



NEPAL: RURAL DEVELOPMENT

Rural Communities Take the Driver's Seat in Development

Overview

The Poverty Alleviation Fund is a community-driven development project designed to address the root causes of Nepal's conflict – poverty, inequality, and lack of services. Recent studies show that household consumption in districts served by this fund has increased 23 percent and household incomes have grown 18 percent. Food sufficiency has increased by up to 3.5 percent in some areas. These households now have more to spare for the health and education needs of their children.

Challenge

Nepal is a landlocked country of 28 million people with a per capita income of about US\$340, among the lowest in the world. Political turbulence and a Maoist insurgency have dogged its recent history (1996-2006), imposing high costs in terms of foregone growth and poverty reduction. Nepal has highly stratified societies with many marginalized social groups and these groups are much more likely to have low human development indicators and largely live in remote rural areas. Low economic development, landlessness and poverty are widespread. The poverty rate in rural areas is much higher (35 percent) than in urban centers (10 percent), and evidence suggests that inequality and regional disparities are increasing. Nevertheless, Nepal has made important progress in bringing its overall poverty rate down to 31 percent from 42 percent over the last ten years, although the gains in urban areas have been greater than those in rural areas.

Approach

The Poverty Alleviation (PAF) program, financed by the International Development Association, is addressing both income and non-income dimensions of rural poverty throughout the country, with special attention to groups that have traditionally been excluded by reasons of gender and ethnicity. The project focuses on the rural poor by: (a) targeting disadvantaged and marginalized groups; (b) taking action on the commitment to reach poor and excluded groups as articulated in the Poverty Reduction Strategy Paper; (c) improving coordination of poverty programs; (d) increasing employment and income

MULTIMEDIA

More Results



32,000

Number of residents benefiting from improved roads, bridges, water supply, and sanitation

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opportunities through community-driven sub-projects; and (e) building the capacity of various stakeholders, including beneficiary groups and local bodies.

Results

Through income-generating activities and community infrastructure projects, the PAF has reached over one million rural Nepalese in 25 districts since it began operations. Incomes for beneficiary families have increased by some 15 percent. More than 15,600 households now have road access for the first time, and water supply, bridges, and sanitation have been provided for more than 32,000 households.

Communities have reported multiple benefits, in both tangible (i.e. physical and financial) and intangible (social and institutional) assets. They have also reported increased income generation through livestock purchases, increased local employment opportunities and higher income, mainly through vegetable production, and the rehabilitation of community assets such as trails, foot bridges and tap stands.

Income Generation: The results estimate a sustained increase in income to these households of about 15 percent, which translates to about a 20 percent-25 percent rate of return. If there were no PAF, the only finance available to these households would be through informal credit markets charging interest rates close to 30 percent-40 percent.

Twenty-five percent of beneficiary households have increased their incomes by at least 15 percent since 2004 by end of 2007.

Thirty percent of beneficiary group members come from targeted female-headed, which are the poorest of poor households.

Voices

For years, Min Bahadur Magar, a 48-year old farmer in the remote Ramechhap district in eastern Nepal, had to borrow money from a local money lender – paying a 50 percent interest rate - to make ends meet.

Today his life has fundamentally changed. With training and money given by the World Bank-funded Poverty Alleviation Fund (PAF), Magar started a vegetable business. He now earns nearly US\$100 a month from selling vegetables alone.

“ I am able to feed my family all year round, and send all of my eight children to school.” said Magar. “Now I am borrowing from my community organization paying a small fee. Instead of collecting money, the man I used to borrow from comes over to buy vegetables.”

— *Min Bahadur Magar*

Bank Contribution

Total project cost for the first phase was US\$15 million. The second phase of the program, backed by IDA, was approved on December 6, 2007, with a total project cost of US\$100 million. The project is now expanded to cover all of Nepal's 75 districts, benefiting around one million households.

Toward the Future

The first phase of the PAF was intended as a pilot operation, and many lessons have been learned in its implementation in the six original districts. The second PAF phase drew on international and regional experience in the design and implementation of rural community-

driven development (CDD) programs and lessons from rural development projects in Nepal itself (e.g., rural drinking water). The CDD approach adopted by the project focuses on building village level institutions and transferring decision-making responsibilities and resources to communities. Global experience suggests that sustainable community development is a long-term process, with the need for consistent inputs and support over time in order to build capacity and leave behind workable 'capital' (human, social, financial) at the local level.