

Handbook
for
**Integrating Poverty
Impact Assessment**
in the
**Economic Analysis
of Projects**

Economics and Development Resource Center
(EDRC)

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Foreword

This Handbook is the second output of EDRC's study on integrating poverty impact assessment in the economic analysis of projects. Manabu Fujimura led the study under the overall supervision and guidance of David Edwards, then Assistant Chief Economist. John Weiss (Staff Consultant) provided technical inputs and advice throughout the study. Nigel Rayner contributed Appendix 2. Olivier Dupriez and Christopher Edmonds contributed Appendix 3. Tumurdavaa Bayarsaihan contributed Case 2 in Appendix 6. Case 4 in Appendix 6 benefited from the poverty analysis included in Nanak Kakwani's (Staff Consultant) work. Marcelia Garcia and Ma. Virginita Capulong provided assistance for literature search. Anneli Lagman did a consistency check on the technical presentation of the final draft. Regina Sibal contributed the glossary of terms and was the sole undertaker of word processing and graphics. Lily Bernal did the proofreading.

Preparation of the Handbook underwent three stages. In the first stage, a draft issues paper was prepared and received interdepartmental comments, which resulted in the EDRC paper "Integration of Poverty Impact in Project Economic Analysis: Issues in Theory and Practice." In the second stage, a preliminary draft of the Handbook was presented in an EDRC seminar, which enhanced interactions with operational departments. Sean O'Sullivan and Bo Lin shared their work on ADB's power projects. Stephen Curry, Francesca Agnello, Jeffrey Miller, and Hiromi Sakurai shared their recent work on ADB's transport projects. In the third stage, the final draft of the Handbook was circulated and received detailed comments. The Handbook benefited particularly from comments and suggestions provided by Stephen Curry, Rita Nangia, Etienne Van de Walle, Adrian Ruthenberg, Mandar Jayawant, Tyrell Duncan, Lourdes Adriano, Sultan Hafeez Rahman, Alfredo Perdiguero, and Cindy Houser. Arvind Panagariya, Chief Economist, and Xianbin Yao, Assistant Chief Economist, provided guidance in the final stage.

The Handbook will serve as a reference material in preparing projects under ADB's renewed mandate of poverty reduction and augments the current practice of project economic analysis. It illustrates applications of Appendixes 25 (Distribution Analysis) and 26 (Poverty Impact Analysis) of ADB's *Guidelines for the Economic Analysis of Projects* (1997). It is primarily intended for the guidance of ADB staff and officials of its developing member countries, but it may also be of interest to others involved in development assistance.

Abbreviations and Acronyms

ADB	Asian Development Bank
CBO	community-based organization
CPI	consumer price index
CWIQ	Core Welfare Indicators Questionnaire
DALY	disability adjusted life years
DHS	demographic and health survey
DMC	developing member country
EDRC	Economics and Development Resource Center
EIRR	economic internal rate of return
FIRR	financial internal rate of return
GDP	gross domestic product
HIES	household income and expenditure survey
ILO	International Labour Organisation
ISA	initial social assessment
Lao PDR	Lao People's Democratic Republic
LECS	Lao Expenditure and Consumption Survey
LSMS	living standards measurement survey
MICS	multiple indicator cluster survey
MOLISA	Ministry of Labor, Invalids and Social Affairs, Viet Nam
NGO	nongovernment organization
NPV	net present value
OPEC	Organization of Petroleum Exporting Countries
PIA	poverty impact assessment
PIR	poverty impact ratio
PPTA	project/program preparatory technical assistance
RMS	rapid monitoring survey
RRP	report and recommendation of the President
RSA	rapid social assessment
SCF	standard conversion factor
SERF	shadow exchange rate factor
SWRF	shadow wage rate factor
TA	technical assistance
TLSS	Tajikistan Living Standards Survey
VOC	vehicle operating cost

Note: In this *Handbook*, "\$" refers to US dollars.

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