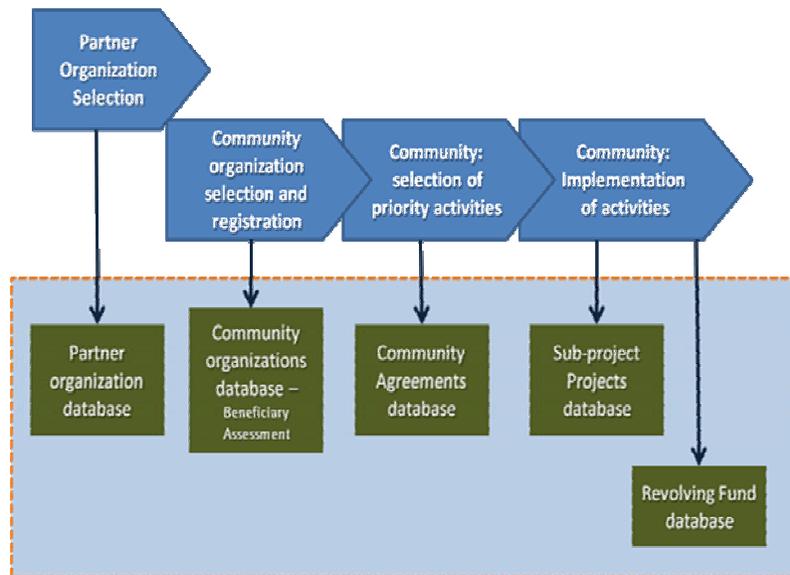


Monitoring and Impact Evaluation Results of PAF

1. PAF's monitoring data is developed on 5 different databases which support the process of working with partner and community organizations and monitoring the sub-project activities (figure 1). These databases provide a rich source of information on PAF activities and have been increasingly analyzed to improve planning and address weaknesses in the project implementation process and to identify areas of strength that can be scaled up.

Figure 1



2. In addition to the MIS, an independent impact evaluation has also been integrated into the design of the program. The **PAF Impact Evaluation (IE)** shows that the program impact on real per capita consumption growth was 31 percent over a two-year PAF intervention period. This is impressive in the context of the same analysis which indicates that in the absence of the PAF program, the targeted households would have recorded about negative 2 percent growth. Significant and positive PAF impacts are also seen in terms of other welfare indicators such as food sufficiency, child schooling, and access to services and women's empowerment (see Box below for summary of the IE).

3. The IE has been a long-term partnership between the PAF Secretariat, Tribhuvan University (TU) (that carried out the surveys) and the World Bank task team (that provided technical assistance during the design phase and carried out the analysis). Data for the PAF Impact Evaluation (IE) come from two rounds of surveys of 3,000 households from 200 villages. The baseline was carried out in late 2007 and the follow-up of the same households in early 2010. The survey questionnaire is adapted from the Nepal Living Standards Survey (NLSS) and includes detailed information on consumption and income, socio-economic and demographic issues, including education, health and nutrition, housing conditions and physical assets, migration and remittances, employment, social environment, community relationship, voice and participation. For comparability with the national household survey-based welfare measures, PAF survey includes a very similar consumption module and follows the same consumption aggregation method. The IE analysis uses panel households (2774 out of 3,000), half of which

are PAF beneficiaries (treatment) the rest non-beneficiaries (control) households. Outcome indicators on PAF beneficiary households and carefully matched non-beneficiary households are compared for the periods before and after the initiation of the PAF program. This method is known as difference-in-difference combined with propensity score matching. The estimated net program impact on per capita consumption (in real terms adjusted for price inflation) growth is 15 percent for PAF Income Generating (IG) participant households, 31 percent for PAF money recipient households and 42 percent for those beneficiaries who have received the money for at least six months. The net impact in the growth in per capita consumption is even higher for *Dalit* and *Janajatis* and for the poorer segments of the population, implying program's ability to distribute growth towards targeted groups.

4. Both the GoN and the WB agreed that the findings of the rigorous IE provide important contribution to results-based decision-making and an assurance to all stakeholders that the PAF program is a very sound investment towards poverty alleviation. These findings have been discussed with high level policy makers from line Ministries, the National Planning Commission, the Prime Minister's Office and with development partners. It has been agreed that the independent impact evaluation process would continue on the same sample to observe long-term impact of income generating programs as well as community infrastructure initiatives.

Welfare Effects

5. Impact evaluation results show a significant increase in real per capita consumption of PAF households. Based on a sample of households drawn from six of the nineteen PAF districts in phase II, the results show that the households who received PAF money for at least 6 months saw their real per capita consumption increase by more than 42%. The impact evaluation results show an encouraging trend in PAF's ability to reach its targeted group as well. While the real per capita consumption increase for *dalits* and the *janajatis* was 30%, the increase was about 16% for poorest three quintiles of households, as measured by the baseline survey of 2007.

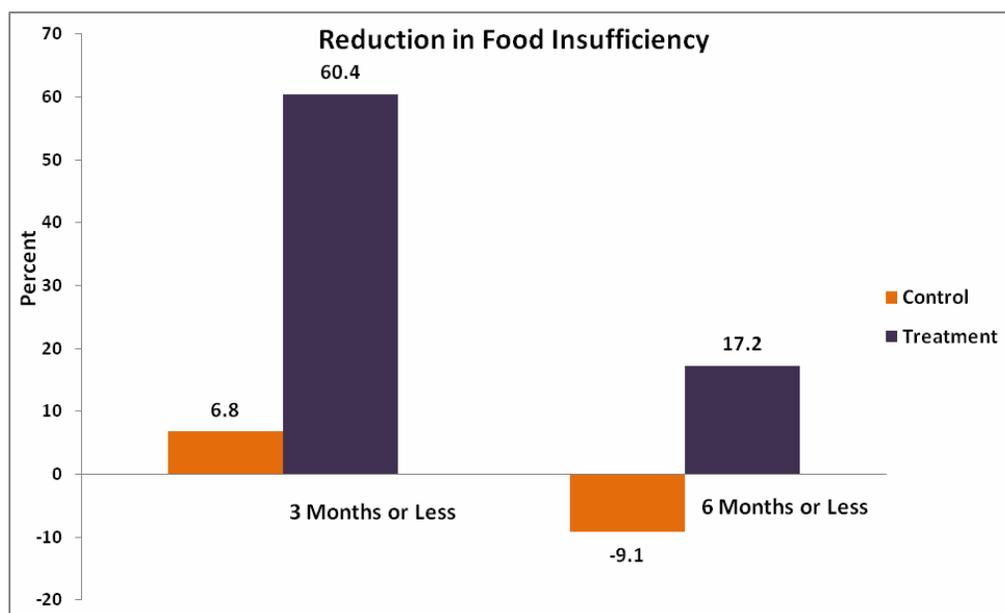
6. Impact on other welfare indicators is also positive and significant. The data shows a 10 percentage point decrease in incidence of food insufficiency and 6 percentage point increase in school enrolment rate for children aged 5-15. The program effect is also seen in access to services (agriculture centers, community forest groups, farmer's groups) and women's empowerment. For child malnutrition (stunting, underweight) a higher, positive impact is seen for children between 1-2 years of age amongst PAF supported households. There are, as yet, no significant differences evident between treatment and control groups on indicators associated with community/social capital (trust, respect, relationships between different ethnic groups, community disputes, etc.), although the overall trend for both groups is positive.

Targeting

7. The impact results are consistent with PAF's objective of targeting the poorest households and support monitoring data results as well. Of the many categories that PAF uses to classify the poor, one is the level of food sufficiency. Households are separated into four different groups under this category: hard core poor (those with less than 3 months of food security either via own production or other dependable sources of income), medium poor (those

with 3 to 6 months of food security), poor (those with 6 to 11 months of food security), and non-poor (those with 12 or more months of food security). The results show that the percentage of households with food insufficiency of 3 months or less dropped from 13.8% in 2007 to about 5.5% in 2010, a reduction of more than 60%, for the PAF beneficiary households (defined as those engaged in PAF supported income generating activities). The reduction was only about 6.8% for non-beneficiaries. Similarly, the percentage of households with food insufficiency of 6 months or less decreased from 40% in 2007 to about 33% in 2010, a reduction of about 17.5%, for PAF beneficiary households. There was no reduction for non-beneficiaries during this period and in fact, there was an increase in food insufficiency of these households by about 9%.

Figure 2:



Access and Use of Services

8. With the second phase of PAF II still ongoing, the number of poor households with access to improved infrastructure facilities has reached more than 49,000. The impact evaluation results show that the school enrollment rate for children from households engaged in PAF supported income generating activities increased by more than 10.5 percentage points. The enrollment rate was even higher for children from *dalit* or *janajati* households. In contrast, the number was only about 4.4 percentage points for the control households (or those not involved in such activities). While there was no obvious difference between the PAF beneficiaries and the non-beneficiaries in the use of health services/facilities, the beneficiary households were found to be making more use of agricultural centers, community forest services, and farmers' groups. The increased use of such services supports the monitoring data findings that PAF beneficiaries are investing in agriculture-related opportunities and reaching out to service providers to improve and develop these investments.

Source: Project Paper proposed by the World Bank for additional financing for PAF II