

Poverty Reduction Strategy in Nepal: Evidence from PAF Program

Issue # 6

This policy brief is based on the study conducted by the Institute for Integrated Development Studies (IIDS) in Kapilvastu district of Nepal. The program has been facilitated by IIDS in the district for the past seven years with the support from Poverty Alleviation Fund (PAF). The Poverty Alleviation Fund was established in 2004 with an objective to provide socio-economic benefits to the marginalized and excluded communities across the country. The program has been contributing towards poverty alleviation in pursuant with the long term goal of the government of Nepal. This policy brief highlights the existing status of the program, its implementation procedures, strategies adopted to alleviate poverty in one of the program districts of PAF. It also sheds light upon some lapses as well as behavioral and managerial deficiencies of PAF that have been major deterrents to materializing the objectives of PAF.

IIDS Policy Brief

Poverty Reduction Strategy in Nepal: Evidence from PAF Program

Manbar S. Khadka

&

Madhu R. Maharjan

About IIDS

Institute for Integrated Development Studies (IIDS), established in November 1990 as a non-governmental non-profit research organization, is a successor to the Integrated Development Systems, or IDS (est. in 1979). The main objectives of IIDS are to contribute to more informed public policy and action by conducting empirically based policy-oriented research on Nepal's economic and social development, foster informed debate and discussion on key development issues facing the nation, provide training and technical assistance to governmental and non-governmental agencies in areas of Institute's expertise, and facilitate access to and exchange of experience with institutions within and outside the country.

INSTITUTE FOR INTEGRATED DEVELOPMENT STUDIES (IIDS)
Mandikhatar, P.O. Box 2254, Kathmandu
Tel. # 977-1-4378831/1006, Fax # 977-1-4378809
Email: info@iids.org.np; Website: www.iids.org.np

January 2014

INSTITUTE OF INTEGRATED DEVELOPMENT STUDIES (IIDS)

Mandikhatar, P.O. Box 2254, Kathmandu

Tel. # 977-1-4378831/1006, Fax # 977-1-4378809

Email: info@iids.org.np; Website: www.iids.org.np

- More participation of community members is necessary in social welfare activities.
- The seasonal calendar should be followed by PAF while conducting any training programs to the community members.
- It is good to have a liaison office in each of the program district for an effective implementation of the projects.
- The program activities must be monitored on a quarterly basis.
- Presently, the fund allotted by PAF for capacity building of partner organizations is not sufficient.
- Overall, there is a need for concerted efforts from the civil society as well as governmental and inter-governmental organizations to alleviate poverty both at local- and national levels.

Bibliography:

CBS (2003), *District Level Indicators of Nepal for Monitoring Overall Development*, Central Bureau of Statistics, GoN, Kathmandu, Nepal

IIDS Official Newsletter of, *Sambad* No. 30, December, 2011, Glimpse on Poverty Alleviation Efforts with Partnership Program at Kapilvastu District.

PAF (2010-11), *Annual Progress Report*, Poverty Alleviation Fund, Kathmandu, Nepal.

PAF (2009/10), *Poverty Alleviation Fund in brief*, Poverty Alleviation Fund, Kathmandu, Nepal.

The IIDS Policy Brief Series is based on papers or notes prepared by IIDS staff and their resource persons. The series is designed to provide concise accounts of policy issues of topical interest in the country. It is hoped that the policy makers at government, corporate and private sectors will find the policy briefs useful. Feedback is welcome via e-mail (info@iids.org.np). The views expressed herein are those of the authors and do not necessarily reflect the views or policies of IIDS.

registered ones. After the establishment of the institutions, their capacities are strengthened through training and capacity building programs. Furthermore, the operation and maintenance funds are established for future maintenance of PAF-supported projects. The bases for the sustainability of PAF-supported projects are:

- The project beneficiaries have developed a sense of ownership in their respective community organizations.
- A second-tier leadership is developed within the community groups.
- The regular collection of seasonal savings among the CO members has increased the capital base of the revolving fund.
- The CO members have broadcasted their agricultural and livestock activities through FM radio and print media.
- The CO members have participated in planning and review workshops at the VDC level.
- The CO members have successfully organized social audit in their respective COs.
- The CO members have developed pocket areas as potential milk collection centers (establishment of chilling vat centers).

9. Key messages

- It is imperative to have more and active participation from the community itself for the effective implementation of program in the community.
- The program execution is more effective when it clearly expresses the messages of the program to the community members.
- The banking transactions done by the community members should be transparent.

IIDS Policy Brief No. 6

Poverty Reduction Strategy in Nepal: Evidence from PAF Program

Manbar S. Khadka

&

Madhu R. Maharjan

The authors are researchers at IIDS. The views expressed in the policy brief are those of the authors and do not necessarily reflect the views or policies of IIDS. The authors would like to thank Dr. Bishnu D. Pant, Nandakaji Budhathoki, Binod Shrestha and Govinda Ghimire for their comments and suggestions.

Poverty Reduction Strategy in Nepal: Evidence from PAF Program

Outline

Abstract

- 1. About the program**
- 2. Survey design**
- 3. Objectives**
- 4. Before and after the program**
- 5. Other notable activities**
- 6. Tangible outcomes of PAF program**
- 7. Major issues**
- 8. Sustainability aspects**
- 9. Key messages**

7. Major issues

- Due to slow process of proposal assessment phase, the group members/PAF members are likely to get dispersed in search of other employment opportunities.
- Due to delays in the signing of agreement between PAF and POs, the regular staff of respective POs do not receive their monthly salaries on time.
- It is very difficult for the ultra poor communities to comply with the compulsion rate of 10 percent contribution from the community side on any community-level infrastructure projects.
- The exit policy/strategy of the program is not clear.
- Accounting procedures like sending installments to the bank accounts of COs and POs are lengthy and time consuming.
- The Management Information System (MIS) operated in the program is slow and inefficient.
- There is a mismatch between seasonal calendar and district-level planned activities of PAF.
- Livestock insurance is not yet prioritized by the program.
- The delays in budget allocation have hampered the timely completion of projects.

8. Sustainability aspects

The CO members are encouraged to participate in any PAF-supported projects so as to make them sustainable and viable. With the establishment of a capital base at the local level, the VDC level institutions are federated in small groups and finally established as

Table 8: Cultivable Land (In hectares)

	Average	N
Members	0.3761	150
Non-members	0.3672	150
Total	0.37	300

Note: N represents sample size.

Approximately 60 percent of the sampled PAF members have an access to electricity, whereas just 52 percent of the sampled non-members have an access to electricity (Table 9). Again this is an indication of increased welfare among PAF members.

Table 9: Electricity facility

	Percent	N
Members	59.6	150
Non-members	52.4	150

Note: N represents sample size.

Nearly 53 percent of the sampled PAF members have an access to piped water facility at their houses. This statistics is slightly higher compared to that of sampled non-members (Table 10).

Table 10: Piped water facility

	Percent	N
Members	52.67	150
Non- members	51.80	150

Note: N represents sample size.

Poverty Reduction Strategy in Nepal: Evidence from PAF Program

Abstract

This policy brief is based on the study conducted by the Institute for Integrated Development Studies (IIDS) in Kapilvastu district of Nepal. The program has been facilitated by IIDS in the district for the past seven years with the support from Poverty Alleviation Fund (PAF). The Poverty Alleviation Fund was established in 2004 with an objective to provide socio-economic benefits to the marginalized and excluded communities across the country. The program has been contributing towards poverty alleviation in pursuant with the long term goal of the government of Nepal. This policy brief highlights the existing status of the program, its implementation procedures, strategies adopted to alleviate poverty in one of the program districts of PAF. It also sheds light upon some lapses as well as behavioral and managerial deficiencies of PAF that have been major deterrents to materializing the objectives of PAF.

1. About the program

In partnership with PAF, IIDS has been working towards poverty alleviation in Kapilvastu district since 2006. The program covers a total of ten Village Development Committees (VDCs) namely, *Bithuwa, Labani, Phulika, Patariya* and *Patana* in eastern part and *Purushottampur, Shivanagar, Vilmi, Patherdeiya* and *Khurhuriya* in western part of the district. Besides IIDS, 14 other Partner Organizations (POs), in conjunction with PAF, have been working in other 77 VDCs and one municipality of the district. The district occupies 55th position in an overall composite index¹ and ranks among the worst districts in terms of gender empowerment, physical

¹ District Level Indicators of Nepal for Monitoring Overall Development: CBS, 2003

infrastructure, budget allocation, utilization of local resources, and access to health, sanitation, education among others.

The main objective of this program is to graduate the ultra poor households and vulnerable communities out of poverty by providing them an access to financial resources and encouraging them to undertake income-generating activities. It also aims at institutionalizing the community organizations on a sustainable basis.

The program follows six guiding principles.² They are: pro-poor, social inclusion, demand driven, transparency, direct funding and community institutional development. The program identifies ultra poor communities at the VDC-level. The poor households are urged to form community organizations (COs) consisting of 20-25 members. These COs are registered with PAF. Their revolving funds are created. Members of the respective COs also contribute to their organizational revolving funds. The money is utilized to grant loans to CO members for initiating income generating activities. The CO members also maintain their savings accounts with their respective community organizations' revolving funds.

2. Survey design³

A total of 300 households that comprised of marginalized communities such as *dalits, janjatis, muslims, madheshis* and women were randomly selected from 10 VDCs. 150 of them were project (PAF) beneficiary households considered as treatment group. The remaining 150 households were non-beneficiary households considered as control group. The socio-economic characteristics of the non-members were relatively similar to that of project beneficiaries. However, care was taken to ensure that non-beneficiaries had not received any benefits from other donor-driven programs.

3. Objectives

The main objectives of the study are:

- i. to assess visible changes in small infrastructure development activities,

² PAF Annual Progress Report, 2010/11.

³ The Survey was conducted in 2013. 2

ii. Public audit and transparency

128 out of 161 COs have completed their public audits. The COs have submitted their public audit reports to PAF. With respect to transparency, approximately 95 percent of the sampled CO members have taken initiatives towards updating their respective organizational accounts on a monthly basis. They have sought information regarding updated accounts through secretaries and reliable members. The members have kept CO accounts on monthly, weekly and daily bases for making them transparent.

6. Tangible outcomes of PAF program

Here are some key tangible differences between PAF members and non-members. The observed average annual income is relatively higher for the PAF members compared to that of non-members (Table 7). Since PAF members are involved in various income generating activities supported by PAF, their income has gradually increased over the years compared to that of non-members.

Table 7: Average annual income

	Average (NPR)	N
Members	197944.0	150
Non-members	166539.27	150
Total	182241.63	300

Note: N represents sample size.

The average cultivable land is slightly higher for PAF members in comparison to that of non-members (Table 8). With increased accessibility of irrigation facilities, the cultivable land of PAF members has increased than that of non-members.

iv. Capacity building training

The members have benefitted from various capacity building training programs organized by PAF. 81.3 percent of the surveyed members have actively participated in income generating training programs (Table 6).

Table 6: Participation in income generation activities

S.N.	Indicator	PAF Members	Percent
1	Yes	113	81.3
2	No	26	18.7
	Total	139	

They have received trainings on vegetable farming, livestock rearing, leadership development, account management, income generation, and saving and credit among others.

- **Technical Backstopping on agriculture and livestock sector**

PAF and its partner organizations have been providing technical backstopping to the community organization members. The survey findings show that 33.33 percent of the sampled project beneficiaries are satisfied with the technical support received from PAF.

The livestock insurance has an important role for the development of livestock sector. All the community members have requested to initiate livestock insurance in their COs to avoid unpredictable loss on farm animals.

5. Other notable activities

i. Social Work

The CO members collect social welfare fund for helping the poor and needy people. This fund is collected once every year and the amount is given to fire and flood victims. The findings show that nearly 66 percent of the sampled community members have collected social welfare fund of Rs 10 and above annually.

- ii. to analyze socio-economic status of PAF members versus non-members,
- iii. to examine sustainability of program in the long-run and
- iv. to analyze status of community members in terms of their capacity development.

4. Before and after the program

Before the program implementation, most of the VDCs in the district were in very pathetic conditions. People barely talked with outsiders. They had no access to proper physical infrastructure, formal credit and such other amenities. They have not participated in any capacity building training programs. People were not organized in groups and believed in superstitions. They even practiced child marriage.

However, after the program implementation, a number of marked improvements have been observed in the district. The visible changes brought about by the program can be categorized under the following headings:

i. Social mobilization

The project beneficiaries⁴ actively participate in monthly meetings to discuss various issues and problems related to their respective community organizations (COs). It is found that the participation rate is good for nearly 46 percent of the sampled PAF members

Table 1: Participation & Leadership

S.N.	Indicators	Poor		Minimal		Medium/Satisfactory		Good		Total
		Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count
1	Participation	1	0.7	12	8.1	68	45.6	68	45.6	149
2	Leadership	1	0.7	15	10.3	72	49.3	58	39.7	146

(Table 1). The leadership quality is found to be satisfactory for nearly 50 percent of the sampled PAF members (Table 1). This is an indication of maturity among CO members.

⁴ Project beneficiaries, PAF members and CO members are used interchangeably in this policy brief. All of them refer to same individuals.

ii. Income generation activities

The CO or PAF members are involved in different types of income generating activities related to farming, livestock rearing, and small enterprises. We find that 39.58 percent of the sampled PAF members have taken loan for livestock rearing followed by 31.94 percent of the sampled PAF members for business-related activities and 22.22 percent of the sampled PAF members for agriculture (Table 2).

Table 2: Loan taken

Particular	Agriculture		Livestock		Business		Others		Total
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count
Loan taken for Income Generation Activities	32	22.22	57	39.58	46	31.94	9	6.25	144

Table 3: Loan repayment

S.N.	Indicators	PAF Members		Non-Members		Total	
		Count	Percent	Count	Percent	Count	Percent
1	Yes	64	88.9	11	47.8	75	78.9
2	No	8	11.1	12	52.2	20	21.1
	Total	72	100.0	23	100.0	95	100.0

Interestingly, 95 percent of the sampled PAF members have received their loans through revolving fund maintained with their respective community organizations. And 3.5 percent of the surveyed members have received their loans through banks and just 1.4 percent through cooperatives. Approximately 89 percent of the loanees (PAF members) have successfully repaid their loan amount (Table 3).

Non-members as well have an access to formal credit such as cooperatives, but compared to PAF members, few of them have taken loans. And just 48 percent of the sampled non-members have successfully repaid their loan amount (Table 3).

• Agricultural market

Approximately 90 percent of the community members sell their marketable products in *Haat bazaar*, the best place to sell their products comfortably. The remaining 10 percent of the community members sell their agricultural produce in their own localities (Table 4). The decision as to where to sell their agricultural produce varies among households. Again, this is an indication of market accessibility for poor and disadvantaged communities in the district.

Table 4: Output sold in nearby market place

VDCs	Own Tole		Haat-Bazar		Total
	Count	Percent	Count	Percent	Count
Total	13	9.70	121	90.30	134

iii. Small community infrastructure development

Both PAF members and non PAF members participate in the construction of small infrastructure-related development activities within their communities. The survey findings show that almost 40 percent of both sampled members and non members have participated in the construction of community infrastructures like boring-pumps, culverts, embankments and such others. They have also maintained fund for meeting maintenance cost of such small infrastructures. Approximately, 43 percent of sampled PAF members and nearly 36 percent of sampled non PAF members have managed such maintenance fund (Table 5).

Table :5 Management of Maintenance Fund

	PAF Members		Non-PAF Members		Total	
	Count	Percent	Count	Percent	Count	Percent
Yes	37	42.5	23	35.5	60	39.5
No	50	57.5	42	64.6	92	60.5
Total	87		65		152	