75 districts in Nepal, each with a local body (a District Development Committee (DDC)) to manage them, and 3,915 VDCs. MoFALD oversee the local bodies and administers the five cash transfers. One DDC may have 40–50 programs that they manage and implement with separate budget line items for administration, monitoring and evaluation. The cash transfers are the only program without additional funds allocated for these purposes. Although the Office of Auditor General checks the financial trail down to the DDC level, they do not ensure that recipients actually received the right amount at the right time. In states like Nepal, bureaucratic offices and procedures can be uncoordinated and involve poor planning, limited control and low accountability (Ferguson 1994). Even the politics and policies of the centre may not unfold at the local level or be implemented and acted upon as intended.

The way the budget system works in Nepal means people have to register for a cash transfer the year before they are due to receive it. For example, one must register for the senior citizen allowance when they are 69 so they do not miss out on any instalments once they are 70. This cannot happen for the child grant because a child's birth certificate is required. Thus in

practice, the five-year child grant can really only be received for four years. The cash transfer implementation process is outlined at Figure 10.
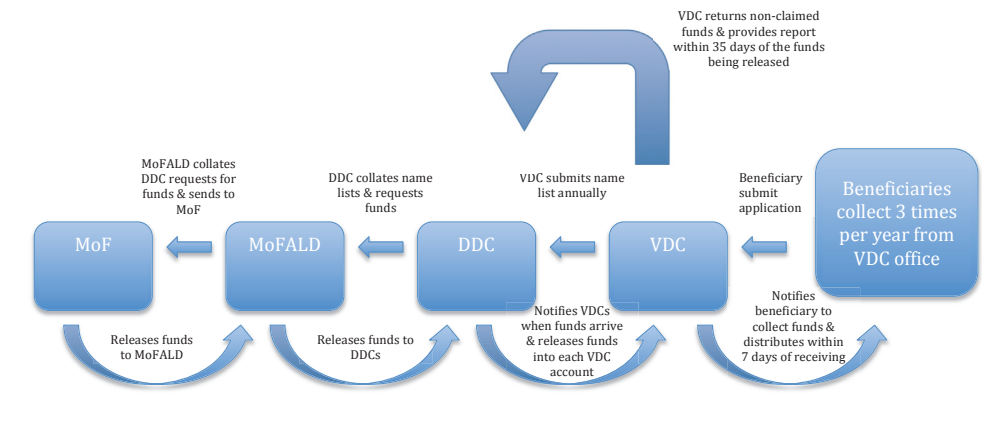

Figure 10 Cash Transfer Implementation Process[295]

In many countries, cash transfers are delivered via NGOs or banks (see Barrientos & Santibanez 2009:419) but in Nepal, recipients wait in line to receive their allowance by the lowest tier of government officer, the VDC secretary who manually dispenses them three times per year. According to the Social Security Operational Procedures (SSOP), the dates for disbursement are the week of Martyr's Day, Democracy Day and before Dashain, highlighting the state's desire to communicate a sense of nationalism through the cash transfers. Recipients wait from 10 minutes to all day (depending on where they live) and provide their thumbprint in an identity book (Figure 11) and government ledger (Figure 12) to receive their cash.

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[295] Flow chart developed by researcher to explain the process pictorially.

Figure 11 Identity Record Book

Figure 12 Government Ledger

There is a clear need for a more streamlined cash transfer system that is accountable and transparent. A public expenditure tracking survey of cash transfers found that 'between NRP63 (widow) to NRP134 (fully disabled) were reported to have been deducted from monthly entitlement amounts' (New Era 2013:20). A UNICEF (2014:67) commissioned mid-line survey of the child grant found that despite the SSOP suggesting the cash transfers should be paid every quarter, 79 per cent of households received only one instalment, 13 per cent received two instalments and 6 per cent received none in the past 12 months. One component of a development project implemented by the NGO Save the Children cleaned 852 names from the District of Sindhupalchok's eligibility list, with an estimated savings of around

NRP3.5 million over the project's three years.[296] A survey on social security benefits found a 13–20 per cent leakage rate due to multiple listings and ghost, dead or migrated recipients.[297]

Local government authorities argue that the shortfall in cash disbursement is because they have to ration allocations as they do not receive enough funds to cover all eligible people in their districts and associated administrative expenses (New Era 2013; World Bank 2011).[298] New Era (2013) concurs that the budget is not released on time from Kathmandu or the district, and the VDC is often absent from duty, causing further instalment delays. A weak state contributes to Nepal's many implementation challenges. The recipient responses below demonstrate that the lack of accountability within the bureaucracy has a bearing on cash transfer recipients but not their attitudes towards the state.

10.2.1 Village Development Committee Secretary Experiences of the Cash Transfers

Delivery and administration of cash transfers is time consuming for already overworked VDCs. The process consumes 10–50 per cent of a VDC secretary's time, depending on geography and population size of the VDC. The associated paperwork is also time consuming as a single VDC secretary may process 100–200 new applications per year. Keeping recipient lists up to date is challenging. According to the SSOPs, a list of recipient names should be posted on the wall of the VDC office seven days before a disbursement, but this was not done in any villages visited during the research. As Figure 13 illustrates and VDC secretary respondents confirmed, file management and paperwork is not a priority.

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[296] This information was gathered during an interview completed for a World Bank consultancy.

[297] *The Republica* (2012).

[298] This situation has been remedied considerably in the past two years according to local-level officials due to the introduction of a single treasury account. However, some recipients suggested that their VDC secretary deliberately delayed the delivery of the cash transfers so they could earn interest from the bank. Practice involved releasing the funds from the official bank account into their own personal bank account where interest accrued. As the financial trail or audit does not check down to this level and the distribution date is not monitored effectively, VDC secretaries enjoy earning a little additional revenue this way.

Figure 13 VDC Office

It can take three to seven days to deliver one cash transfer instalment, depending on how many citizens miss distribution day at the VDC office and the geography of the VDC. The interviewed VDC secretaries regard the cash transfers as 'a burden' to them. They feel that people should be thankful and not complain about them. Nonetheless, the VDC secretaries agreed that the cash transfers were beneficial because they helped the community and individuals in need. They also had suggestions for improvements and felt that they themselves had nowhere to complain.

The VDC secretaries interviewed said poverty targeting with the Dalit child grant was too complicated and problematic.[299] One VDC secretary explained:

> I tried to poverty target it but it caused too many problems. Poor Brahmans and Chhetris complained that if it was for the poor then they should also get it. I found that when I explained it was a caste allowance then people stopped complaining, so I gave it to all Dalits with children under five.[300]

This suggests the local level determines who actually receives cash transfers and not the SSOPs and that the NC assertion that caste targeting causes conflict may not be true in all 75

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[299] According to the SSOP, the Dalit child grant should be targeted to poor landless Dalits, or those who have up to two *ropanis* of land (1,000 square metres) in the hills and one *katha* of land in the plains (338 square metres), or only grow or cultivate enough to support themselves for three months.

[300] 10 January 2014, Dangre Khola.

districts of Nepal. Any form of targeting will cause conflict if it is not well handled. It also reveals that the voice of certain villagers is to some extent influential at the local level.

The two other VDC secretaries interviewed said it was easier to give it to all Dalits and they had not considered poverty targeting. Although the sample size is small, this suggests that blanket categorical targeting is administratively easier and leads to less backlash for VDC staff than narrowing categorical targeting by poverty. Yet Nepal's central-level decision makers rarely consider the local reality when making decisions.[301]

10.3 Responses

This section analyses the data collected from recipients. See Annex 3 and 4 for the list of recipients.

10.3.1 Service Delivery Benefits

Waiting hours for the cash transfer generated fewer complaints than might be expected. Some of the disabled and elderly complained about the physical challenges of travelling to the VDC office and waiting for the allowance; however, many of the poor interviewed described that they had little else to do with their time as they were landless. For two-thirds of recipients, the cash transfer is their only contact with a government office. This is significant in Nepal as local governance has been weak or absent since the last local elections in 1997. As the evidence below suggests, this one encounter with the state is important because it leads to others.

Cash transfers create greater access to information. As one VDC secretary explained, the money allocation allows recipients to form a relationship with VDC staff and feel comfortable asking local governance-related questions at other times. As one Dalit explained, 'since I get the money I know more about what is happening in the community. I never went to the VDC

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[301] A World Bank interviewee relayed this anecdote—the government announced all VDCs would have bicycles even though the mountainous areas are too steep to cycle in; bicycles eventually turned up but were unused.

before this. I find things out while waiting in line.'[302] Encounters with local government via the cash transfer leads to people feeling they have the right to approach local government on other occasions about other matters, such as the development of the area and individual needs.

Waiting in line for the transfer facilitated interaction with other citizens that resulted in information transfer. Many people talked about the friends they made from waiting in line and how this afforded them greater access to people and events in their village. A child grant recipient explained, 'I talk to new people I meet while waiting. If I see them elsewhere now they stop and chat. I am happy to approach them but before I wouldn't.'[303] One young widow living close to the border with India, where more rigid social practices exist, reported that one of the only times she was allowed to leave her house and participate in a social activity was on allowance day.

Some interviewees mentioned a new sense of social cohesion and social capital that came from being a recipient of these transfers. On allowance day there is an atmosphere of excitement and the streets are crowded with people walking to collect their allowance. One interviewee explained, 'People walk past my house [to get to the distribution point] and come and tell me that we are getting it today and we talk more. Otherwise I don't speak to these people.'[304] One lady related how a neighbour jokingly teased her one instalment day: 'If you are going to get your father's money you should be running.'[305] Everyone in the community knows when it is allowance day and who gets a cash transfer. Allowance day is a big event in the village of Sarlahi.

In Sarlahi, receiving a cash transfer increased people's opportunities to participate socially and receive invitations to social events. As one recipient explained, 'We get more opportunity in society through these transfers. If there is some social work in this village they include us. They know who gets the payment and although I can't work, they include me.'[306] A Hayu (endangered indigenous) lady stated that she used to work 'from sun up till sun down' before

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[302] 18 January 2014, Jabdi,

[303] 18 January 2014, Jabdi,

[304] 18 January 2014, Jabdi.

[305] 16 January 2014, Nokelwa.

[306] 20 January 2014, Dangre Khola.

she got the allowance and this inhibited her ability to participate in social events: 'if there is social work in the village they invite me and my family to participate. Before they would call me too but I often had to work so I couldn't go.'[307] As Kabeer (2014: 347) argues, 'the extension of rights to those who have been thus historically marginalised must precede expectations of [social/community] contributions.'

The evidence presented here shows cash transfers lead to social capital. The literature review identified social capital as linked to social inclusion. The benefits of social capital are that social capital provides a form of security or mutual moral support that contributes to a sense of social cohesion. The excluded struggle to accrue social capital outside their immediate caste/ethnic group. The manual delivery of the cash transfer and the collective waiting in line breaks down some of the caste segregation practices and facilitates social capital building.

10.3.2 Usefulness of the Transfer

The money was spent in different ways, leading to different outcomes depending on the wealth of the recipient. The majority of people spent the money on food, then clothes and occasionally medicine or school supplies for children or grandchildren. A few spent some of it on religious activities or other social events. The cash is also sometimes used to repay loans. One widow commented that she gets credit from the pharmacy as a result of being a recipient and on instalment day she goes straight there to pay it back. Others lamented that debt collectors visit recipient houses demanding repayments on the day the transfers are distributed. The fact that cash transfers can increase access to credit is important. However, respondents reported struggling to get credit on fair terms. Whether cash transfers help in this way seems unlikely, given the meagre amounts, but further research is needed to confirm this.

The marker of a good social citizen is one who makes donations towards public goods. The additional income a cash transfer contributes to the household budget allows those who already have some support to be good social citizens. As one elderly man explained with pride, 'Since getting the money I can do more socially. I donated some money to build this road here

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[307] 19 January 2014, Jabdi.

[pointing near his house].'[308] As one NC candidate rightly predicted in the previous chapter 'If you are guaranteed protection, then you feel secure and can contribute more to the state.'

However, the low amounts of the cash transfers limit their utility and therefore their effect. With more money, health and education indicators would improve and poverty fall. Some recipients of below-average poverty commented on how little the amount was: 'Straight away that money goes to my stomach. How could I invest in anything like school fees?'[309] As previously explained, all transfers fall below the amount needed for survival for the poor or disadvantaged, if the transfers were the sole source of income or livelihood.

10.3.3 Cash Creates Sameness and Respect

Individuals perceive the role money plays in equality in different ways, but the majority reported a positive relationship. A few respondents were unsure and around 10 per cent responded negatively: for example, 'Money does not make you equal'[310] and 'Even if we get this money we will still be poor. Poor people are always poor. We can never be equal.'[311]

However, two-thirds of interviewees felt that money can make people more equal: for example, one said 'After getting this money the line of difference is lowered and we become the same.'[312] Some thought that on the day they got the cash they were equal: 'After getting the money I think "I am also a member of society today."'[313] Another said, 'Today I will eat like everyone else.'[314] One Dalit widow explained that she feels equal to others when she gets the money. She said 'We are all the same because of this money. We can buy things too.'[315] Another pondered, 'Maybe after getting this money the government wants to say you are all

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[308] 19 January 2014, Jabdi.

[309] 16 January 2014, Nokelwa.

[310] 19 January 2014, Jabdi.

[311] 17 January 2014, Nokelwa.

[312] 18 January 2014, Jabdi.

[313] 16 January 2014, Nokelwa.

[314] 18 January 2014, Jabdi.

[315] 14 January 2014, Nokelwa.

equal and that is why they give it to everyone and to Dalits in particular to show they are the same.'[316] Having money temporarily eliminates the low status that poverty represents.[317]

A number of recipients explained how the transfer made them feel a heightened sense of self-worth: for example, 'I feel proud that the government has given me this money'[318] and 'the government shows respect to me by giving this.'[319] Another said he felt a different sense of pride that could be described as 'freedom', which came from receiving the cash transfer: 'People like me can't do anything. At least now I don't have to ask people "please buy this or that for me". I can buy it myself when I get the money.'[320] John Rawls (1971:386) argues that self-respect is 'perhaps the most important primary good.' Self-respect is linked to empowerment – a goal of transformative social protection.

The transfers provide an opportunity for people to participate as peers (i.e. the same) as the rich. As one respondent stated, 'Everyone is equal. If we are not equal then why do the rich and the poor both get this money?'[321] An 85-year-old respondent said, 'The government sees that everyone is equal by giving this to everyone – rich and poor.'[322] An additional response, was 'This is the only time the poor get the same as the rich.'[323] The fact that the government gives cash to all within the set categories creates a sense of sameness and citizenship. One widow said, 'Before when I didn't get it [the widow's allowance] I thought no one cared for me but now I get it and I think I am the same as all other widows now. I am cared for.'[324] The evidence presented in the chapter on identity politics recognised that sameness is akin to inclusion in Nepal.

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[316] 18 January 2014, Jabdi.

[317] Scott (1969:127) suggests that high social status is in part contingent on the ability of children to improve, or at least maintain, the social status of their parents. In Sarlahi, birth right and caste bring social status along with wealth. Therefore, the perception of upward mobility can increase status, even if only temporary.

[318] 12 January 2014, Dangre Khola.

[319] 18 January 2014, Jabdi.

[320] 18 January 2014, Jabdi.

[321] 17 January 2014, Jabdi.

[322] 20 January 2014, Dangre Khola

[323] 19 January 2014, Jabdi.

[324] 15 January 2014, Nokelwa.

In Nepal, the old age allowance is universally given to all over 70. The life expectancy of Dalits is 61 compared to the national average of 69, meaning there are more upper castes that receive the old age allowance (CBS 2011). In such a highly segregated society there will be limited opportunities and social events that break down the traditional way of interacting along caste lines. The cash transfer waiting line permits this social arrangement. Therefore, manually delivering the cash transfers contribute to an individual's sense of inclusion.

10.3.4 Targeting

A range of reasons were provided for why the state gives these transfers. Many people saw those who lined up for a cash transfer as in legitimate need. For example, one widow explained:

> For Dalits their condition is worse than others, so the government gives it so their children have a better future. For the old they can't work. Widows have children and can't earn enough as they are alone, so the government gives it to them to help them cope.[325]

All recipients and non-recipients interviewed thought transfers to these groups should continue. However, one VDC secretary felt it would be better if the government took all the money for these transfers and built a factory so the people could work for an income.

The majority of interviewees commented that the government gave the cash transfers to people who cannot work, or cannot work as hard or as often as others. As one respondent outlined, 'Those who can't work properly get it.'[326] With high unemployment rates, the disabled and elderly face serious impediments to employment, even if they are able to work. Dalits also have limited employment prospects as they are still considered 'untouchable' by many and therefore excluded from many places, occupations, and opportunities. Dalits are also more likely to be landless and have low educational attainment. Many widows experience greater levels of exclusion than others as a result of strict social norms governing their behaviour, mobility, and their caring roles (if they have children). In Nepal, women have fewer formal employment opportunities than men, earn less than men, and are less educated.

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[325] 19 January 2014, Jabdi.

[326] 14 January 2014, Nokelwa.

Therefore, the prospect of a good life for a widow through employment or otherwise is diminished. The most vulnerable in Nepal are excluded from employment. The transfers do not lead to employment opportunities but they help those who experience barriers to employment. As such they are a 'protective' form of social protection.

Giving cash transfers to the rich did not appear to be a concern for the majority of interviewees. Most of the interviewees were poor and when asked whether the allowance should be taken away from anyone most said 'no' at first, and a prompting question specifically asked whether the rich should also get allowances. Only one-quarter of respondents (when prompted) indicated that allowances should be taken away from the rich and more given to the poor. A number of respondents suggested that the government needed to treat people the same: 'The rich should also get it because the government should show the same behaviour to all citizens.'[327] This finding highlights how a sense of justice is connected to social inclusion. For recipients there is value in being considered the same as the well-off.[328] The evidence confirms that universal rather than poverty targeting is better for social justice but it also shows the value of categorical targeting and mixing forms of targeting.

The methodology is limited by the lack of non-recipient responses. More non-recipient perspectives are needed as the research only interviewed 14 non-recipients and all expressed similar views about not segregating the rich from the poor, but it would be surprising if this was a universally held opinion. Many Nepalese households live with extended families. It was hard to find a household that did not have a resident over 70 years, or in receipt of some other cash transfer. An additional variable that is hard to isolate is the impact of manual delivery. It seems to have huge benefits to a segregated society with very few opportunities for cross-caste interaction and few reasons for excluded groups to approach or form a relationship with the VDC secretary. The social inclusion benefits cited by recipients may decrease with electronic and non-visible forms of distribution, but this requires further testing or research to confirm.

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[327] 15 January 2014, Nokelwa.

[328] It should be noted that although Dalits are singled out for the child grant and endangered indigenous groups have their own allowance, recipients considered the question in terms of who they see lining up for the cash and not the different payment types. It was clear to villagers that the vulnerable were getting this money, like the older rich people do.

10.3.5 Conditionality

Conditionality is a key debate in the social protection literature with some arguing it enhances outcomes (see Fiszbein & Schady 2009) and others arguing that the programs are paternalistic and unfair.[329] When interviewees were asked whether people should have to do something to get their cash, followed by a prompting question about conditionality around attending school, having a toilet, or immunising children, only one respondent said that conditions were a good idea. Most said 'no' and only a few said they 'didn't know.' One respondent reported that the VDC secretary always tells her when he gives out the cash: 'Don't misuse this money.'[330] Another explained, 'No, if there are conditions how could I get it?'[331] Another lady was unsure because 'maybe the government has a policy but if we have to [meet a condition] then this would be too hard for the poor to meet.'[332] One man said 'We are Dalit. When we take our kids to school, the teachers behave different to our kids. So it is not good to make it conditional on being treated this way.'[333] Dealing with the government and government-delivered services is generally difficult for poor recipients. Making transfers conditional would increase hardship, and likely result in many not meeting these conditions for reasons linked to exclusion.

10.3.6 Access Challenges

The research found that in all villages Dalits faced more challenges registering and accessing their benefits than other citizens and often enlisted paid assistance to overcome these barriers. The case studies presented at Annex 7 reveal the discriminatory nature of everyday life that Dalits experience because of their low status and exclusion. Dalits lack social capital and status and this affects the way they apply for the cash transfer (see Figure 14). Despite being entitled to a cash transfer, Dalits will not be able to access the benefit unless a more influential or powerful person applies on their behalf. Dalits feel that unless they pay a 'link' to mediate their interaction with the government, then the government will not 'do their work.' In this

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[329] See: Freeland 2007; Kabeer 2009; Molyneux 2007.

[330] 14 January 2014, Nokelwa.

[331] 15 January 2014, Nokelwa.

[332] 19 January 2014, Jabdi.

[333] 14 January 2014, Nokelwa.

way the cash transfers encourage adverse incorporation and clientelism. In reporting this back, most Kathmandu respondents explained that the Madhesh was unique in this way, as Madheshis follow the Indian 'broker' model and the Madhesh was known to be highly corrupt. Numerous anecdotes were heard to support these assertions.
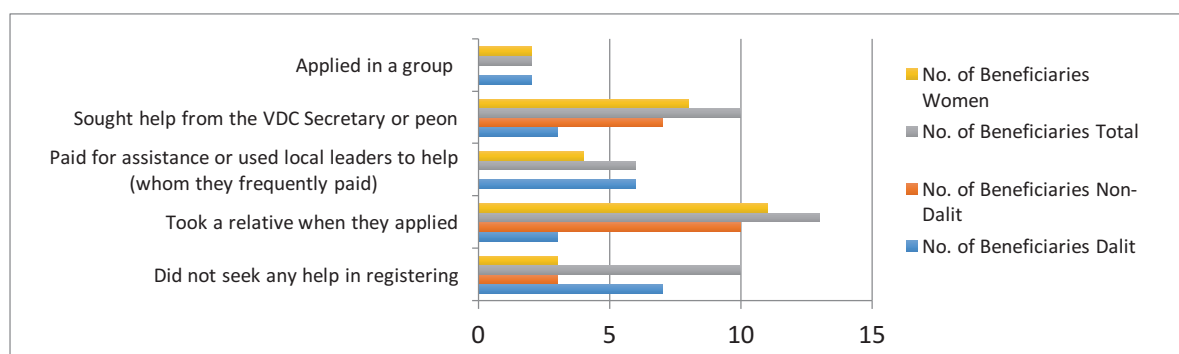

Figure 14 Research Participants' Reported Approaches to Accessing Cash Transfer

Identity record books and registration for the cash transfer are meant to be free to recipients, but around one-third of respondents paid for these: less than half considered that this was a bribe and the rest thought they were meant to pay. Dalits were twice as likely to pay bribes, and paid bigger bribes (NPR500–2000 [USD5-20], compared to NPR140–400 [USD1.40-4] paid by non-Dalits) to access their cash transfer. Local officials and other leaders regard Dalits as 'soft targets' from whom they generate revenue (see case studies at Annex 7 for examples). The everyday experience of being a Dalit is not overcome during the implementation of cash transfers.

Proactive disclosure of information is rare. Many people do not understand the transfer system or that they should register in advance, and are understandably unhappy when they have to wait almost a year for their first instalment and many reported waiting even longer. One-third felt that registering for, or accessing the allowance was easier for the rich. As one recipient explained, 'Poor people have to wait. The rich know all the rules and regulations. The VDC secretary never tells us anything and we have to wait so long.'[334]

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[334] 14 January 2014, Nokelwa.

Dalits in particular lack networks that can correctly inform them on government procedures. None of the Dalit child grant recipients received an identity book, which is counter to the government's SSOPs. The majority of Dalits felt that the VDC secretary was taking money out of their transfers, but this could not be substantiated by the research.[335] Many illiterate Dalits who did receive an identity record book commented that they did not know if they received the amount in their identity record book because they cannot read. The non-Dalit illiterate recipients interviewed did not mention their illiteracy as a probable cause of misuse.

There were many examples heard that were contrary to the SSOP, highlighting VDC discretionary powers, or overall weak local capacity and accountability. It was difficult to find Dalits who were aware and able to obtain the age pension at 60. Most were told they had to be over 70 like everyone else. One Dalit was denied an allowance on the grounds that their surname was not listed as eligible when in fact it was. If absent from the VDC at transfer time, recipients are meant to be able to claim their instalment upon their return, provided it is before the end of the financial year. Yet there were multiple instances where this did not occur. While the VDC may claim that late and inaccurate payments from the central level cause the reduction in amounts received by recipients, there was also evidence that the VDC takes from recipients in various ways. A lack of accountability across government causes many problems and perpetuates inequality and exclusion.

10.3.7 Avenues of Redress

The case studies at Annex 7 show that Dalits are aware of their low status. Therefore, complaining about the cash transfers appeared to be 'not worth the bother' for some respondents. One Dalit explained that, 'if you complain, then the next time you want the VDC secretary to do something for you he won't.' Dalits discuss their grievances with their

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[335] It is difficult to substantiate discrepancies. Only when people in the same VDC and on the same benefit have different amounts in their identity record book might instalment errors be proven. In Dangre Khola, a Dalit widow who lived in the lower hills was paid NPR3000 as her first instalment six months late and received only one other instalment that year bringing the 2012 annual total to NPR5050 when it should have been NRP6000. A Christian Dalit widow who lived in the same VDC but closer to town was NRP2000 short of her yearly amount.[335] In 2013, the widow from the hills received only one instalment whereas the one closer to town received two instalments. It seems that both widows have missed payments at different times. Even non-Dalits recipients who had books revealed that instalments were rarely made according to the government's schedule.

immediate community, at least initially, before lodging a complaint. Of the 11 recipients who mentioned discussing their grievances, eight were Dalits who wanted to plan solutions. A Dalit widow said, 'lots of times we have talked about complaining about the VDC secretary. He is no good. But no one wants to be the one to go and complain.' This comment was not specific to cash transfers.

One Dalit admitted that it was hard to discuss the issue of cash transfer misappropriations in a group because the rich would ridicule them. When Dalits try to establish networks and build communities of support, the rich will undermine these efforts (see Case Study 6). Even at the local level, small-scale mobilisation attempts by Dalits are destabilised.

Six other recipients said there was nowhere to complain. Yet of the four who did complain, surprisingly three were Dalits. Two Dalits went to the DDC to complain but they were sent back to 'sort it out with the VDC secretary.' A Dalit woman commented that, 'Dalits always miss out on everything.' One said, 'if you can't buy political support, then you can't complain.' Dalits have more grievances associated with the cash transfers than other recipients and fewer formal avenues available to resolve them.

Figure 15 reveals that the majority of respondents, although more women and Dalits, are totally dissatisfied with the government's responsiveness to complaints. This implies that transformative social protection is unlikely in Nepal if people have little success lobbying for their rightful entitlement. Yet responses on the benefits of cash transfers have been very positive and shown signs of cash transfers contributing to social inclusion. Perhaps having something to complain about is more transformative for Nepal's excluded groups than the results of complaining.
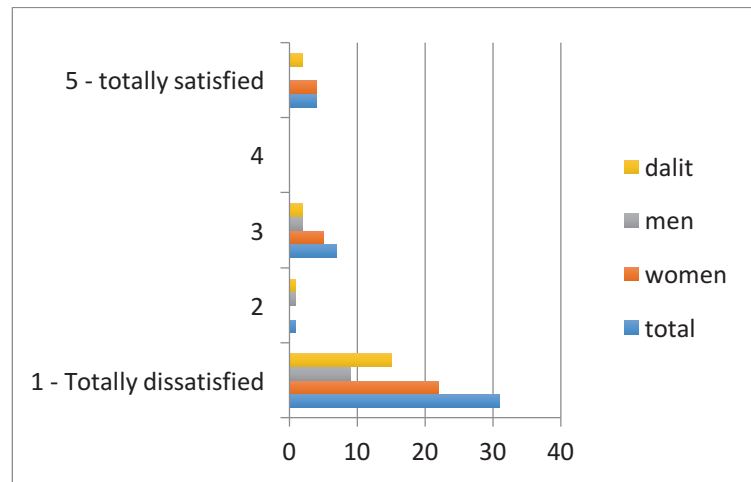
Figure 15 Likert scale: How satisfied are you with the government's responsiveness to complaints?[336]

In keeping with coercive and contentious tactics, some Dalits gave evidence of taking matters into their own hands. A Musahar mother-in-law complained at the VDC secretary's office that no one was receiving the child grant in her village. She was told, 'go away. Don't talk here.' So a number of women from her village formed a group and sat for five days in protest at the VDC's office. As the VDC secretary never appeared, they then went to the district headquarters. It took them 10 days to be allowed to meet with the chief district officer at the DDC, who confirmed they should receive the child grant and should go back to the VDC secretary and 'ask him properly.' They were so frustrated they assaulted the VDC secretary until he agreed to give them the grant. Four days after the assault the VDC secretary came with police protection and they all got an instalment of NRP900 (USD9). The following year they only received NRP400 (USD4) each, although they are entitled to a NPR1200 (USD12) child grant annually. Similar to federalism, excluded groups use any means they can to have their rights met. Given the state does not function effectively for them, excluded groups are forced to resort to tactics outside legitimate channels as this is where they have the most success.

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[336] Please note that four respondents chose not to respond to this question.

Corbridge (2007) labels this as 'citizenship as complaining.' Even though it appeared to be 'not worth the bother' in terms of the outcome, it was 'worth the bother' in that it allowed some Dalits to demonstrate citizenship. Activism leads to a sense of rights, status, and of belonging as a citizen of Nepal whether fighting for federalism at the central level or a cash transfer in Sarlahi. As Nyamu-Musembi (2005:32) found, subalterns may be enticed to expand the possibility for action as the parameters to act as fuller citizens are reinterpreted by certain initiatives or actions. Cash transfers can be considered a statecraft tool that communicates values and beliefs to citizens.

The questions this example raises are numerous. What part does the cash transfer play in creating the right to complaint? Do Dalits complain about other government services by 'taking matters into their own hands'? Would Dalits have complained prior to the conflict ending? Is their active citizenship in any way linked to the Maoist reign suggesting that anything is now possible in *naya* Nepal? The research has revealed many interconnecting issues that are hard to isolate. The cash transfers help excluded groups feel included and act like citizens but many extraneous factors aside from just the cash transfer may contribute to this. As many of these extraneous factors are linked to the post-conflict setting, it does indicate that cash transfers given in such a context to groups formally excluded would have a similar positive impact on notions of individual inclusion and citizenship. As Hickey (2010:1139) found, citizenship formation is central to overcoming the exclusions and inequalities associated with uneven development. Cash transfers permit a reimagining as a citizen.

NC respondents (see political economy chapter) suggested that people start behaving in a democratic way when assistance like social protection reaches them, which is true. Even if they use informal mechanisms and strategies, citizens are still claiming their rights. In a state that lacks accountability and transparency the state itself may not behave in a democratic way. Social protection could be designed to encourage greater transparency and accountability such as through a functional grievance mechanism but it is unlikely to be approved or monitored effectively in a state like Nepal. When the only avenue available to claim rights is through 'illegitimate' or informal practices, citizens have little other choice. Nonetheless, social accountability tools such as citizen forums are being successfully used to monitor the VDC block grant in Nepal. Although a recent introduction, these processes are contributing to better governance and a heightened citizen awareness of what good governance means. Social accountability tools could also be used to monitor the cash transfers. The next section reveals

that anything that increases state-citizen interaction will make a positive contribution to state building.

10.4 State related answers

The next few questions focus on recipient perspectives and knowledge about the state. There can be a range of methodological challenges when asking people questions about the state. People may respond as if 'watched' and structure their answer accordingly. These questions were asked towards the end of the interviews in the hope that rapport had been established and therefore respondents felt more relaxed and able to answer honestly. Additionally, multiple questions were asked in different ways to try and overcome these limitations.

10.4.1 Knowledge and perceptions of the state

More women than men felt that the transfers positively affected their relationship with the state (See Figure 16). One Dalit said, "we are poor and yet get these allowances therefore our relationship with the government is good. We appreciate that the government is looking out for us."
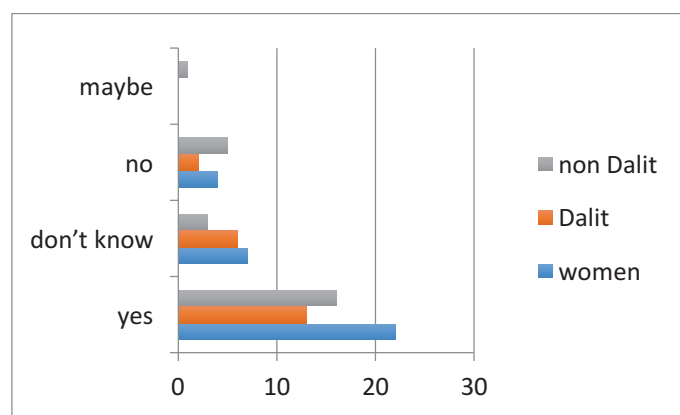

Figure 16 Do these transfers affect the relationship you have with the state?

In Nepal, cash transfers strengthen the social contract between state and citizens. One lady explained that before she got a transfer, 'I felt there was no government.'[337] Another, better-off, respondent pragmatically explained that transfers change the relationship between disadvantaged people and the state: 'When there is an exchange of money the relationship naturally grows.'[338]

Overwhelmingly, recipients felt the cash transfers changed their relationship with the state. Recipients were able to demonstrate the way their sense of citizenship has changed especially Dalits. Further research comparing cash transfers to other services delivered by the state would be needed to isolate the contribution cash transfers make to building an inclusive state, given the dramatic and sudden changes to post-conflict Nepal.
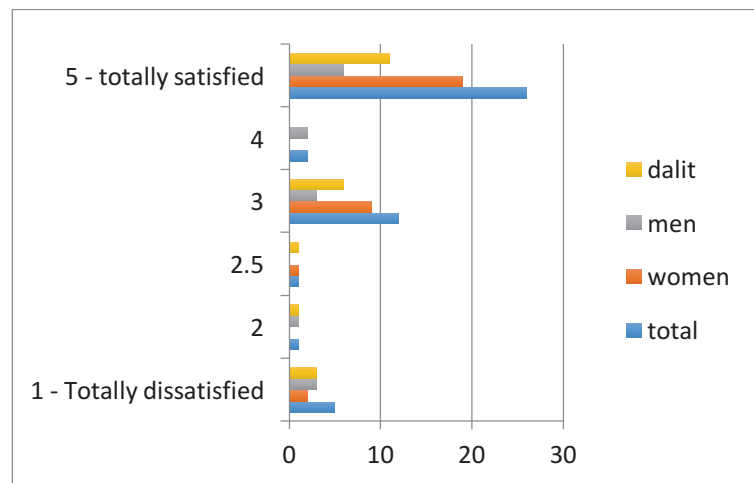
Figure 17 Likert Scale: How satisfied are you that the state is trustworthy?[339]

Participants rated state trustworthiness on a Likert scale. In hindsight this question should have been separated into local government and central government. Some respondents took the liberty of suggesting that they would score the central government higher than the local government. Others indicated that they expected some misuse of their entitlements and still

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[337] 14 January 2014, Nokelwa,

[338] 10 January 2014, Dungre Khola,

[339] Please note one person chose not to respond to this question and some answered: 5 for central and 1 for local. In this instance, this graph records the score for central government.

rated state trustworthiness highly (See Figure 17). Further research separating the central from the local state is needed to understand how recipients interpret state trustworthiness especially seeing state responsiveness to complaints is a problem and Dalits perceive the local government is taking money from them. The definition of trust and the expectations people have of the government needs to be better understood to make sense of the responses.

Despite all the misdemeanours sited in the case studies, people were mostly satisfied with the cash transfer system (See Figure 18). Of those who were dissatisfied with the cash transfer system, some gave comments to explain their score such as, 'all Dalits should get it" or "we should get more money." However, as many of the respondents had little prior contact with the state it is unsurprising that they have few recommendations for improving the cash transfers.
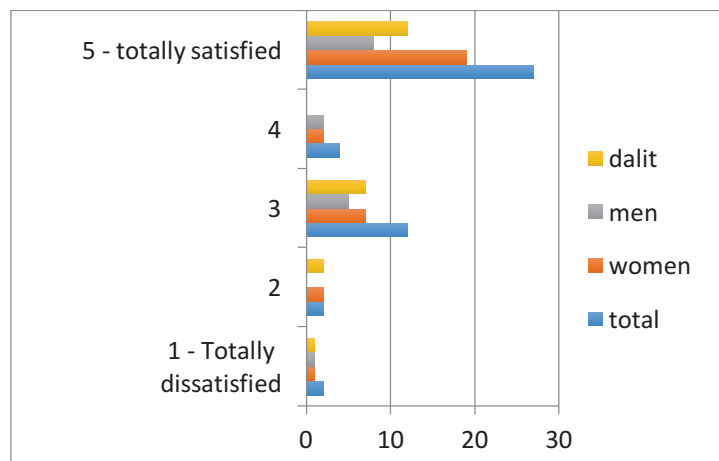
Figure 18 Likert scale: How satisfied are you with the cash transfer system?[340]

Recipients were asked to rate how satisfied they were that the government looked after the poor (Figure 19). The question of satisfaction with the cash transfer system came before this and may have influenced results - one person that scored a 5 said 'I'm still alive because I get money from the government.'

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[340] Please note one person chose not to respond to this question.
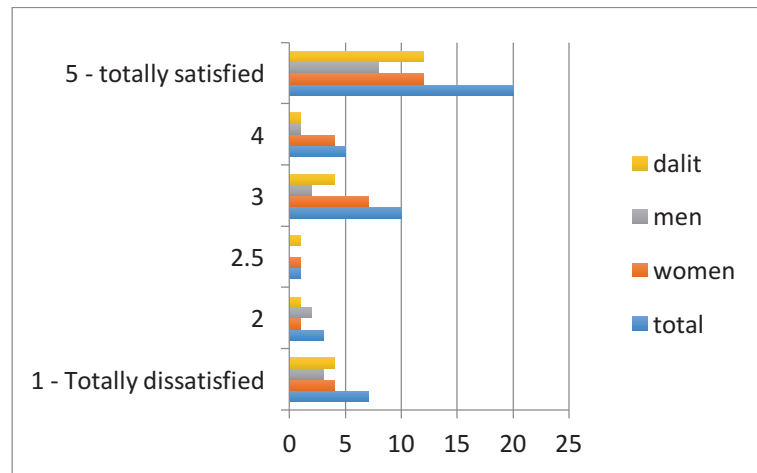
Figure 19 Likert scale: how satisfied are you with the way the government looks after poor?[341]

These responses raise questions: are cash transfer recipients satisfied with how the government looks after the poor because they see the alternative as worse or because recipients answered as if they were being watched and fear that the cash transfer will be taken off them if they answer too negatively? The later seems less likely as there were some negative responses received. Alternatively, (and more plausibly given the data presented on identity politics and affirmative action) state reach was so poor under the monarchy that misappropriations are overlooked in an overall assessment of the cash transfer, because they are expected, and because at least the state 'sees them' now.

Additionally, a recipient's ability to assess their satisfaction with the way the government looks after the poor and the cash transfer system is limited by their low understanding of what makes an effective state. None of the Dalit participants, and only four non-Dalit participants, could list any functions of the state, suggesting a low understanding of the role of the state in villagers' lives.

Given previous responses toward the state were positive, optimism around local elections could be predicted. Yet figure 20 reveals that it was surprisingly negative or unsure. Two Dalit men felt things might get worse and more women than men felt things wouldn't improve.

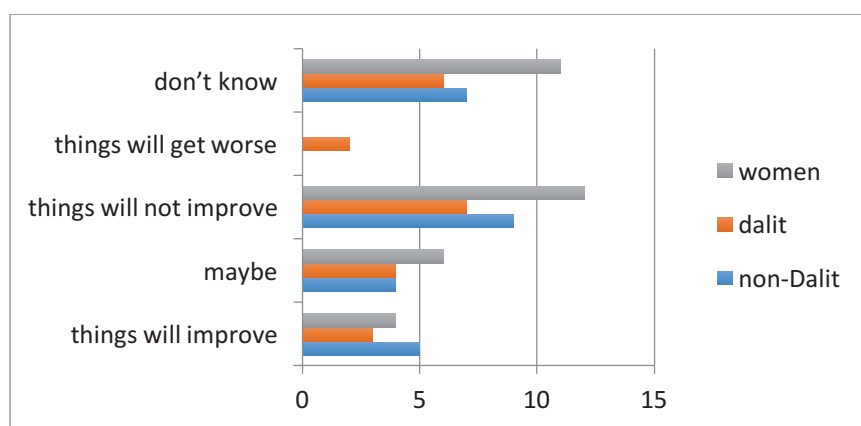[341] Please note three people chose not to respond to this question.

Figure 20 Research Participants' Views on the Effect of Local Elections on the Lives of Recipients

Potentially these responses reflect the timing of the research - the 2013 election had just been finalised and the NC had regained power. Excluded groups may have felt that the window of opportunity for change under the Maoist-Madheshi coalition had closed and that things would return to the way they were before. A before and after election comparison would have been useful. Alternatively, the monarchy may have a bearing on the responses. The state is considered a monolithic entity, like the monarchy and political parties are considered separate, or somehow different to the state. The responses may reflect a dissatisfaction with the local level power structure and that the central state is the only entity perceived as helpful in overcoming their challenges. Federalism will do little to overcome local inequalities or under-development according to respondents.

10.5 Conclusion

Poverty is not just about income. Income via a cash transfer can enhance a number of well-being measures that contribute to social inclusion and poverty reduction; namely, self-respect, a sense of equality, an augmented social contract, social cohesion, access to information and more social opportunities. Unlike those with privilege and status who do not hesitate to approach state officials for assistance, the poor and excluded often do not feel that local state

officials are there for them. Members of society often do not invite people from excluded groups to community events that require donations or contributions because they know that excluded groups have little additional resources to spare. Excluded groups rarely have the opportunity (or feel they have the right) to line up alongside the wealthy. The manual direct delivery of cash transfers in Sarlahi breaks down these invisible barriers or unconscious attitudes to create a greater sense of inclusion and citizenship. Those from the social justice school advocating social protection's transformative potential will find comfort in the results.

As most political parties predicted, cash transfers strengthen the state-citizen contract. The lining up alongside the rich; the maintenance of a record book; visiting local authorities and demanding access to the cash transfer; rallying with others; and the spending of the money gives recipients of cash transfers, especially Dalits, a new sense of citizenship. It is the practice of citizenship that has more meaning for Dalits than misappropriations or the government's lack of response to their complaints because Dalits have always been denied citizenship. As Rao and Hashemi (1999:35) explain, even when the rights of the poor are trampled at the local level the poor know that they have rights. Thus possibility for challenging injustice exists in 'political society'[342] (Kabeer 2005a:197). Transformational social protection must include individual forms of power and agency as well as structural forms. For with enough individual empowerment people in Nepal will eventually change the state.

For Dalits, the gesture of receiving a cash transfer has value because status injustice requires recognition (Fraser 2003). Kabeer (2009) would explain that because Dalits are culturally disadvantaged, their identity, and recognition of it, is mobilising. Even when Dalits discussed misappropriations and local government discrimination, they still commented that, "everything is going right" because they are acknowledged and seen by the state (see Case Study 6). This finding suggests that redistribution can lead to recognition. Because the cash transfers create new opportunities to relate with power segments of society, it presents new opportunities for Dalits to (re)negotiate their status within these relationships. The research shows that the relationship citizens have with their state is important, not just for state legitimacy but to people themselves and their sense of inclusion and well-being. It is not that states are the only or primary agent of justice, but being seen interacting with the government

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[342] Chatterjee (2004) describes political society as the set of institutions, actors and cultural norms that provide the links between 'government' and 'the public.' The activities of government agencies are negotiated and contested or 'opened up' in 'political society' (Chatterjee 2004:74).

allowed people to feel a sense of equality, respect and inclusion that was difficult to find elsewhere. Being in receipt of a cash transfer has more value than the cash itself.

Given that Nepal's cash transfers have not been integrated into a package of social protection measures designed to improve social inclusion, and that transfers are irregular and unpredictable, the results are surprisingly positive. They highlight the deep local government void and deep levels of exclusion many citizens have experienced for generations. During the monarchy, citizens in areas like Sarlahi rarely encountered government officials and during the conflict many government posts and offices sat empty, or were even destroyed. Giving excluded citizens access to government benefits in such areas enables them to feel part of the system of the state. This chapter proposes that the best way to create social inclusion in Nepal may not be about creating social cohesion or growth but rather creating social capital for excluded groups that involves linking them to the VDC secretary.

Large cash transfer amounts are not necessary to improve people's well-being or an excluded citizen's relationship to its state. It could be argued that these benefits are 'poor benefits' in that the amounts are low, but the very fact that the rich also receive them prevents this association. However, to influence other human development indicators like health and education, the transfer amounts would need to increase. For poverty to decline in the long term, the discrimination and inequality people encounter when dealing with local government officials needs to cease. The findings here show that the state may ascribe citizenship rights through instruments such as cash transfers and that even when these amounts are small and irregularly given, they can influence perceptions of inclusion. As UML respondents suggested, social protection can promote social justice.

The research shows that political parties understand only a little about exclusion and identity and the way citizens regard the state and their role in it. Madheshi party respondents were worried about cash transfers creating dependency (in terms of people not working), but there was no specific evidence of this. They also thought that education and employment was the only way to overcome caste inequality, but the evidence in this chapter suggests that at the personal empowerment level, cash transfers can contribute to feeling included and recognised as a citizen. The Madheshi parties felt that recognition and citizenship would come from the constitution. This is true for many Madheshis who are denied citizenship because one parent is Indian. However, it has already been suggested that Madheshi political parties hijacked the

Madhesh agenda to focus on a single Madhesh state which would give upper caste Madheshi political leaders power. Social protection can help lower caste and poorer Madheshis to feel a sense of inclusion and security.

Social protection in Nepal is not leading to dependency, rather it is contributing to active citizenship. However, as the theoretical framework suggests, both dependency and active citizenship may be strengthened through the receipt of cash transfers. It is eminently possible (given previous findings) that the cash transfers create some kind patron-client bond. The *Aafno manchhe*, the caste system, and even competitive clientelism, all reinforce the value of having a patron. Wood (2004) argues that being in a patron's web brings a level of protection and a sense of security. It is highly plausible that Dalits interpret the cash transfers in a similar way. When frontline government service providers are discriminatory, Dalits overlook this misdemeanour because they have learned from being in receipt of a cash transfer, that they are protected because they are in the web of a powerful patron – the central monolithic state.

When the excluded define the terms and meaning of their inclusion it can be empowering (Lazar 2008:6). This is why Wood (2004:50) calls for a more universal conception of social policy that does not exclusively focus on the role of the state, but rather surveys the efficacy of relationships between different elements of an institutional landscape through which all people have to pursue livelihoods and survival. Transformative social protection argues that poor people need to be seen as active citizens. How they see themselves in society and act in the construction of that society is important to their emancipation and inclusion. The analytical value in collecting recipient views is that the feelings and perceptions of excluded groups cannot be assumed. Citizenship formation is a complex and highly subjective experience and essential to overcoming exclusion. Despite it being difficult and time-consuming and sometimes ethically challenging to collect recipient's views – this chapter has demonstrated the value of this data collection and the insight that can be gained from doing so.

Insecurity comes from not being seen by the state, from a lack of social capital, from not understanding government processes and many other factors. Cash transfers, and social protection more broadly, may reinforce adverse incorporation and clientelism in Nepal. However, excluded citizens need to learn the rules of the game in order to change them. Not being in a patron's web and not being adversely included is still worse that the current 'fully excluded' status of Dalits. Social inclusion is a process and caste/class mobility begins by

interacting with the government and socialising with upper castes/wealthy citizens. Thus, Nepal's cash transfers do indicate stratification outcomes. Every chapter has shown a time lag in results, but the benefits of cash transfers are more immediate. Cash transfers have a unique contribution to make to inclusive state building.

Previous chapters have shown the way the balance of power matters to regimes and in a vertical distribution of power, citizen views are more important. In this way welfare regimes can evolve in a manner that mirrors citizenship formation. Social protection contributes to building an inclusive state because it builds citizenship, which can in turn affect manifestos, and the regime in power. However, this is a slow process and Nepal has only just begun. As Migdal (1988) argues, strong 'traditional' societies can produce weak states.

Chapter 11: Conclusion—Towards a Theory of Inclusive State Building and the Role of Social Protection

11.1 Introduction

This thesis asks whether distributive programmes of social protection are contributing to efforts to build an inclusive state in the post-conflict democratic era in Nepal. This offers useful insights into the issues of state-building, social inclusion, post-conflict recovery, and donor relations that are so germane to the issues of development in fragile and conflict-affected states. The research reveals the nature of the political settlement and how it has changed from what was reached immediately post-conflict. Nepal appeared to be moving towards a more social democratic and inclusive agreement after 2006. However, the vested interests within the elite class struggle to hold on to power. Consequently, Nepal now has a less inclusive political settlement.

Some of the major transformative structural change initiatives undertaken in Nepal such as affirmative action and federalism have immense significance to Nepal's excluded groups and provide the background against which social protection (a specific set of instruments) and its evolution and stalling must be understood. What emerges from the research is insights into how structural and practised forms of exclusion are reproduced and/or changed. It gives a sense of the pace of change and the time required to build an inclusive state and a realistic understanding of how social protection may contribute to social inclusion and state building in a post-conflict, traditionally exclusive state transitioning from a monarchy to a federal democratic republic. Limitations towards constructing a democratic welfare state is shown to be imposed by clientelistic and patronage-based party politics which continue to dominate the political landscape in the country, despite the civil war and democratic transition. The thesis shows that social protection in Nepal cannot be separated from the broader struggle to achieve a more inclusive *naya* Nepal.

Two subsidiary research questions were needed to answer the question: 'in what ways can social inclusion be achieved in a traditionally exclusive, low-income post-conflict state'; and,

'what does building an inclusive state mean in post-conflict Nepal?' In Nepal, building an inclusive state means sharing the benefits of development more evenly; guarding against exclusion by valuing and recognising marginalised group identity; diffusing the power hold of elites; and becoming an accountable and representative federal democratic republic.

Various chapters have presented a sense of progress, regression, stalemate, and learning about inclusive state building. The pressing need is to find the right (peaceful) entry points and instruments to take advantage of opportunities and sustain change and this requires ongoing testing, data and refinement. The research has demonstrated the value of analysing social inclusion and social protection together because the dynamic between the two reveals the political settlement and the role it plays in Nepal's state.

There is the principle of social protection and social inclusion as defined and debated in the literature and enshrined in policy and then there is the reality, which is quite messy. Greed for power and wealth, corruption, and the nature of the political settlement can dictate and inhibit the success of these principles. The role of external actors over these principles should be more positive than what the data revealed. Understanding the political settlement is useful but it does not mean that policy outcomes are predictable. Social inclusion and social protection will be applied and exploited in political discourse in different ways by different actors at different times. The political game needs a far richer account than what this thesis could provide. This research has examined the outcomes of some of the bargaining processes of Nepal's political settlement and its relationship to social protection and social inclusion.

11.2 Methodology

This thesis uses a Grounded Theory methodology to understand the roles of different actors, including development partners, civil servants, politicians, the private sectors, trade unions, journalists and academics, and how recipients perceived five government funded cash transfers and their own sense of citizenship. The mixed methodology included grounded theory and situational analysis, case studies, some action research, political praxis, documentation analysis, surveys, open-ended questions and intensive interviewing. This proved useful for analysing social inclusion, social protection, the state and the political

settlement during a period of great change. Researching social inclusion and social protection collectively enabled a focus on the subjective and experiential aspects of structural discrimination, rather than the more traditional focus on the material dimensions of deprivation. This allowed for a richer appreciation of how cultural differences come to be policed and enforced or undermined through public policies, even when these policies have the official intention to protect groups from crises or life cycle factors. Thus the methodology allowed for a view to form about the magnitude of change required to build an inclusive state.

Focusing on key events such as federalism and the constitution drafting process facilitated a vision for this change space to emerge and exposed the way exclusion is reproduced in a structural manner and the mobilisation challenges excluded groups face. Collecting data on affirmative action and comparing it over time and to key informant interviews also confirmed the state is captured by elite interests and the role informal institutions play in reproducing exclusion and maintaining an unaccountable shadow state. Having this view of the state was immensely important for understanding the political economy of social protection and why reform has stalled. Collectively, the data on affirmative action and federalism helped to understand social inclusion and to situate cash transfer recipient responses within the perspective of an excluded citizen.

The data indicates that giving cash transfers to the most vulnerable and excluded citizens in a country with horizontal inequality through a combination of categorical and universal targeting will contribute to building inclusive citizenship. The amounts do not need to be substantial and the funding source does not matter as long as the state delivery system is used and the cash is manually distributed. The effect of giving cash from an exclusionary and/or oppressive state will be unpredictable anywhere but it is also unlikely to be negative for the citizen. Even when citizens have to pay to access them and even when local government discriminates and takes some of the allocation, citizens value the cash transfer more highly than the amount given. Cash transfers may not enhance economic opportunities or health and education status initially if amounts are low, but these are neither the only causes of exclusion nor the only remedy. The adverse incorporation and social exclusion framework was useful for studying social protection in Nepal because rather than merely focusing attention on the material dimensions of deprivation it enabled a focus on the subjective and experiential aspects of structural discrimination.

The main actors behind social protection emerged as communist political leaders, the trade unions and the private sector. The politics of social protection and social inclusion are similar as both involve reforming the state into something more inclusive and protective. Testing and coding the data as it was collected ensured the quality of the data provided a sufficient view of the state and the role of social protection within it. The recipient interviews completed the view of the state 'from below' and revealed citizenship construction and the subjective and experiential aspects of structural discrimination. Recipient interviews were handled differently to macro level data. Recipient data was collected over a two-week period via surveys and open ended questions. Unlike the macro level data, recipient data was not subjected to theory testing along the way as the purpose of collecting it initially was to add value to the macro data. The researcher feels that further testing of the recipient data is needed to unpack some of the responses, especially on perspectives of the state because the recipient responses raised many questions.

The thesis makes the overall point that social inclusion is a long term process requiring significant policies and investments; given this, a closer examination of the performance of Nepal's welfare state over time vis-à-vis cash transfers and social inclusion would have been useful. The data indicates that anything that facilitates a weakening of local traditional relationships of dominance will create space for greater inclusion to emerge as will increasing the opportunity a citizen has to interact with the state. The research reveals the pace of change required in building an inclusive state but not what an individual has to go through to feel personally empowered. Cash transfer recipient responses reflect initial gains but this may be temporary when their rights are constantly breeched by local government. Will the decentralisation of power improve their appetite for mobilisation and rights, or diminish it? Will more Dalit cash transfer recipients protest under the new federal model than non-Dalit cash transfer recipients? One assumes that at some point, once citizens are more empowered rights holders, the delivery of the cash transfers and the misappropriations would become a bigger concern.

More research on cash transfer recipients over time such as a much larger quantitative survey analysed through regression models or a panel data set is needed. Such an analysis must look beyond traditional health and education indicators. The indicators used to measure inclusion are important and should include questions on individual empowerment and notions of citizenship. Further research that compares Dalit cash transfer recipients to non-Dalit cash

transfer recipients would be useful, as many questions remain about Dalit responses. Research on the Dalits of Nepal is minimal when compared to India. Research on the everyday experience of being Dalit in a state like Nepal, as Nepal undergoes a process of transformation would make a sound contribution to understanding social inclusion processes for highly marginalised groups. This research also identified the need to gather more non-recipient views, so that a comparative perspective could be assessed. The methodology gave a breadth of understanding on social inclusion, social protection and inclusive state building. It has revealed gaps in the data where additional research and depth is needed. This highlights some of the limitations of the grounded theory approach and the research design.

Nevertheless, the grounded theory method allowed for a deeper analysis of affirmative action and federalism and this revealed the way social inclusion, or inclusive state building, threatens elite power and elite bargains. Adopting the NSPF would similarly threaten the elite and would importantly mandate sharing resources more broadly. However, cash transfers are different. They do not require policy to implement them and they are a direct way of giving to constituents and in Nepal's context of patron-clientelism this maintains loyalty. Consequently, cash transfers are the bulk of the social protection assistance in Nepal. Cash transfers have a better chance of being endorsed and reaching large numbers of excluded citizens, albeit with some leakage.

11.3 Inclusion

Analysing the spaces in which state and society interact at all levels reveal the way exclusion is felt, perceived and experienced. Citizenship, like exclusion, is individually conceived and citizenship construction is highly relevant to building an inclusive state. Even clientelistic forms of citizenship can lead to more inclusive states for excluded groups. Social inclusion in Nepal is about justice, equality and changing the rules of the game – the nature of the political settlement. This outcome is extremely difficult to achieve.

Marginalised groups are more likely to have to resort to coercive and contentious tactics because those are the ones that enable them to mobilise. They do not have the elite political culture and they may calculate that they stand a better chance of being heard if they adopt less 'polite' political strategies. If democracy is skewed towards elites and majorities, it is no

surprise that minorities and the marginalised choose alternative means of politics. It is not clear that they are necessarily any less democratic than the politics of organised parties. Particularly when those parties are organised on an undemocratic clientelistic basis with a strong central leadership drawn from an unrepresentative elite. However, they are often portrayed as less legitimate and less democratic, especially by international actors and Nepal's well-educated class. Some of these alternative forms of mobilisation do reproduce social closure and can breech rights resulting in the needs of excluded groups being more easily side-lined by external actors. Regardless of the outcome, acting like a citizen and mobilising with your identity group leads to a sense of inclusion for Nepal's excluded groups. Given Nepal's transition this maybe a necessary step for it keeps excluded citizens in a process of becoming a citizen with equal rights. When new opportunities arise from Nepal's broader state reforms, excluded groups will be more readily able to take advantage of them.

Democracy, social inclusion and social protection are linked. Social inclusion played a crucial role in finding a settlement to the conflict in Nepal. The merging of local with centre, and caste, ethnicity, religion and class-based networks with institutions of the state, has not gone smoothly – but it should never have been expected to be a smooth transition. Strong institutions are needed to formalise informal power and for social inclusion. Yet, institutions are microcosms of the wider society. Excluded groups need opportunities to learn the rules of the game within an institutional setting and also by engaging with social and government actors in new ways. Structural exclusion will seldom be overcome with a single initiative, policy, or instrument.

While the caste system may have begun by segregating occupations, over time caste and ethnicity have become identities. Nepal's excluded groups are from the base of the caste pyramid and face intersecting inequalities. The data on affirmative action revealed the way class and wealth also serves as a barrier to overcoming exclusions. Because social exclusion has individual as well as structural elements, overcoming exclusion must involve ways to reach large numbers of excluded citizens. Personal agency needs to grow, along with changing the structures of a state, for the two are mutually dependent.

Given the frequency of natural disasters and the extreme poverty of large sections of the population, and the vulnerability of many more, what is surprising and noteworthy is how limited social protection provision still is, in comparison to other countries with comparable

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levels of development and need. Coverage is low and shallow. Yet, people are not protesting to increase social protection amounts in the same way as they protested about federalism. Cash transfers are down a long list of priority concerns and are not considered part of building a new state for excluded groups. Additionally, the nature of the need itself is so differentiated that it prevents organisation around social protection, and even then identity inclusion would come before poverty. Those that have been erstwhile excluded are at the stage of feeling grateful for the meagre amounts that they receive from the state. The overall impression from social protection in Nepal is that it is a marginal matter.

11.4 Different Instruments

11.4.1 Federalism

The social inclusion project created more opportunities for citizens to interact with the state. The constitution drafting process was one of these opportunities. Federalism disputes during this process revealed the way elites broadly control the state and are unwilling to easily give up power. The elite are generally happy to provide charity to excluded groups but not to consider them equals. Even with a representative CA, elites and upper castes can corrupt the process and maintain an exclusive state. The outcome of such a process (e.g. a new constitution) is not the end game. Consensus can vacillate. Development partners should work with excluded groups to assist them to reflect on their strategies and what they learnt from state building processes.

The decentralisation that accompanies federalism should create better functioning and more accountable local governance. The decentralisation of power may result in more local cross class/caste alliances forming around issues such as social protection and this may generate some improvement in local elite commitment to social policies. This is likely to depend on the distribution of power at the local level and how excluded groups act. It suggests a new research topic which examines this more closely as federalism is implemented. Yet without federal units being divided along lines – ethnic or other – that remove some of the existing local dominance, it may reproduce and further institutionalise inequality and exclusion.

For many of Kathmandu's excluded groups (the more educated of the excluded), being at the top of a pyramid of power is where real inclusion and security happens. It is hard for excluded groups to imagine power or inclusion in another way. Therefore, they practice social closure too when they gain power. Having more excluded groups gain power in a federal state will not guarantee immediate inclusion for all excluded groups. Federalism comes with the added risk of fuelling identity politics and affirming caste and other subaltern differences. Federalism is necessary for Nepal but its effect on social inclusion may be minimal or only very slowly realised.

11.4.2 Affirmative Action

Inclusion is a problematic concept because in practice social inclusion ends up meaning inclusion in institutions and structures that reproduce inequality (Andrenacci 2012:13; Wood 2005a). The data on affirmative action confirms this and reveals changes over time and how a political settlement shapes opportunities. Quotas were reached when the Maoists had strong power but reduced as the Maoists lost power. Elites learn new ways to maintain power despite policies such as affirmative action and despite new political entrepreneurs gaining power.

In theory, affirmative action is possibly the best social inclusion initiative in that it may contribute to reducing the power hold of traditional elites; will empower excluded groups and build their capacity, all the while facilitating a formalisation of informal power. Affirmative action brings employment, an opportunity to learn the rules of the game, and allows policy and state decisions to be more representative of excluded voices. However, affirmative action is frequently haphazardly implemented and requires strong leadership (especially from development partners) and behaviour change to be effective.

It is difficult to assess the impact of affirmative action on Nepal's excluded groups. Firstly, a range of factors such as mid-cycle policy changes could have impacted on affirmative action outcomes, along with the capacity and the interests of donors. Isolating these influences is difficult with the data available. What would be beneficial is to do further research on the effects quotas are having on education levels and household consumption and other indicators of social and economic development. Additionally, there is a dire need to understand the attitudes and approaches of Nepalese human resource officers and where there are gaps in

capacity and accountability. Interviewing quota seat holders to see if they articulate some similar changes to their own self-worth as what cash transfer recipients did, would further enrich the theory of inclusive state building in terms of personal agency and outcomes.

11.4.3 Social Protection and Cash Transfers

In Nepal's welfare regime, stratification occurs along gender and occupation lines and the family or community is expected to provide the bulk of assistance. Protecting social protection programs from particularistic interests (de-clientelisation) and ensuring they do not overcharge families and communities as providers of welfare (de-familiarisation) would move Nepal away from an informal insecurity regime to something more consistently protective. However, this is unlikely in the current political climate. Social inequality is not just a product of a lack of protection, but is also the result of social protection programs and the way the programs endorse or reproduce inequality (Andrenacci 2012:6).

Critical junctures for social protection reform in Nepal include democracy and emerging communist political parties gaining power and seeking to augment their power. States like Nepal that are historically exclusive, weak, and fragmented use cash transfers to reach citizens and either meet their needs, buy their votes, or demonstrate that they are included in the state and are important. Cash transfers are easily approved as they do not need policies or wider approval, just access to the budget. The budget is more readily accessible in the first couple of years of a new political party taking power. This is when the political settlement is most stable because rents are being allocated to reward key supporters. Policy can also be passed more easily during this time (if the political party in power supports it). As time passes, there will be less rents in the state coffers and support will wane unless creative ways of distributing rents are found (such as creating new ministries). The Maoists had some honest intentions to reform social protection, along with ulterior motives for doing so.

Cash transfers can make a unique and important contribution to inclusion by reaching large numbers of excluded citizens and increasing their sense of personal agency, disposable income and knowledge that they are recognised and seen to be included by the state. As Atkinson (1998) notes, social exclusion is relative to a particular society, involves agents and is not bound by time. Even when the Maoists in 2009 gave to Dalits and endangered

indigenous citizens for political capital or clientelistic reasons, it sent a clear message to these groups that the state 'sees' you, recognises you, and is going to look after you now; that is, the state finally includes you. Finding ways to communicate key messages of reform to the broad citizenry is always hard, time consuming and costly, especially in a weak state. A quick and simple way to do this is through cash transfers. Cash transfers may also be a cheaper way to affect many citizen's lives than other social policies, although a comparative cost analysis would be needed to confirm this.

As the literature on social protection in fragile and conflict-affected states assumed, the impact of cash transfers in areas that are highly excluded or conflict-affected will be greater because the state has been more absent. The conflict in Nepal magnified Madhesh exclusion as many VDC Secretary offices were closed. Therefore, citizens in conflict-affected areas, and especially excluded citizens from these areas have low expectations of the state as they have had little or no prior encounters through which to build their expectations. Any connection with the state, even if impacted by corruption, will increase the state-citizen contract. The irregularity of cash transfer delivery may reduce the number of times excluded groups interact with the state, but it will still be a positive gain overall compared to a history of exclusion.

While there was an assumption in the literature (see: Hickey and Golooba-Mutebi 2010) that social protection's contribution to social inclusion would be minimal in states where clientelism and obligations are reinforced through cash transfers. This is not universal. The research has shown the strength of traditional structures and informal institutions. Pyramid-type thinking shapes everything in Nepal, including the new forms of capitalism that are emerging in the country and cash transfers. For many excluded groups from local areas, being in a pyramid structure brings security and a future income. A citizen must first be included to realise they are exploited or only included for political gain or on restrictive terms. Social inclusion is a long-term process in a country like Nepal, and also a state project and an individual experience. How citizens interpret state symbols such as cash transfers cannot be overlooked, or it again denies the agency of excluded citizens.

This thesis does not just answer the question of how social protection can contribute to social inclusion; it also raises the question of what is a just or fair redistribution for historical forms of exclusion. If the existing system allows recipients to feel a sense of recognition, social capital, enhanced status and connection to the state but keeps them poor, is this better than

moving towards poverty targeting? Poverty targeting would lose some of social inclusion gains but if political support for poverty targeting leads to increased funding and larger transfers then it would have a greater effect on poverty alleviation. The new technology associated with poverty targeting would reduce misappropriations and this may have benefits for inclusion but would require further research.

The design of social protection has an enormously ability to effectively contribute to social inclusion. The manual delivery of the cash transfers surprisingly contributes to social capital as it facilitates excluded groups networking more widely than usual and across social stratification boundaries. Although the literature suggests that targeting in fragile and conflicted-affected situations can be divisive, especially when the conflict has roots in social divisions (Slater and Farrington 2009), this was not the case in Nepal. Potentially this is because the most vulnerable and marginalised of the excluded (Dalits and endangered indigenous) are the ones targeted. Or perhaps it is because endangered indigenous groups and Dalits live more excluded lives from the wider community and thus the benefits accruing to these individuals is not so widely seen or noticed. Potentially, categorical targeting is not divisive when amounts are minuscule, or when the categories chosen are obviously associated with low employment opportunities. More research on targeting is needed in Nepal.

As the literature explained, conflict related forms of insecurity such as intimidation and coercion have not been well considered by social protection research in fragile states to date.[343] Social protection programs can entrench local power structures through the distribution of cash and through the use of brokers, especially when accountability is low (Harvey 2007, Mattrinen & Ogden 2006). Yet cash transfers are the most direct way to reach those who are usually excluded from other benefits of citizenship. Even if targeted forms of social protection are used to maintain patronage networks or 'buy' constituent votes in weak states (Harland 2011), benefits may still accrue to the excluded. In a state like Nepal, the powerful or the rich will always benefit and if not directly then they will find ways to undermine initiatives to maximise their advantage. Clientelism and citizenship can be complexly connected because excluded citizens define their identity based upon their excluded status.

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[343] See: Darcy 2004; Holmes 2011: 224–5; Carpenter et al. 2012.

Fragile states have unique operating environments. Nepal's has useful lessons. The literature review revealed there were not enough government-funded social protection programs in low-income countries to adequately reflect on the role of donors. While Nepal's domestic funding for social protection is unique, the source of funding for social protection may not be as relevant as donor behaviour. A few respondents during the interviews in Sarlahi wanted to know which country was giving the cash and wanted more. When I explained that it was coming from their own government and that it is unusual to find this degree of self-funded welfare elsewhere in low-income countries, respondents were very surprised and then proud of the government. Nepal has much more political capital that it can reap from its cash transfers. Access to information is so patchy that people rely on rumours and misinformation to inform their opinions. The funding source may have more of a bearing on relationships at the central level. The way donors self-promote their funding in other countries may also have more bearing on the state–citizen contract than the source of funding.

The power distribution in a political settlement is influential in social protection and for excluded citizens. Hypothetically, if the NC had a more vertical distribution of power, cash transfer amounts would increase. But social protection policy may not be as readily reformed because it will take some time for the NC to need the citizens who would benefit from social protection as much as they need base constituency of the elite propertied classes. Becoming a more inclusive state would be faster under the Maoists for they need citizens more than they need elites, however this does vary according to the issue and the length of time in power. The research has shown the value in understanding the local politics in which social protection programs are embedded.

Citizens and third party actors, like cooperatives and unions, that have revenue opportunities from paying members, can have an important role in inclusive or newly established political settlements. This is useful for replicating in other post-conflict transitioning countries with horizontal inequalities. Supporting trade unions and social security for workers and other third sector actors in transitioning states may be a step towards building a more inclusive state and society. It may have knock on effects that lead to a more substantial social protection system being implemented. More research on events as they unfold are needed to further test this possibility – but the potential exists.

The literature also mentioned the need to understand the social contract in which social protection programs are embedded. This research suggests that in low-income countries it is not the contract that is important for it is very weak, rather the distribution of power has a bigger bearing on the forms of social protection that emerge. The ideology of political parties will lead to a social contract in the future once the political settlement becomes more stable than the current competitive clientelism. Ideology comes after the maintenance of power in such a settlement. The ideology of the elite will have a bigger impact on the type of contract underpinning social protection programs until the relationship between state and citizen grows.

Social protection in Nepal does not just reproduce or aggravate inequality. It can also help to overcome some of the causes of poverty and exclusion. The methodology of combining a state view with a citizen view permits this analysis. Recognition need not only come from inclusion in state and political institutions, or through quotas, it can also come from redistribution. Social protection can be transformative in this way even without deliberate efforts to 'build the rights and empowerment of the poor and vulnerable' (Devereux and Sabates-Wheeler 2004). Nonetheless, a number of design options were revealed that can lead cash transfers to more readily aid in the process of inclusion. These were: unconditionally given; manually delivery by local government officers; waiting in line with other higher status welfare recipients; and a combination of universal and categorical targeting.

11.5 Theory

The first lesson for building an inclusive state is that consensus is important but it fluctuates. The path to inclusion is non-linear and those with powers will work for and against their own ideology, values and ideas at different times. A social exclusion lens provided guidance to examine how the structures of the state reproduce exclusion, advantage and class. Citizenship theory allowed for a more socially embedded view of the state to emerge. The research supports assertions by Esping-Andersen (1999:35) and Davis (2004:256) that distinct systems (or regimes) of welfare provision are created in different countries, at different times, depending on how risks are pooled between institutional spheres in society, particularly the state, market and the family.

The theory of political settlements emphasised certain aspects of the data that would have been hard to understand otherwise. The linkages between events in a clientelistic settlement can appear chaotic. Regime theory would not have given such a complete picture of Nepal's state but understanding how regimes function is necessary for understanding the political settlement. State transformation patterns are retaining some traditional practices of exploitation and exclusion while developing new capitalist relationships that offer a slight improvement on these traditional practices. Elites learn new rules of the game quickly as they are fully included but elites are slower to concede power as the *Labour Law* evidence illustrates. Emerging from the research is a sense of the pace of change required to build an inclusive state.

Political agency influences the shape of social protection but working with political actors is challenging. It will always be hard to know when their intention to support a cause is based around social justice or personal gain or because they wish to politicise and manipulate certain groups and issues. Politicians lie, change their mind, and make elite pacts that can either work against or align with their ideology. Understanding the agency of politicians can be a black box, as it frequently changes driven by personal incentives. It takes time for excluded groups to understand 'the rules of the game' and they need opportunities to practice the game. Bringing more excluded groups into the way power is maintained is important as it will lead to a more vertical distribution of power which will align political self-interest with citizen's desires. All state building efforts should expand the opportunities different actors have to interact with the state at different levels.

Political entrepreneurship can be replicated but *aafno manchhe* networks take longer to build. The private sector may have various landholdings, businesses and other assets plus an extensive *aafno manchhe* network from which to draw power to assert their will. They are educated overseas and have experienced living in well-functioning economies. As Khan (2010:55) discovered, 'political processes of accumulation supported by informal power often create potential entrepreneurs who find that sustaining their privileges over time requires formal rights as well as informal support to make these formal rights effective and viable.' Union leaders too have overseas education and entrepreneurial skills, and are well connected. They have ties to political parties and political and legislative experience. They understand the rules of the game and work vertically across different levels to gain power. The characterisation of trade union leaders and private sector operators suggests spending time in

an advanced economy and studying law or business is a prerequisite for the most successful political entrepreneurs in Nepal.

Institutional and political changes are important but rely upon rare altruistic political entrepreneurs or excluded political entrepreneurs gaining power and maintaining it via a vertical distribution of power. Finding leaders or members from excluded groups with altruistic and entrepreneurial tendencies and giving them scholarships or opportunities to live and work in advanced economies is a potential pathway to building an inclusive state. Affirmative action can also gradually contribute to institutional change if it receives more support from outside actors such as development partners and accountability improves on par. The role of federalism in such a process remains an open question. Potentially, it will give more political entrepreneurs an opportunity to learn 'the rules of the game.'

How much does politics matter? Can norms and values trickle up? The success of various people's movements in Nepal suggests they must. State building by external actors tends to happen from the state's apparatus outwards. In building an inclusive state, this fact (state outwards) seems oddly ironic and yet is the modus operandi of development partners. If the state is part of society and shapes and is shaped by it, then working at the interface – not just at the centre but at the local level – will eventually build an inclusive and effective state. It is in the space where state and citizen meet that change happens. Given caste discrimination and the lack of diversity in the state apparatus, more interaction by the government and excluded citizens is needed. More evidence about local level realities, especially across caste and ethnic groups needs to reach policy and decision makers because politicians vary in the way they understand the local level.

The question raised by the research is whether securing political support is a precondition for social inclusion and social protection or whether empowering excluded groups is more important. Ideally both would happen and require a mix of measures and instruments. It is clear that changing the norms and values of elites, that operate at the local level and that excluded groups negotiate daily would be advantageous. Working within the pyramid structures at the local level and facilitating reflection and empowerment processes and then allowing norms and values to trickle up may be a better option than top down state building, as it allows for truer localisation—clearly an important step in building an inclusive state. This

slower pace of change may produce less backlash depending on how inclusive and reflective the process is.

The analysis of Nepal should contribute to wider debates about state building. Donors tend to reinforce clientelism in the way they operate and depoliticise the needs of different social groups. All state building efforts should adopt an adverse incorporation and social exclusion approach (that incorporates political settlements) and program declientelisation strategies into all their work (programs/policy advocacy).

11.6 Conclusion

The thesis explores aspects of the politics of policy-making in a range of domains related to inequality and exclusion, including federalism, quotas in public service, labour regulations and cash transfer schemes. It offers insights into the underlying political dynamics of policy change in a fast-changing nation-state, and in particular, the views and perspectives of different actors on those policy changes. This includes those who receive the cash transfers, aid donors, bureaucrats and civil society groups. Looking at such a wide range of large and important topics from such a variety of perspectives was an ambitious task. While many new empirical findings were made and a magisterial overview of the landscape of the social inclusion agenda was gained, the breadth was at the expense of depth. This highlights some of the limitations of the grounded theory approach and the research design.

The evidence reveals the way development discourse is constructed. The state includes deprivation, poverty and social cohesion/peace within its understanding of social inclusion. The power that controls the state is more comfortable addressing poverty than it is addressing issues of exclusion and marginalisation, because the former can be put down to bad luck whereas the later directly speaks to their own privileged status and/or their unwillingness to consider their forefather's actions as colonial. Additionally, poverty overlooks (but does not overcome) issues of caste and ethnicity or the structural reproduction of exclusion. As there are poor upper castes, focusing on poverty does not exclude them in the way that quotas and ethnic based states do. There may be a more general acceptance of the state's role in tackling poverty rather than the more polemical and divisive issues of caste, gender, ethnicity and race. In practice, poverty and exclusion are connected but not in politics. Studying social protection

in Nepal, like studying social inclusion, has revealed the microcosm of politics and poverty and how power in a country functions to reproduce exclusion.

People are easily divided in a traditionally exclusive low-income state and the obstacles for collective action are great. Class and caste relations shape social protection and also prevent poorer and excluded social segments from protesting. Yet the trade unions illustrate that under certain conditions some of this divisiveness can be overcome. Such as when there is a vertical distribution of power in an inclusive political settlement or when support is through a membership base, rather than through the capture of state rents. However, it could also be concluded that when cross-class alliances are formed around issues that are not related to caste or ethnicity, such as employment or poverty, then success is more likely. This later conclusion is plausible considering the results of federalism were dismal and focused on geographical or ethnic identity. Chopra (2014a; 2014b) writes about social protection in India and found that when cross-class alliances are formed, the outcomes and the potential for social transformation increases.

Democratic consolidation leads to more social protection in Nepal, mainly because of the vertical distribution of power of new political parties and their communist ideology. This will eventually create a more inclusive political settlement, but it will take time because of the strong elite power hold. Conflict and coercive strategies can have more immediate success in building an inclusive state in Nepal because elites have to be forced to let go of power. If the power in a settlement is vertical, then social protection will be expanded and the power of third sector actors will increase. Third sector actors such as trade unions can hold the powerful propertied class in a stalemate until more rights are secured for workers. Unions get their power from their paying membership base, from their leadership and from their alliance with new political parties.

Social protection plays a role in moving a political system that has a narrow or exclusive elite pact into something that is more inclusive. To understand how social protection contributes to building inclusive states in the longer term requires additional research. As a state becomes more inclusive, social protection would need to be redesigned accordingly. The construction of a socially inclusive society and state requires many efforts, dialogue, localisation and synergy. The combination of new initiatives is likely to generate a backlash but may also yield a collective benefit for excluded citizens.

Working on inclusion involves finding the middle ground between opposing views and is a thankless task. Elites will criticise you and manipulate your agenda if you try to help the excluded. Excluded groups will legitimately demand rights and then breech the rights of others in the process of exercising their new found rights. Claims against sovereignty will be heard and a backlash should be planned for and strategically managed. Working on inclusion brings little praise or easy solutions. Donors often lack the capacity and appetite to work effectively on social inclusion in clientelistic states.

Development partners and the state frequently misinterpret exclusion, and the meanings it holds for those who experience exclusion. The Maoists had a good understanding of what local people wanted because they had fought a resistance war with many of the excluded for ten years. However, they lost touch with these local truths as they tried to maintain their power in political leadership. Bringing more local ideas, norms and values to the centre where decisions are taken is a key role that development partners should embrace. Development partners should be mindful of the political settlement when they do engage and make sure they have a diverse workforce or they can unknowingly become complicit in elite pacts that lead to exclusive political settlements that reproduce inequality and exclusion.

This thesis has shown a complex relationship between money/wealth, exclusion and inequality. Reducing vertical inequality will not reduce horizontal inequality unless it combines some measure to target historically disadvantaged groups and pair them with the rich in some social setting. Money is not all that excludes, although reducing poverty may contribute to reducing some horizontal inequality given wealth can lead to power and influence. Finding ways to overcome horizontal inequalities is harder than overcoming vertical inequalities. Building inclusive states and societies is a long-term strategy that requires a repeated and concerted effort. Even when it is not designed to be transformative, social protection has as much potential, if not more, to contribute to building an inclusive state as affirmative action and other policy changes. However, the sustainability of this potential is still unclear.

A question about synergy remains. Federalism, a new constitution, affirmative action and social protection were implemented simultaneously. Yet if they were implemented separately, perhaps the benefits to excluded groups would reduce? Affirmative action, federalism and a

new constitution bring benefits but the perspective of excluded citizens should also be considered important when building an inclusive state. Consequently, state building should occur from the ground up as this will allow for a truer localisation and a pace of change that aligns with the everyday lives of excluded citizens. The theoretical framework provided a lens through which to view the dynamics of this process more realistically than traditional measures of inequality.

This thesis sets out to answer the question about the potential of social protection to contribute to inclusive state building. However, it has found lessons about inclusive state building more generally. These lessons are mainly tailored to external actors and include: localise the definition of norms and phrases used in political discourse; plan for backlash; pay attention to identity and understand how it is constructed; know the political settlement; don't assume that the technical aspects of democracy will automatically create inclusion or reduce inequality; depending on the type of state, constitution drafting may lead to the continuation of exclusion; informal institutions should be well understood; adopt a long term view; a range of initiatives will be needed; affirmative action is essential and requires a lot more support to make human resources accountable and transparent; decentralisation or federalism should be considered a capacity building lesson for states and excluded groups, and not a solution to exclusion; social protection is more important than first thought but the type of targeting used in states like Nepal can be instrumental in shaping citizenship construction in an inclusive manner; focus on empowering the excluded; social events that encourage cross-caste/identity group interaction in villages are needed, along with ways to get the government to interact with the most excluded; and build the capacity of the third sector. There are many ways social inclusion can be achieved in a traditionally exclusive, low-income post-conflict state and state-building theory should better incorporate the range of options available.

Social protection has a role to play in state building processes. Social security gives citizens an opportunity to understand a more mutually beneficial relationship than what patron-clientelism and caste affiliation does. This may lead to more rights claims in the future that move the state towards inclusion as it will de-personalise the way power is maintained and make rights about mutual obligation and the rule of law. Cash transfers can make a unique contribution to excluded citizens and their perceptions of being included. Giving cash from the government is a direct way to reach citizens and let them know that they belong in the new state. It can also give them opportunities to experience government processes and acquire new

information. It may even increase social mobility and social capital. For these gains to be realised, the way social protection is designed is crucial. Social protection has the potential to contribute to inclusive state building.

On a final note, the combination of political settlements with the adverse incorporation and social exclusion framework worked well. The theory of adverse incorporation and social exclusion should be redeveloped to more comprehensively specify its relevance in low-income and fragile or post-conflict states and incorporate political settlement typologies. Evidence of the benefits of this combination was shown in the analysis of social protection, federalism and affirmative action. Given the relationship between social protection and political settlements, more analysis and cross country perspectives of the way political settlements shape welfare regimes is needed.

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Annexes

Annex 1: Key informant summary – Kathmandu

Organisation type	No.	M	F	International	National
(I)NGO	13	6	7	1 (I/N)	12
Donor	10	5	5	5	5
Multilateral	12	5	7	7 (2xI/N)	5
Politician	5	5		none	5
Trade Union	3	3		none	3
Bureaucrat (GoN)	10	9	1	none	10
Academic	8	4	4	1 (I/N)	7
Independent/Other	5	4	1	2	3

Annex 2: Key Informants—Kathmandu[344]

No.	Organisation	Position description	(inter) National	Gender	No. of interviews
1.	ADB	social protection	N	M	2
2.	Social Science Baha	Academic	N	F	1
3.	UNICEF	social protection	I	F	2 plus emails
4.	Save the Children	social protection	N	F	2
5.	Friedrick Ebert Stiftung	Academic	N	M	1 plus emails
6.	WFP	Communications	I	F	1
7.	CEDPA	Head	I/N[345]	F	1
8.	Terai Justice Centre	Advocate	N	M	1
9.	BOGs officer	Risk manager	I	M	1
10.	FEDO	Senior manager	N	M	1
11.	GIZ	social protection	I	F	2 plus email
12.	UNICEF ROSA	social protection	I	F	1
13.	GEFONT	President	N	M	1
14.	FNCCI	Director	N	M	1
15.	Help Age International	Program manager	N	F	1
16.	World Bank	Adviser	N	M	2
17.	World Bank	social protection	N	F	2
18.	ILO	Head	I	M	1
19.	ILO	Social security	N	F	1
20.	DFID	Conflict adviser	I	F	1
21.	Karuna Foundation	Head	N	M	1
22.	World Bank	Accountability	I/N	M	1
23.	MoL	Secretary	N	M	1
24.	NTUC	Leader	N	M	1
25.	ANTUF	Leader	N	M	1
26.	TU	Academic	N	M	1
27.	NPC	Junior officer	N	M	1
28.	Freelance	Academic	I/N	F	1
29.	Madheshi Terai Party	Politician	N	M	1
30.	Madheshi party	PR officer	N	M	1
31.	*The Republica*	Journalist/Op editor	N	M	1
32.	SNV	Adviser/SIAG member	N	F	1
33.	UNICEF Headquarters	Conflict adviser	I	F	1
34.	WFP	social protection	N	F	1
35.	Mercy Corp	Program manager micro finance	N	M	1
36.	MoFALD	Monitoring officer	N	F	1
37.	Muslim Madheshi women's NGO	Founder	N	F	1
38.	NC	Politician	N	M	1
39.	NC	Public relations	N	M	1
40.	NEPAN	Head & researcher	N	M	1
41.	SDC	Program officer	N	M	1
42.	Ex-government secretary, New Era	Senior manager	N	M	1

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[344] See the List of Abbreviations for an Explanation of Abbreviated Terms.

[345] A long-term resident of Nepal who speaks Nepali fluently and may be married to a Nepalese.

No.	Organisation	Position description	(inter) National	Gender	No. of interviews
43.	TU	Academic	N	M	1
44.	FEDO	Junior officer	N	F	1
45.	Lawyer	Social security	N	M	1
46.	DFID	Conflict adviser	I	F	1
47.	Enabling States Program	Program manager	N	F	1
48.	MoFALD	Gender equality and SI	N	M	1
49.	International adviser/consultant	social protection	I	M	1
50.	NPC middle level officer	social protection	N	M	1
51.	SDC	HR officer/SIAG member	N	M	1 plus emails
52.	Martin Chautari	Academic	N	F	1
53.	MoFALD	cash transfer unit	N	M	1
54.	Madeshi women's NGO	Founder	N	F	1 plus emails
55.	PSC	Human resources psychologist	N	M	1 plus emails
56.	CNRI	Researcher	N	F	1
57.	SSF/MoL	Head	N	M	1
58.	UNICEF	social protection	N	M	1
59.	Ex-UN, ex-Gov & academic	Economic development and statistics	N	M	1
60.	UML	Public relations	N	M	1
61.	WFP	Statistics and food security mapping	I & N	M	1
62.	WOREC	Program manager	N	F	1
63.	NPC	Secretary	N	M	1
64.	Nepal Rasta Bank/Reserve Bank	Governor	N	M	1
65.	Consultant	social protection	I	F	1
66.	DFID	Social development adviser	I	M	1

Annex 3: Recipient Respondents - Summary

Benefit type	No.	M	F	Religion	No.
Single woman/widow	16	0	16	Christian	1
Senior citizen	15	9	5	Hindu	42
Disability	8	4	4	'own religion'	1
Dalit child grant	7	7	0	none	2
Endangered indigenous	3	1	2	Jain/ Shiva koti	1
				Islam	1

Village	No.	Caste/ ethnicity	No.	Mother Tongue	No.
Dungre Khola	13	Brahman	3	Nepali	21
Nokelwa	19	Chhetri	3	Magar	2
Jabdi	16	Janajati	15	Bajika	3
	7	Dalit	17	Mathali	19
	3	Yadav	3	Tharu	3
		Mahato	1		

Annex 4: Recipient Respondents

	Gender	Benefit type	Village	Age	Religion	Caste/ ethnicity	Mother tongue
1.	F	Single woman	Dungre Khola	65	Hindu	Brahman	Nepali
2.	M	Senior citizen	Dungre Khola	75	Hindu	Magar	Magar
3.	M	Disability	Dungre Khola	70	'own religion'	Magar	Magar
4.	F	Dalit child grant	Dungre Khola	20	Hindu	Bishwokarma /Dalit	Nepali
5.	F	Senior citizen	Dungre Khola	72	Hindu	Bhujel/Janajati	Nepali
6.	F	Widow	Dungre Khola	37	Hindu	Bishwokarma /Dalit	Nepali
7.	F	Widow	Dungre Khola	50	Christian	Damai/Dalit	Nepali
8.	F	Endangered indigenous	Dungre Khola	19	Hindu	Hayu	Nepali
9.	M	Endangered indigenous	Dungre Khola	40	Hindu	Hayu	Nepali
10.	F	Disabled	Dungre Khola	70	none	Bishwokarma /Dalit	Nepali
11.	F	Senior citizen	Dungre Khola	85	Hindu	Chhetri/Chaulagai	Nepali
12.	F	Widow and child grant	Dungre Khola	35	none	Bishwokarma /Dalit	Nepali
13.	M	Senior citizen	Dungre Khola	86	Hindu	KC/Chhetri	Nepali
14.	M	Senior citizen	Nokelwa	75	Hindu	Dalit/Ram	Bajika
15.	F	Widow	Nokelwa	65	Hindu	Dalit/Ram	Bajika
16.	M	Partial disability	Nokelwa	28	Hindu	Dalit/Ram	Mathali
17.	F	Child grant	Nokelwa	26	Hindu	Dalit/Ram	Bajika
18.	F	Widow	Nokelwa	63-65	Hindu	Dalit/Mushar	Mathali
19.	M	Senior citizen	Nokelwa	70	Hindu	Dalit /Mushar	Mathali
20.	F	Widow	Nokelwa	55	Hindu	Yadav	Mathali
21.	F	Widow	Nokelwa	50	Hindu	Yadav	Mathali
22.	M	Senior citizen	Nokelwa	72	Hindu	Yadav	Mathali
23.	F	Senior citizen	Nokelwa	97	Hindu	Dalit/Das	Mathali
24.	F	Widow	Nokelwa	24	Hindu	Teli/ethnicity	Mathali
25.	M	Disability	Nokelwa	38-40	Hindu	Badi/Dalit/Lohar	Mathali
26.	F	Widow	Nokelwa	61	Islam	Kathun/ethnicity	Mathali
27.	F	Widow	Nokelwa	55	Hindu	Das/Dalit	Mathali
28.	F	Widow	Nokelwa	80	Hindu	Das/Dalit	Mathali
29.	F	Widow	Nokelwa	26	Hindu	Das/Dalit	Mathali
30.	M	Disability	Nokelwa	60	Hindu	Mahato	Mathali
31.	M	Disability	Nokelwa	60	Hindu	Moshar/Majhi Dalit	Mathali
32.	F	Dalit child grant	Nokelwa	55	Hindu	Moshar/Majhi Dalit	Mathali
33.	F	Widow	Jabdi	65	Hindu	Tharu/Chaudary	Tharu
34.	F	Senior citizen	Jabdi	77	Hindu	Tharu	Tharu
35.	F	Dalit child grant	Jabdi	25	Hindu	Dalit/Damai	Nepali
36.	M	Senior citizen	Jabdi	71	Hindu	Newar	Nepali
37.	F	Senior citizen	Jabdi	78	Hindu	Das (not Dalit)	Mathali
38.	F	Widow	Jabdi	69	Hindu	Brahman/Thapaliya	Nepali
39.	F	Disability	Jabdi	19	Hindu	Chhetri/Badal	Nepali
40.	F	Senior citizen	Jabdi	86	Jain/ Shiva koti	Brahman	Nepali
41.	F	Child grant	Jabdi	31	Hindu	Bishwokarma /Dalit (ethnicity is Luhar)	Nepali
42.	F	Child grant	Jabdi	40	Hindu	Musahar/Dalit	Mathali
43.	M	Senior citizen	Jabdi	72	Hindu	Maghi/Musahar/Dalit	Nepali
44.	M	Senior citizen	Jabdi	75	Hindu	Bhujel Janajati	Nepali

45.	F	Disability	Jabdi	45	Hindu	Bhujel Janajati	Nepali
46.	F	Endangered indigenous	Jabdi	50	Hindu	Hayu	Nepali
47.	M	Senior citizen	Jabdi	74	Hindu	Ram/Dalit	Mathali
48.	F	Widow	Jabdi	25	Hindu	Chaudary/Tharu	Tharu

Annex 5: Key Informants—Sarlahi

No.	Position	Location	Gender
1.	VDC secretary	Dangre Kohla	M
2.	VDC secretary	Nokelwa	M
3.	VDC secretary	Jabdi	M
4.	Maoist	District-level member	M
5.	Madheshi (Sadvawana)	District-level member	M
6.	NC	Netragunj	M
7.	UML (Unified Marxist Leninist)	Netragunj	M
8.	LDO	Sarlahi	M
9.	MoWCSW Sarlahi	Disability officer	F

Annex 6: Federal Maps

Nepal's current 75 districts,
14 zones and 5 development regions

1. Mahakali
2. Seti

3. Karnali
4. Bheri
5. Rapti

6. Dhawalagiri
7. Gandaki
8. Lumbini

9. Bagmati
10. Narayani
11. Janakpur

12. Sagarmatha
13. Koshi
14. Mechi

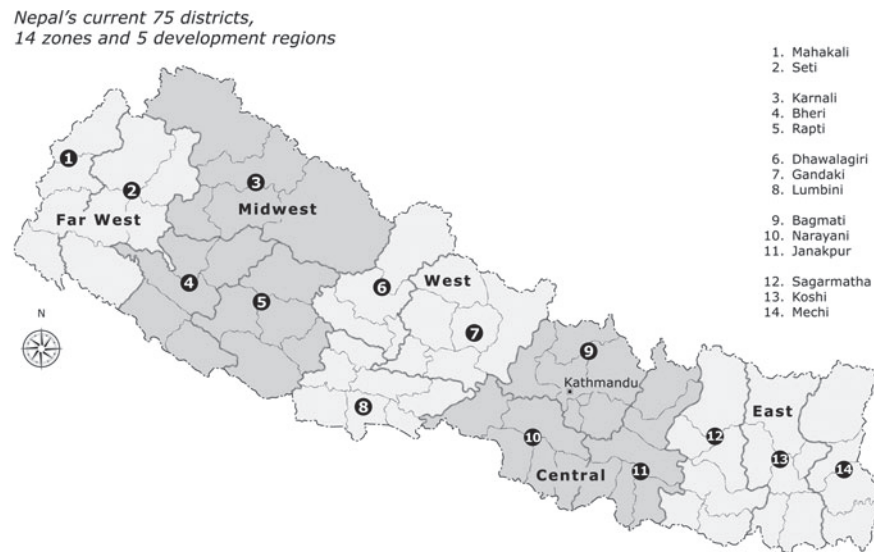**Figure 1   Current Map of Nepal: 75 Districts, 14 Zones and 5 Development Regions**

(Source: Tillin & Shneiderman 2015)

14 state model as proposed by the State Restructuring
Committee of the Constituent Assembly in January 2010
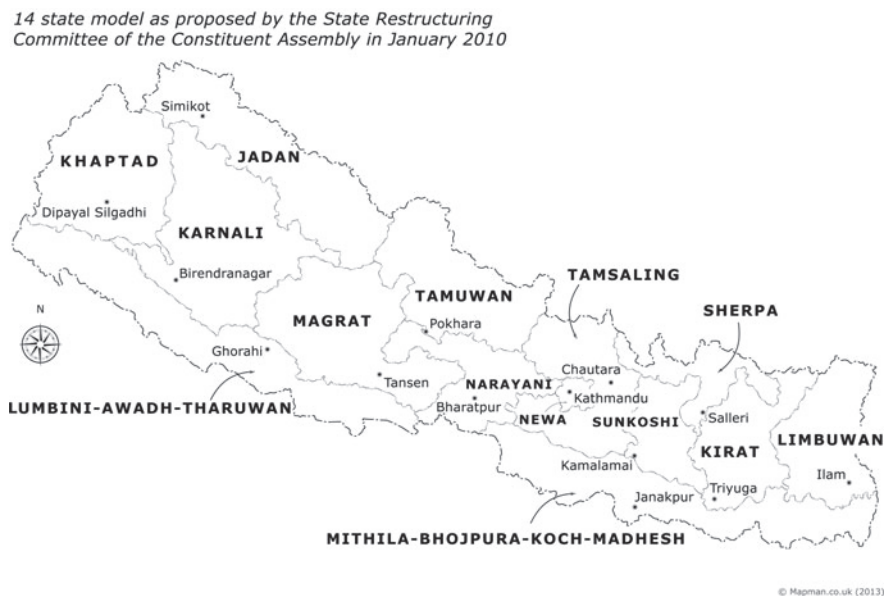
Figure 2   Fourteen-state Model

(Source: Tillin & Shneiderman 2015)

11 state model as proposed by the High-Level State Restructuring Commission
(10 territorial states plus a non-territorial Dalit state) in January 2012

Figure 3   Eleven-state Model

(Source: Tillin & Shneiderman 2015)

6 state model as proposed by the dissenting members of
the High-Level State Restructuring Commission in January 2012

Figure 4   Six-state Model

(Source: Tillin & Shneiderman 2015)

Annex 7: Recipient Case Studies

Six case studies are presented below to highlight some of the everyday challenges faced by low castes in Nepal. They represent the diversity of Dalit experiences in accessing cash transfers and their encounters with local governance. While the caste category of 'Dalit' is used to define a group of recipients, their experiences and responses vary. Some would explain the rationale for the challenges they face in accessing their transfer by citing their caste, 'because we are Dalit' and others might suggest it was their lack of education or poverty that prevented them from claiming their rights. It is important to remember there is enormous diversity of experience in Nepal. Dalit identity is multi-faceted and not fixed. It changes with time and individuals.[346]

Case Study 1—Single Woman

A Hindu widow aged 65 with a family name of Ram and Bajika as her mother tongue, has an income of NPR400–500 per month (USD4–5), not including the cash transfer. She has no land, lives alone and is illiterate. She has been receiving the widow's allowance for two years and was first told of her eligibility by the VDC secretary's assistant. It was very hard for her to obtain the single woman's allowance at first because she had to seek help from different political leaders at every step: registering her husband's death, obtaining her citizenship papers and applying for the allowance. She paid everyone who 'helped' her with the associated paperwork which cost her close to NRP3000 (USD30) in total, but she would not have received the transfer had she not paid these people. However, once she registered with the VDC office she only waited three months for her first instalment, which is a shorter time frame than many other participants. She considers the VDC secretary to be 'the worst guy. The government pays him and so do we.' She says the VDC secretary takes half her transfer; however, her identity book does not suggest this and she confirmed that the last instalment amount recorded in her book was the amount received. She waits in line for two hours on average to collect the allowance but occasionally has waited all day.

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[346] See: Cameron (2007) for an explanation of the variety of Dalit views about Dalit identity and even whether the name 'Dalit' subordinates or empowers.

She believes the government looks after the poor but the money is too little. She said, 'our ego is hurting. We are lower caste and the government feels bad for their lack of care for Dalits and that is why they give it.' She believes the transfer is a right and feels proud to obtain it but also said that 'those with the power have taken all the rights.'

She is not sure if local elections will make a difference and is only just satisfied with the state's trustworthiness on a Likert scale. She is totally unsatisfied with the government's unresponsiveness to complaints ('if I say left, the government will go right') and says that 'you need money to complain because you have to buy political support or no one listens to you.'

Case Study 2—Single Woman

A 50-year-old Christian widow with the family name of Damai owns three *katha* of land, three goats and one hen, and her mother tongue is Nepali. She has been receiving the widow's allowance for two years and there are two people in her household. Her daughter is studying and her son lives in Kathmandu and sometimes sends money. She never went to school and is illiterate.

She found out from other villagers that she was entitled to an allowance. When she registered she took a neighbour with her and then went back to the office a year later to inquire, and was given her first instalment that day. Other villagers typically let her know when it is instalment day. Her wait times vary. She said, 'one time I went to the VDC's office every day for three days and got it on the fourth day. Now I wait until they have been giving it out for a few days and I only have to wait 1–2 hours.'

She paid NRP50 (USD0.5) to the VDC secretary for the identity card book but does not think this is a bribe. She does not realise that her amounts are incorrect but comparing another widow's book from the same village revealed different instalment amounts (see transfer discrepancies section below).

She does not believe the cash transfers are a right and she is not sure if the transfers change the relationship of disadvantaged people with the state. She is satisfied with the state's trustworthiness and the way it looks after the poor. She is happy with the cash transfer system

and the government's responsiveness to complaints. She thinks local elections might solve some problems and that the treatment people receive from public officials depends on their networks.

Case Study 3—Dalit Child Grant

A 20-year-old Hindu woman with the family name of Bishwokarma receives the child grant. Her mother tongue is Nepali. She has a four-year-old boy and is pregnant with her second child. Her household has six people, four of whom are dependents. They own nine *katha* of land, two ox and two cows, and live in the lower hills. Not including the child grant, the household earns up to NRP5,000 (USD50) per month. She never went to school and is illiterate.

It takes her 1.5 hours to walk down the hill to the VDC office where she usually waits in line for her instalment for one hour. In the first year she received only half of her entitlement. She has learned that she receives less if she goes alone to collect it, so she normally goes with a group of villagers. Although the family and their neighbours (who are also recipients) have phones, no attempt is made to inform them of instalment day. She normally finds out it is instalment day when one of them goes down to the village. She explained:

> sometimes we go late because no one tells us when it is being given out. If we are late we are told to go back home because the money has already been returned. We hear that if the money is not allocated in time then it goes back but we really don't know.

Her perception of local government was not positive and she did not feel that local elections would bring improvements. She felt that the VDC secretary would prefer it if people do not go and collect their money. She said, 'we recipients have to go and prod him.' She said people are treated differently by government officials depending on who they know. Yet she thinks the state is trustworthy and she is happy with the cash transfer system. She feels that the central government looks after the poor well enough and on average is responsive to complaints. She felt that these transfers change the relationship disadvantaged people have with the state because people think better of the government when they receive an allowance. She did believe that the transfer was a right for her child.

Case Study 4—Dalit Child Grant

This mother's family name is Ram and she is 25. She completed class five and her mother tongue is Bajika. There are four people in her household and two are dependent. The total household income is NRP1500 (USD15) per month not including the child grant, which she does not count as income because it is 'for the child.' She waited four days for her child's birth certificate and then received her first child grant instalment three months later.

She finds the state totally untrustworthy and unresponsive to complaints, and says it does not look after the poor properly. She feels that the cash transfer is too little and the child grant should be paid past age five. She complained to the VDC secretary that the money is not enough and he said, 'when the government gives me more, I will give you more', which she finds unsatisfactory.

Her neighbours tell her when it is instalment day and she usually waits between half and one hour to collect her instalment. She said one time the VDC secretary dispensed the transfer from the district headquarters and it took her three hours to walk there and she did not eat until she got home again. She thought she was receiving less money than what she was entitled to but the amount she mentioned was more than her actual entitlement. The perception (incorrect in this case) of being tricked out of money plagues Dalits, who are aware of their low status and struggle to access correct information.

She is optimistic about local elections and stated, 'at least if there is a local election the local leader will see all the problems.' She thinks that the treatment people receive from public officials depends on who they know, and is worried for her children. She said that if she had a link with a Dalit NGO or someone important then she would receive services fast. She does not feel that the transfers change the relationship Dalits have with the state. She said, 'for the poor or Dalit we will always be the same, we will never feel equal and untouchability will always be there … it is so difficult for the poor and so easy for the rich.' She feels that if her community was given the money then they would distribute it more fairly. She said, 'Dalits are fully excluded.'

Case Study 5—Senior Citizen Allowance

A 75-year-old male Hindu with the family name of Ram never went to school and is illiterate. His mother tongue is Bajika. There are two people in his household and one is a dependent. He earns NRP500–1000 (USD5–10) per month and this does not include the aged pension because the amount is so small. He said, 'it comes, we eat and it is finished.' He has no land or livestock.

He has been receiving the allowance for six years and originally paid NRP1000 (USD10) to obtain the identity card book. He said, 'normally we have to pay a bribe and still we don't get proper services.' He said the transfer is harder for women, especially widows, to get: 'They have to wait two years to get their money and have to seek help from political leaders to get it.' He said generally, 'you have to take a political leader who is a mediator and fixes the bribe price. Otherwise nothing would happen and you would be sent away.' He thinks things will become worse with local elections because everyone is corrupt and acts the same.

The VDC secretary's assistant first told him he was eligible and now tells him when it is instalment day. The shortest wait time is 4–5 hours and he often has to wait all day. He said, 'if you have no link or are old, then the allowance takes longer to get.' He has noticed market prices increase on instalment day, especially the price of fish and meat. He said, 'the sellers wait for this day because they like the extra profit.'

He knows the transfers are a right and feels proud that the government has given it to him. He said, 'I feel happy to get this because it means I'm a good citizen of Nepal and that I am the same as others because I get the same amount as they do.' When asked if the transfers change the relationship disadvantaged people have with the state, he said, 'at least the government is watching out for us now.'

He believes the state is trustworthy and looks after the poor but he wants the cash transfer amounts increased. He stated that the government is unresponsive to complaints and that, 'the VDC secretary is not a good guy. He always talks about bribes and only works about five days every month.'

Case Study 6—Senior Citizen Allowance

A 70 year old with the family name of Mushar and Maithili mother tongue has been receiving the senior citizen allowance for six years. He has 25 people in his household and 21 are dependents. He says that they can earn NRP200 (USD2) per day if they find work but the number of days they work varies. They can earn up to NRP12,000 (USD120) in a good month during harvest season when there is more work.

The VDC secretary first told him he was eligible. He waited two months to receive his first instalment but paid a bribe to obtain the identity book. He commented that he does not like giving bribes but he often has to. He told the story of a young man in his village who was disabled and gave NRP2000 (USD20) to the MoWCSC but never received the allowance. When he complained about this to a new VDC secretary, he was told to give that VDC secretary even more money to arrange the disabled allowance for him, but he does not have any more savings to give.

He normally finds out that it is instalment day from the VDC secretary's assistant, who tells someone in the village and asks them to pass the information around. His wait time varies from half to one hour on average, but one time he waited five hours. He said he does not know the meaning of 'rights' and feels that poor people always have to wait: 'the VDC never tells us anything and we have to wait so long. The rich know all the rules and regulations and know how to get things fast.' He does not trust the local VDC officials and said, 'they take money out every time. I don't know how much they take. I just sign whatever they say because I can't read.'

He said that sometimes he has had a group discussion about solutions to the problems with his neighbours and friends but when rich people see them talking they tease them and say, 'oh, you want to be a political leader now?' One time he complained to the chief development officer at the district headquarters and was told that it was not his problem and that he had to go back and talk to his VDC secretary about obtaining the full amount. He said, 'I have no idea where to complain.' He added that the treatment people face from public officials depends on who they know:

> if you don't have any money in your pocket then you can't get your work done—
> how can the very poor get any government services when it is like this? … Dalit
> leaders [NGOs] used to help and be nice, but now they don't listen either.

He talked about when his granddaughter used to receive the child grant and how the amounts varied. So he asked the VDC secretary one day how much they should be receiving and was told, 'you get what I give you.' He stated that they never receive what they are promised and gave the example of a community hall: three times the VDC secretary said there is money for the hall but the money is always spent elsewhere. He does not think that local elections will solve any of the challenges he faces.

He was totally dissatisfied with the state's trustworthiness and said it does not look after the poor and is unresponsive to complaints. However, the transfers have changed the relationship that disadvantaged people have with the state. He surprisingly said, 'everything is going right. The government is watching out for us and taking care of us and this is good.'