



Impact of Social Fund on the Welfare of Rural Households: Evidence from Nepal Poverty Alleviation Fund

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| Country | Nepal |
| Organizing Theme | Voice and Agency, Economic Opportunities and Access to Assets |
| Status | The Project is ongoing but the evaluation is complete |
| Intervention Category | Community Driven Development |
| Sector | Social Protection |
| Abstract | <p>The Nepal Poverty Alleviation Fund (PAF) is a World Bank supported CDD program, with an objective to improve rural welfare, particularly targeted to groups that have traditionally been excluded by reasons of gender, ethnicity, caste and location. Since its launch in 2004, PAF has covered 40 poorest districts of the country, supporting some 15,000 Community Organizations and benefiting more than 2.5 million people. This paper attempts to estimate the impact of this large-scale PAF program using a randomized phase-in approach, in which certain localities are randomly selected for earlier intervention than others. Using two rounds of survey data and difference-in-difference combined with instrumental variable estimation method, we find statistically significant causal impact of PAF on key welfare outcomes. The treatment-on-the-treated estimate on real per capita consumption is 19 percent growth. Other impacts include 19 percentage points decline on incidence of food insecurity (defined as food sufficiency for six months or less) and 15 percentage points increase in school enrolment rate among 6-15 year olds. Impacts (positive or negative) are yet to be detected on indicators associated with child malnutrition, social capital and empowerment. The policy implications of these results should be of interest to the government and to development partners in determining what may be effective instruments to deliver services to marginalized communities in what remains a fragile and difficult political environment.</p> |
| Gender Connection | Gender Focused Intervention |
| Gender Outcomes | Participation or voice in the community |
| IE Design | Difference in Difference, Instrumental Variables |
| Intervention | <p>The Nepal Poverty Alleviation Fund (PAF) includes two main interventions; income generating activities and small-scale village and community infrastructure. The PAF mobilizes communities to set up communities organizations that submit a proposal for funding. Each proposal is evaluated and then funded through PAF. On average, the PAF provides \$185 per household. The fund is targeted to groups excluded for reasons including gender, caste, ethnicity and location.</p> |
| Intervention Period | The fund started in 2004 and is still ongoing. |



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| Sample population | 200 villages from 6 districts were randomly selected to be included in the sample. Of those 200 villages, 100 were randomly selected for early phase in of the program. 15 households were randomly selected from each household. |
| Comparison conditions | The study compares households who received the early phase in treatment with households who received the late phase in. |
| Unit of analysis | Household level |
| Evaluation Period | 2007-2009 |
| Results | The program increases the real per capita consumption by 19%. Also there is a 19 p.p. decline on the incidence of food insecurity and a 15 p.p. increase in school enrollment among 6-15 year olds. There is no significant impact on changes in child malnutrition and indicators of women's empowerment or social capital. |
| Primary study limitations | There was a high degree of non-compliance with the randomization. |
| Funding Source | |
| Reference(s) | Parajuli, D., Acharya, G., Chaudhury, N., & Thapa, B. B. (2012). Impact of social fund on the welfare of rural households: evidence from the Nepal poverty alleviation fund. World Bank Policy Research Working Paper, (6042). |
| Link to Studies | http://elibrary.worldbank.org/docserver/download/6042.pdf?expires=1367275226&id=id&accname=guest&checksum=D9BA18DCBEBE8EB06803AECEC5407B82 |
| Microdata | |