

Executive Summary

Overview

This handbook intends to help professionals involved in programming, preparing, and implementing activities financed by the Asian Development Bank (ADB) to effectively address the social dimensions of ADB's operations, thereby enhancing ADB's efforts to reduce poverty and achieve the Millennium Development Goals (MDGs) in Asia and the Pacific. The handbook does not introduce any new or additional policy or procedural requirements. Rather, it provides a road map to specific ADB policies, strategies, and procedures related to social development and social analysis. The handbook should be read together with ADB's *Poverty Handbook* (2006), which provides guidance for incorporating poverty considerations in country partnership strategies (CPSs) and in projects in line with ADB's enhanced poverty reduction strategy (2004). Together, the two documents update and replace ADB's *Handbook on Poverty and Social Analysis* (2001).

ADB's overarching goal is poverty reduction, with inclusive social development as a pillar of its poverty reduction strategy. ADB's aim in promoting inclusive social development through its operations is to help its developing member countries (DMCs) achieve equitable and sustainable development outcomes. The social development outcomes to which ADB seeks to contribute through its operations are (i) greater inclusiveness and equity in access to services, resources, and opportunities; (ii) greater empowerment of poor and marginalized groups to participate in social, economic, and political life; and (iii) greater security to cope with chronic or sudden risks, especially for poor and marginalized groups.

ADB supports these social development outcomes through attention to the social dimensions of its work. These interrelated and crosscutting social dimensions, which are reflected in specific ADB policies and strategies, include (i) participation, (ii) gender and development, (iii) social safeguards, and (iv) management of other social risks and vulnerabilities. While these dimensions capture the main types of social issues that arise in ADB operations, they are not exclusive. They can also take on different attributes and significance depending on the country and local context.

ADB's operations consist of three major processes: country programming, project design, and project implementation. Social analysis has a place in each phase of these processes and is closely related to the poverty analysis undertaken at each stage. Social analysis must focus and adapt to the country and local context, the outcome and outputs of the relevant country program or project, and the time and resources available.

Social Analysis in Country Partnership Strategies

Through its main country and regional planning documents—CPSs and regional cooperation strategies (RCSs)—ADB seeks to align its development assistance with national and regional priorities and to harmonize its approach with that of other development institutions. For countries eligible to receive assistance from the Asian Development Fund (ADF), an annual country performance assessment also influences the allocation of ADF resources to support CPS. Social analysis is an important ingredient in the CPS, RCS, and country performance assessment processes.

Country Partnership Strategies

In undertaking country studies and country programming, ADB country teams should ensure that broad social concerns are examined and addressed, including (i) how social factors such as gender, ethnicity/race/caste, age, marital status, citizenship, and disability affect people's access to basic services, resources, economic opportunities, and public decision making, as well as their vulnerability to risks and shocks; (ii) the effectiveness of formal and informal institutions in promoting inclusion and equitable treatment of women and other social groups, and the main weaknesses or gaps in these institutions; and (iii) the capacity of national and local government bodies to manage the social risks associated with development projects.

Social analysis in the CPS process begins with the integration of social considerations in the country diagnostics that are key inputs to the CPS, including country assessments of poverty, gender and other social issues, governance, capacity development, and key sectors. While certain diagnostics such as country gender assessments address social issues directly, social dimensions also need to be integrated in other country diagnostics, particularly the country poverty analysis and sector diagnostics. The handbook identifies key social issues to consider in these assessments.

The CPS process should be participatory and involve close consultations with key DMC officials, other development partners, representatives of civil society, and the private sector. The handbook provides guidance on organizing consultations with representatives of civil society and with poor, marginalized, and isolated groups to ensure that their concerns are reflected in the formulation, monitoring, and evaluation of the CPS.

Based on the social analysis in country diagnostics and consultations with civil society and other stakeholders, country teams should incorporate social dimensions in key sections and appendixes of the CPS document itself. The handbook identifies social considerations to be included in (i) the main text of CPS, (ii) results framework for CPS, (iii) thematic and sector road maps that are annexed to the CPS, and (iv) indicative rolling country operations business plan that is developed based on the CPS. The handbook also identifies entry points for monitoring national developments related to social issues, analyzing changes in key social development indicators at the national and project levels, and making recommendations to improve the social development outcomes of ADB's interventions.

Subregional Cooperation Strategies and Programs

ADB prioritizes its support for regional cooperation and integration (RCI) in each subregion through RCSs that are linked to the CPS process and, generally, follow a similar format. In developing RCSs, it is important to recognize that most RCI initiatives entail social opportunities and risks. For example, ADB's regional cooperation and integration strategy (2006) acknowledges that regional integration can involve adjustment costs, particularly for less developed countries and regions, for certain sectors, firms, and communities, and for the poor. Social analysis can play an important role in identifying the likely impact of RCI initiatives on poor and vulnerable communities, and on micro and small businesses and workers in sectors that are opening to regional trade and competition. In general, the principles for integrating social dimensions in the CPS process and CPS document should be followed for RCSs.

Country Performance Assessments

ADB's revised performance-based allocation policy (2004) guides the allocation of ADF resources to eligible DMCs based on a country performance assessment and considerations of country needs. The country performance assessment analyzes the strength of a country's policy and institutional framework in several areas, including the promotion of equity and inclusion in which a country is rated in terms of its efforts to promote (i) gender equality, (ii) equity of public resource use, (iii) building human resources, and (iv) social protection and labor. These rating categories dovetail closely with the social development themes that are relevant to the CPS process. In carrying out a country performance assessment, a country team should be able to draw on the social analysis in country diagnostics prepared for the related CPS, as well as relevant sections of the national poverty reduction strategy (and progress reports), MDG progress reports, and country studies by national research institutes and other development partners.

Social Analysis in Project Preparation

Loan and grant-based projects supported by ADB are prepared in two distinct phases—predesign and design—which span the project cycle from project identification through project approval. The purpose of social analysis during project preparation is to identify opportunities and constraints for clients/beneficiaries, particularly poor and marginalized groups to benefit from project activities; to establish a participatory process for the design of the project; and to prepare design measures to achieve social development outcomes during implementation.

The social analysis carried out in the preparation of a project can vary substantially, depending on the sector, type of project, and country and local context. In all projects, however, the results of the social analysis are summarized in two required forms: (i) the initial poverty and social analysis (IPSA), completed during the predesign phase; and (ii) the summary poverty reduction and social strategy (SPRSS), completed during the design phase and included as a core appendix to the report and recommendation of the President (RRP).

The general requirements for social analysis apply to all ADB-financed projects and implemented by DMC governments and public sector institutions, including local governments and state-owned enterprises (SOEs). The handbook identifies some different approaches to social analysis that may apply, depending on the classification of the project and the type of financing modality involved. The handbook may also provide guidance to ADB staff who are processing private sector projects, or to third parties conducting due diligence on these projects.

Predesign Phase

The project processing cycle begins with the preparation of a project concept paper. At this stage, a project is tentatively classified in terms of its complexity and risk for determining the level of due diligence required, the level of assistance from supporting departments and offices, the composition of the project team, and terms of reference (TOR) for the consultants who will help prepare the project. Potential social issues in the concept paper and/or issues note should be flagged to ensure that these issues receive adequate attention during the predesign and design phases.

On approval of the concept paper, the project is subject to initial due diligence. For projects that are to be designed through project preparatory technical assistance (PPTA), a fact-finding mission or field visit is usually undertaken, and the conclusions are reported in the PPTA paper or project preparatory note (PPN). For projects prepared without a PPTA, ADB staff generally carry out or supervise a fact-finding mission or other initial due diligence. A key element at this stage is the IPSA, which should be completed by the end of the PPTA fact-finding mission or other initial due diligence.

IPSA presents an opportunity to flag poverty and/or social issues that need to be addressed in greater depth during the project design phase. IPSA also identifies possibilities for participatory approaches to project design and implementation. The summary output of this analysis is the IPSA report form, which becomes an attachment to the PPTA paper. The IPSA process should also produce TOR for poverty and/or social development specialists who will be needed on the PPTA (or other due diligence) team, including the areas of expertise, tasks, person-months, and resources required.

The main issue areas to be explored in the IPSA are (i) the potential of the project to provide general or targeted support for poverty reduction; (ii) an initial stakeholder analysis and identification of opportunities for clients/beneficiaries and other stakeholders to participate in project design and implementation; (iii) identification of potential gender issues in the project; (iv) identification of any social safeguard issues, including involuntary resettlement or impacts on indigenous peoples and ethnic minorities; and (v) identification of any other social risks and vulnerabilities that could undermine the project's objectives or reduce its benefits to clients/beneficiaries. The handbook provides guidance on each area. The handbook also includes sample TORs for preparing the IPSA and guidance on the time required, relevant data collection, and synchronization with other pre-design activities.

Design Phase

The design phase of a project involves (i) technical, economic, social, and environmental analyses based on the original project concept; (ii) consultations with relevant stakeholders; (iii) consideration of alternative design options; and (iv) development of a detailed design and related budget, financing plan, and implementation arrangements. Based on the issues identified and processes initiated during the IPSA, more in-depth social analysis is carried out during this phase, to assess and highlight ways in which the eventual project might best address social development issues, consistent with its overall economic viability.

Depending on the issues flagged in the IPSA, the thematic areas that the social analysis may cover include participation, gender and development, social safeguards, and/or management of other social risks and vulnerabilities. In-depth poverty analysis is also carried out for any project targeting individuals or households. Poverty impact analysis is also carried out for any policy-based loan or grant.

Social analysis is an integral part of the project design process and should contribute to the technical analyses, stakeholder consultations, consideration of alternative design options, and preparation of the final design (including the design and monitoring framework [DMF]). The results of the social analysis are synthesized in the SPRSS, which is a core appendix to the RRP for the project. Depending on the scope of the social analysis, other outputs may include (i) socioeconomic profiles of relevant population groups; (ii) social action or mitigation plans, or other measures incorporated in the project design; and (iii) social development targets and indicators incorporated in the DMF (and, in the policy matrix, for policy-based loans or grants). Data collected for social analysis should also provide a baseline for monitoring social impacts of the project during implementation.

The handbook provides guidance on (i) the scope, organization, and timing of the social analysis; (ii) appropriate data collection methods; (iii) preparation of socioeconomic profiles of clients/beneficiaries and any other affected groups; (iv) participation of clients/beneficiaries and other stakeholders in project design and implementation; (v) gender analysis and preparation of a project gender plan; (vi) analysis of social safeguard issues and preparation of related mitigation plans; and (vii) analysis of other social risks and vulnerabilities, and development of appropriate mitigation plans or other mitigation measures.

Design and Monitoring Framework. As part of its commitment to development effectiveness, ADB is placing greater emphasis on results in individual projects through its project performance management system (PPMS). The cornerstone of the PPMS is the DMF, which must be prepared for all loan, grant, and technical assistance projects. To ensure that ADB's operations are furthering its goal of inclusive social development, it is important to integrate social dimensions in DMFs for specific projects. This provides greater assurance that social development activities included in the project design will be implemented and that the social impacts of the project will be monitored. The handbook provides suggestions for including social impacts, outcomes, outputs and activities, and performance targets and indicators in a DMF.

Assurances. The borrower or other recipient of ADB assistance typically provides a number of assurances about the implementation of the project, including its social dimensions. Key design features and action/mitigation plans addressing social development and social safeguard issues should be supported by specific assurances (and related covenants in the financing documents). These assurances and related covenants provide an additional basis for monitoring the implementation of social development activities and mitigation plans under the PPMS.

Social Analysis in Project Implementation

Building on the DMF, the PPMS includes several mechanisms for monitoring and managing the implementation of a project. These include (i) the project administration memorandum, which is generally prepared before the inception mission for the project; (ii) periodic progress reports prepared by the executing agency for the project; (iii) project performance reports, which are prepared and updated by ADB staff based on progress reports of the executing agency and project review missions; (iv) the midterm review of the project; and (v) the project completion reports prepared by the executing agency and ADB. The final element of PPMS, the project performance evaluation report, is prepared by ADB's Operations Evaluation Department usually within 3–5 years after project completion, when development impacts are becoming evident.

In view of ADB's increasing focus on managing for results, it is important to ensure that the social dimensions of ADB projects are monitored through PPMS, which should be linked to the relevant country monitoring systems. This increases the likelihood that social development and social mitigation measures included in the project design will be implemented as planned and that the social impacts of the project, both positive and negative, will be monitored effectively. PPMS is also intended to be a highly participatory process, including both government and nongovernment stakeholders. Participatory approaches to project monitoring, involving clients/beneficiaries and other project-affected groups, can enhance the quality of the PPMS and the project as a whole. Local research institutes or civil society organizations can also be engaged to carry out independent monitoring of a project (or aspects of a project, such as a resettlement plan). The handbook provides guidance on monitoring and evaluating social development activities, social mitigation measures, and social impacts through the various phases of the PPMS.

