

VI. Monitoring ADB's Poverty Reduction Impact

The Enhanced Poverty Reduction Strategy (EPRS) has introduced a comprehensive monitoring and evaluation system to better track and assess the Asian Development Bank (ADB)'s efforts at poverty reduction. This chapter introduces the main elements of the monitoring and evaluation (M&E) system which will involve in some way or other all ADB staff in the effort at improving ADB's effectiveness in promoting development for poverty reduction.

A. Background

ADB monitors and evaluates the progress toward desired results of the Enhanced Poverty Reduction Strategy (EPRS) at different levels, and identifies issues and lessons requiring Management attention to improve its implementation. By adopting indicators, estimating baselines and setting targets, ADB focuses on the results of its assistance, and aims to continuously improve development effectiveness to boost its contribution to poverty reduction.

ADB's poverty monitoring efforts are used for both accountability and lesson-learning purposes. ADB is accountable to its stakeholders to ensure that resources are used effectively for poverty reduction purposes. Regular reporting to the Board and to the public at large contributes to ensuring that assistance is in line with country priorities and the corporate mandate. ADB also uses poverty monitoring to learn lessons, which are then applied in ADB strategy, policy, programming and project decision making. ADB uses the accumulated knowledge from its poverty monitoring to improve its performance at the countries and with respect to sector, thematic, and institution-wide policies and programs.

The 2004 review of the PRS introduced changes and improved its implementation. While confirming the relevance of the basic framework of the PRS, which rests on three pillars—sustainable economic growth, social development, and good governance—the review introduced a results-based M&E system to assess ADB's institutional performance, replacing reliance on monitoring of lending targets for projects classified as poverty interventions.⁵⁹

A multi-tier M&E framework has been designed to facilitate learning tailored to country conditions and permit monitoring, evaluating, reporting, and managing EPRS-related inputs, activities, outputs, outcomes, and impact. The results will be monitored at the institutional (i.e., ADB wide), sector, theme, country and project levels. In line with the managing for development

⁵⁹ The original PRS introduced a 40% lending target for projects classified as poverty interventions, which are those where the proportion of the poor within the targeted beneficiaries exceed the national poverty incidence and is no less than 20%.

results (MfDR) initiative, ADB is implementing such a monitoring framework, which includes identifying appropriate monitoring indicators at all levels and implementation arrangements.

To ensure that ADB is effectively pursuing its poverty reduction objective, M&E has been designed to feedback into decision making at the country- and ADB-wide level. At the country level, timely and accurate M&E is to be used to make mid-course corrections in projects, programs, and nonlending services; to inform dialogue with government, development partners and other stakeholders; and to underpin the strategic planning and country assistance programming. At the institution level, ADB assesses its overall operations to identify good practices, track progress in implementing corporate policies, and assess the need for improvements in corporate policy, practice, and procedure.

B. Country-level Poverty Monitoring and Reporting

1. Results Orientation of CPSs

All new country partnership strategies (CPSs) will include a results framework (including a monitoring framework), showing the linkages between the constraints to poverty reduction identified in country poverty analyses (CPAs), the proposed program (with projects linked closely to CPS outcomes), and desired outputs and expected outcomes. Country-level outcomes will be monitored in terms of the three pillars and thematic priorities. These outcomes will include monitorable measures used to track key results of ADB interventions—both lending and nonlending—supported in the country.

ADB's contribution to the achievement of intermediate outcomes in the near to mid-term (i.e. the next 4–5 years) will naturally depend, to a substantial degree, on ADB's ongoing projects and programs. Improving the implementation of ongoing operations, therefore, is central to boosting ADB's contribution to the achievement of development results. The results framework will, therefore, also serve as a near-term management tool to help government and ADB routinely restructure and refocus ongoing operations, based on the findings of careful project monitoring and supervision, in an effort to improve the delivery of development results. The results matrix will need to be regularly updated to ensure its continued relevance; to identify and guide the operations to enhance development impact; and to monitor progress in implementing the strategy and program in order to contribute to agreed results.

2. Monitoring and Assessing Results-based CPSs

A CPS completion report will serve to track progress during the past 5 years in delivering results at the country level. ADB's performance at the country level will also be independently reviewed by the Operations Evaluation Department (OED), in the form of CAPEs.⁶⁰

⁶⁰ These may be replaced in course of time by CPS evaluation reports when results from completed programs in CPSs are ready to be evaluated.

a. Self-assessment by CPS Team's CPS Completion Report

CPS completion reports are being pilot-tested in 2006 as part of the CPS preparation process in the Lao PDR and PRC. While formal guidelines for the CPS completion report are still under preparation, the report is anticipated to be one of the instruments that staff could use to assess ADB's contribution to poverty reduction at the country level.

The CPS completion report should take stock of what goals, objectives, and results to which ADB assistance was to contribute. It should review what was accomplished in those areas and highlight the manner in which ADB made a contribution in each of the pillars of ADB's poverty reduction strategy and in the various cross-cutting initiatives. The reasons and areas where performance exceeded expectations and where it lagged expectations should be identified and discussed.

Key lessons, for the country as a whole, and for the sectors in which ADB was involved, should be distilled. The completion report should ask if any of the key planning assumptions turned out to be wrong or invalid. In particular, it should examine the extent to which the NPRS was, in practice, effective in guiding interventions and if gaps in the knowledge base constrained an effective poverty response. The key questions that are to be addressed in the completion report include:

- What did ADB aim for during the past CPS period?
- What was actually achieved and what are the reasons for that?
- What are the lessons from this for the formulation of the next CPS?

The CPS completion report is to be a product of a country team to enhance its responsibility and accountability. Since the CPS is prepared by the country team, the completion report should also be "owned" by the country team. This means that the country team leader leads the preparation of the report with the support of sector staff who are members of the team. Since much of it will be based on assessing process-type achievement (i.e. country progress on the one hand, and ADB progress on meeting its program delivery objectives on the other), it will require both a review of country economic and social literature, and consultations with the country team and resident mission (RM) staff on factors affecting both implementation and the design and approval of CPS-period operations.

The CPS completion report is to be distributed with the initiating paper of the next CPS so that it can provide a useful input for the subsequent CPS. The time necessary for completion report preparation may be around 2–3 weeks, including the following stages:

- Compilation of desk information (trends, sector information, etc.) to put evidence down and summarize the goals and objectives of the CPS;
- Comparing goals and objectives of the CPS with what was achieved (this may include information collected during country portfolio reviews, project and program evaluations, CAPE if available, etc.)
- Staff brainstorming (country team and RM staff); and
- Meetings with government agencies and other stakeholders.

b. Independent Performance Evaluation by OED⁶¹

The OED carries out independent evaluations including that of ADB assistance in a particular country. An OED CAPE is used to assess ADB's contribution to the results achieved in a DMC over a defined period of time and to draw lessons on how ADB could improve the performance of its development assistance program in the future. The CAPE covers the country context, the quality of ADB's strategy and program, its implementation and outcomes, and ADB's perceived contribution to overall development. It draws its findings and recommendations from an assessment of the main program thrusts of ADB assistance and the key results that this assistance has contributed to. CAPEs address a number of common issues, including the context for poverty reduction, alignment with the NPRS, the degree to which ADB provided a harmonized response to priority development challenges, and the synergies obtained from deploying a range of lending and nonlending assistance instruments. Of particular importance for poverty monitoring purposes, the CAPEs will assess

- ❑ **Results.** Extent to which ADB's country partnership strategies contributed to generating important outputs and outcomes in key sectors, poverty reduction pillars (growth, social development, good governance), and key thematic areas (private sector development, environmental sustainability) receiving ADB support.
- ❑ **Impacts.** Long-term contribution to poverty reduction and economic development that is either achieved or expected as a result of direct, indirect, and catalytic influences of ADB assistance.
- ❑ **Corporate commitments.** The extent to which country assistance contributed to corporate commitments, including progress toward meeting policy goals in areas such as contributing to the Millennium Development Goals (MDGs).

CAPEs can help identify and assess the linkages between ADB interventions and poverty reduction. An example of this is drawn from the 2005 Bhutan CAPE in Box 6.1. This information can be used to deepen the understanding of poverty conditions, and to identify the poverty reduction effects of ADB interventions.

CPS Evaluation Reports. The first CAPE prepared for each country covers a long period—normally 20 to 30 years—of ADB assistance. Subsequent OED country-level evaluations will assess ADB's contribution to results during more recent CPS periods. These would continue to focus on the outcomes and impacts of ADB assistance over a longer period of time (i.e. the last decade) whereby the CPS completion report would focus primarily on implementation and results achieved during the last CPS period.

While both CAPE and CPS completion reports are expected to draw lessons from previous experiences, they are not intended to provide a strategic road map for poverty reduction or to substitute for the analytical work (i.e. CPA, thematic and sector studies) that underpin the CPS. Both are intended to draw lessons from ADB's past experiences. The CPA and the sector and thematic reports are expected to provide a forward-looking assessment of the causes, consequences, and strategic opportunities for combating poverty, and to identify ADB's possible role in contributing to a multi-stakeholder, country-led effort to reduce poverty.

⁶¹ For a detailed discussion of the CAPE methodology, see ADB. 2005. *Guidelines for the Preparation of Country Assistance Program Evaluation Reports*. OED. Manila: ADB.

BOX 6.1: CAPES SERVE TO ILLUSTRATE POVERTY REDUCTION LINKAGES

The 2005 Bhutan Country Assistance Program Evaluation provides a good example of the manner in which independent evaluation serves to illustrate the linkages between ADB interventions and poverty reduction. Its annexures included a detailed assessment of ADB sector support and the linkages between sector support and poverty reduction. For example:

Transport: More rapid economic development is expected to lead to a significant reduction in poverty in the hinterland and eastern regions.... the Projects will contribute to more rapid economic growth of the project area by expanding economic opportunities, particularly in agriculture, cottage industry, and tourism. For farmers in general, an improved transport network will also ease the introduction of improved farming practices and the transition from subsistence farming to cash crops and a market economy. Improved access to transportation also lowers the costs of inputs such as fertilizer. Reliable access, such as all-weather possibilities to input and output markets, can stimulate higher cash-crop farming production and more stable incomes, and enable the poor to improve their management of risks. The Projects will benefit the urban population as well. For example, food prices for the urban poor could be reduced.

Source: ADB. Bhutan: Country Assistance Program Evaluation, 2005, (supplementary annex).

C. Sector and Thematic Monitoring

Annual progress in poverty reduction at the sector and thematic levels will be coordinated and prepared by lead/principal specialists in the Regional and Sustainable Development Department (RSDD) and designated staff in other departments. The main purpose of these reports is to consolidate sector and thematic reporting of outputs and outcomes to better monitor and assess ADB's contribution to development results. The lead/principal specialist will prepare the report in consultation with committees and networks as appropriate. As far as possible, these reports would be based on existing data systems and, where necessary, supplementary information would be collected from the regional departments. The sectors/themes to be monitored and reported on would follow ADB's new classification system. These reports will contribute to ADB's annual report and to the institution-wide review of the implementation of ADB's PRS.

The sector/thematic reports are short and concise summaries of progress made during the past year. They will cover (i) the status of MDGs in the concerned sector/thematic area and the contribution of ADB sector/thematic work to MDG achievement; (ii) contribution to country-level operations, including a review of sector/thematic assessments and road maps in CPSs, progress in implementation, and trends in program delivery and performance; (iii) contribution to regional and subregional cooperation; (iv) contribution to sector/thematic policy and strategy formulation; (v) contribution to knowledge management; (vi) adequacy of human resources; (vi) partnership development; and (vii) recommendations regarding future activities to improve poverty reduction at a sector/thematic level. The information sources that will be relied on for annual sector and thematic reporting are provided in Appendix 2.

D. Institution-level Monitoring

ADB will prepare and make available publicly an annual report on the implementation of the EPRS. This will draw on available sources of information regarding the poverty reduction status of the DMCs, and of ADB's contribution to poverty reduction, at an institutional level. A number of major indicators have been identified for this purpose.⁶² The main questions that will be addressed to assess ADB's institutional contribution to poverty reduction are discussed below.

1. Poverty Reduction Impact: MDG Achievement

ADB's contribution to the EPRS's long-term objective (impact) is monitored through achievement of MDGs 1–7. They reflect progress in income and non-income poverty reduction, which is the EPRS's main objective. Considering that ADB assistance forms only a small portion of the region's overall development programs, however, the impact cannot be solely attributed to ADB efforts. However, ADB, guided by this long-term objective, must closely monitor the region's progress toward the MDGs and continue refining its role in helping DMCs achieve their development objectives. A list of the MDGs is in Appendix 3.

2. Tracking ADB's Poverty Reduction Outcomes

Demonstrable improvement in development effectiveness of ADB operations is defined to be an intermediate outcome of the EPRS. To address this, the key questions that must be answered include:

- Do country partnership strategies (CPS) and regional cooperation strategy and programs (RCSP) achieve their objectives?
- Do projects achieve their objectives?
- Are DMCs building their capacity to reduce poverty?
- Do our DMC clients consider ADB operations effective?

3. Tracking ADB's Poverty Reduction Outputs

Institutions can control their own outputs resulting from the use of their own resources, more than they can control impacts and outcomes, and therefore, need to be more accountable with respect to output quality. Assessing output quality is key to assessing institutions' performance. This is monitored in terms of quality—at entry and during implementation—of CPSs, lending and nonlending products, mobilization of finance and knowledge, and partnerships. The key questions that are answered to track improvement in ADB's outputs include:

⁶² The first Annual Report on the Implementation of the Poverty Reduction Strategy (2004) identified a set of 25 indicators. These are being further refined.

- Is the quality of CPS/RCSP design improving? Is the quality of project design improving?
- Is the quality of project implementation improving?
- Is ADB strengthening its role in mobilizing development finance?
- Is ADB contributing to knowledge sharing for poverty reduction?
- Is ADB's knowledge being valued?
- Is ADB working more closely with other development partners?

4. Tracking ADB's Poverty Reduction Inputs

Results-based monitoring enables an organization to prioritize and better manage the mobilization and use of its resources (inputs). In this regard, it is important to assess the degree to which ADB has aligned its resources—human and budgetary—with the EPRS, particularly to support its outputs and related activities. The key questions that are to be answered to track ADB's poverty reduction inputs are as follows:

- How is ADB aligning its staff resources (level and mix) and motivation efficiently to deliver its outputs?
- How is ADB aligning its budget with priority activities?