

**SPECIAL EVALUATION STUDY
OF THE
EFFECTIVENESS OF ADB APPROACHES AND
ASSISTANCE TO POVERTY REDUCTION
IN
BANGLADESH, KYRGYZ REPUBLIC,
LAO PEOPLE'S DEMOCRATIC REPUBLIC,
NEPAL, AND PHILIPPINES**

December 1999

* This includes the corrections contained in Corrigendum 1 to Doc. IN.16-00 of 9 March 2000.

CURRENCY EQUIVALENTS

(as of 20 October 1999)

Bangladesh
Taka (Tk)
Tk1.00 = \$0.0202
\$1.00 = Tk49.50

Kyrgyz Republic
Som (Som)
Som1.00 = \$0.0234
\$1.00 = Som42.72

Lao PDR
Kip (KN)
KN1.00 = \$0.0012
\$1.00 = KN8,250

Nepal
Nepalese Rupee (Nre)
Nre1.00 = \$0.0145
\$1.00 = NRs68.50

Philippines
Peso (₱)
₱1.00 = \$0.0248
\$1.00 = ₱40.25

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CAP	–	country assistance plan
COS	–	country operational strategy
DMC	–	developing member country
OECD	–	Organisation for Economic Co-operation and Development
HDR	–	Human Development Report
SDO	–	strategic development objective
WB	–	World Bank

NOTE

In this report, "\$" refers to US dollars.

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EXECUTIVE SUMMARY

In 1992, the Asian Development Bank (ADB) formally adopted poverty reduction—one of the ADB's concerns since its inception—as one of its strategic development objectives. Between 1992 and 1998, 123 projects valued at \$5,901 million were approved with poverty reduction as the primary or secondary strategic development objective. The projects span 20 subsectors and 21 developing member countries (DMCs). They include growth projects with poverty reduction concerns and targeted lending, loans for infrastructure and social services that were to benefit the poor, and assistance for protecting vulnerable groups. This broad variety of projects evolved from ADB's operations without the benefit of a conceptual framework or operational guidelines. In recognition of the need for such guidance, ADB established in 1997 a working group to develop a working paper on poverty reduction, which led to the need for this evaluation.

The evaluation is designed to answer three questions: how well did ADB incorporate poverty reduction issues into its country operational strategies (COSs) and projects, how well are the monitoring and evaluation systems of ADB-financed projects geared toward measuring poverty reduction results, and which effects and impacts on poverty have been attained so far. The evaluation involved five DMCs: Bangladesh, Kyrgyz Republic, Lao People's Democratic Republic, Nepal, and Philippines. The selection was meant to represent a sample of countries that experienced poverty over the long term, countries in transition, and countries hit by the Asian economic crisis. Four projects in each country were evaluated. The total represent a cross section of subsectors and projects with and without the poverty reduction classification. Some projects were included in the sample at the suggestion of the governments or of ADB staff. Ministry staff and personnel of the executing agencies were consulted, project sites visited, discussions with beneficiaries held, country program and project documentation analyzed, and surveys conducted for 17 of the 20 projects. This report summarizes the findings of these activities.

An analysis of the COSs shows that they contain a large amount of poverty-related data such as income, employment, poverty incidence, living standards, education attainments, health status, malnutrition, and food security. This data is aggregated at the national level and sometimes broken down by geographic region or urban and rural population. At this aggregate level, the poor are treated as a homogeneous group without distinguishing those that have potential for self-help once development support is provided, and those who are destitute. Few details, if any, are provided on aspects of social exclusion so that the causes of poverty remain unidentified. An analysis of these aspects is difficult, sensitive, and time-consuming, but is necessary to identify structural issues that will prevent ADB operations from reaching the poor. In the COSs, the analysis of government policies focuses on economic and sector policies, but the extent to which poverty issues are covered in those analyses varies considerably. Appendix materials on poverty that were added to the more recent COSs provide useful background information, but fall short of providing a poverty reduction strategy for ADB operations in the given country. More often, they summarize references to poverty made in the sector strategies, but lack a comprehensive strategy and portfolio for dealing with poverty issues. For poverty reduction to evolve as the overarching objective of ADB, it is necessary to develop country-specific poverty reduction strategies to guide policy dialogue, manifest priorities and sequencing of interventions to attain poverty reduction goals, and ensure that sectoral strategies systematically consider and address relevant and specific poverty issues.

Project designs increasingly provide data on poverty-related indicators, but these are not necessarily relevant to the project and its aims. Moreover, the amount of beneficiary-specific information that is broken down by poor versus nonpoor beneficiaries is extremely limited. As in the COSs, there is no information on the causes of poverty, although some attempts are made to ensure social inclusion through community organization and participation. However, the social stratification of communities is not well understood; aggregate household incomes might be around the poverty line, but distinct differences exist between the better-off and the poorest of the poor. Recognizing these differences and the causes of poverty is important for identifying who will be benefiting from project interventions, whether benefits will be distributed evenly, and what will be needed to ensure that benefits will reach the poorer segments of society. The majority of the projects reflect some reference to poverty in their objectives. However, very few projects have well-defined poverty reduction objectives that are accompanied by baseline data, specific targets, and relevant indicators.

Project monitoring and evaluation systems showed that data is often not collected at the design stage of projects; thus the information required to design pro-poor projects and monitor their performance is missing. Survey updates are sometimes undertaken, but reports are rarely used. The problems lie, as observed in an earlier evaluation of benefit monitoring and evaluation systems, in the fact that project management units are made responsible for monitoring financial, implementation, administration, and benefits data, with the latter receiving the least of attention. Benefit monitoring would be better located in a regular monitoring and evaluation function at the local level to ensure that evaluative information is used in the decision-making processes. In addition to these problems, the evaluation observed that none of the monitoring and evaluation systems required that data be collected and processed in a way that allows determining whether, how, and to what extent the poor benefit from the project results.

Project results are grouped into four dimensions of poverty—namely, well-being, access to resources, knowledge, and rights—to observe whether the projects focused on one dimension or another, or attempted to provide assistance across several dimensions. The importance of this division lies in the potential benefits from and interdependence of the four dimensions, which raises the question of whether improvements in one domain can be effective without improvements in others. None of the projects produced results that cut across all dimensions of poverty in a systematic way, which is not surprising given the absence of a conceptual framework or operating guidelines. Almost all projects showed some effects or impacts on the resource situation of the beneficiaries, be it by creating employment or stimulating productive activities, generating income, providing microcredit or infrastructure, or affecting the prices of services. Fewer affected the well-being of the beneficiaries, cutting across nutrition, health, access to safe water, or general living conditions. Even fewer projects addressed knowledge issues, and if any did, it is only in the form of “basic skills” training. Impacts on rights, such as creating an enabling environment to ensure social inclusion, were hardly observed at all.

Most projects benefited households across the income strata, including those above and below the poverty line. However, there is no systematic pattern to including community members from different income strata or for the distribution of benefits among them. Interventions targeted to reach the poor may do so successfully when focusing on a geographic area with a relatively homogeneous and predominantly poor population, and providing a service that is equally valuable to the entire population (Primary Health Care, the Lao PDR). However, an intervention that by design should be equally targeted could have reached a greater proportion of the poor, if project sites had been well selected (Secondary Towns Infrastructure

Project, Bangladesh; and Second Island Provinces Rural Water Supply, Philippines). Non-targeted interventions, particularly in areas with a relatively lower incidence of poverty, show an uneven distribution of benefits, generally favoring the nonpoor without generating the expected additional employment or other benefits for the poor living in the same area (Champassak Road Improvement Project, the Lao PDR; and Kathmandu Urban Development Project, Nepal).

Greater efforts need to be made to ensure a consistent and comprehensive integration of poverty reduction issues into ADB's COS and project designs. A systematic format needs to be adopted to ensure poverty-focused analyses of government policies, public expenditure, regulatory framework, and governments' awareness of poverty issues. Such analyses, which are in line with the poverty assessments foreseen in ADB's poverty reduction strategy, should be the basis for policy dialogue and for agreeing on country-specific poverty reduction strategies. The latter should determine a sequence of complementary interventions and provide guidance in identifying and developing poverty reduction projects.

The multidimensional nature of poverty suggests the need for multifaceted responses, which could be identified by launching a fact-finding mission without a predetermined sectoral focus. For this approach to work, governments and ADB need to agree on working together in specific geographic areas, which should be visited by multiskilled teams. Through the use of participatory approaches (designed to ensure the inclusion of the poor), the development needs and opportunities of different segments of local communities should be identified and form the basis for designing interventions. The resultant projects might require single-sector or integrated multisectoral approaches, and could form the basis for negotiating contributions from other external agencies.

I. BACKGROUND

A. International Agenda

1. Poverty reduction has been a recurrent theme on the international development agenda. The World Bank's (WB) World Development Report has periodically covered poverty since 1980. The 1990 issue is considered a cornerstone publication on the subject. Starting the same year, the Human Development Report (HDR) of the United Nations Development Programme placed people in the center of development, and in doing so raised questions about poverty. The 1997 HDR was dedicated to poverty reduction, while other editions covered closely related issues. The United Nations organized a series of world summits on issues that relate to poverty reduction, most notably the World Summit on Social Development in 1995, highlighting key issues and raising the urgency to address them.

2. The Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD), in its report *Shaping the 21st Century*,¹ endorsed seven of the World Summit's targets, determining therewith global goals for poverty reduction and social development. The majority of the OECD's member countries have poverty reduction as their primary aim or as one of their two or three overarching goals.² Closer to the Asian Development Bank's (ADB's) own geographic focus, the 5th Asian and Pacific Ministerial Conference (1997) arrived at goals and targets relevant to the region, including the reduction and eventual eradication of absolute poverty, reduction in malnutrition and ill health, improvements in literacy rates, and poverty-related environmental protection issues. ADB supports these goals through its poverty reduction strategy.³

3. The importance of poverty reduction arises from the continuing severity of poverty. Despite the progress made against a range of poverty indicators, such as the population living below the poverty line, life expectancy, health and nutrition status, and education levels, an overwhelming number of people still live in poverty. The persistence of the problem (in spite of efforts and significant resources spent on poverty reduction) arouses concern in the development community as it questions the effectiveness of past assistance. Policy makers in countries providing external assistance find it increasingly difficult to defend expenditure for development purposes if impacts on poverty cannot be reported.

B. ADB's Poverty Reduction Thrust

4. ADB adopted poverty reduction as one of its five strategic development objectives (SDOs) in its first Medium-Term Strategic Framework 1992-1995 (March 1992), although poverty reduction had been an important feature of ADB's work prior to that year. ADB intended to integrate poverty reduction concerns into various stages of its work. At the program level, country operational strategies (COSs), economic and sector work, and country assistance plans (CAPs) aim to integrate poverty reduction strategies into ADB's country operations. At the project level, ADB uses various interventions for reducing poverty: (i) economic growth projects

¹ Organisation for Economic Co-operation and Development. 1996. *Shaping the 21st Century: The Contribution of Development Co-operation*. Paris.

² Organisation for Economic Co-operation and Development. 1999. *Scoping Study of Donor Poverty Reduction Policies and Practices*. Draft Synthesis Report. Paris.

³ Asian Development Bank. 1999. *Fighting Poverty in Asia and the Pacific: the Poverty Reduction Strategy of the Asian Development Bank*. Manila.

that include poverty reduction concerns, (ii) targeted lending, (iii) providing the poor with access to social services and infrastructure, and (iv) protecting vulnerable groups. These activities evolved without a formal conceptual framework or operational guidelines.

5. ADB's guidelines for classifying projects according to SDO, revised in March 1995, state that projects with poverty reduction as their primary objective have to aim at "improving access for the poor to income/employment or human development services" and must fulfill one of the following two conditions: at least two thirds of the project beneficiaries are poor, or the components designed specifically to benefit the poor account for more than 50 percent of the total project cost. For projects with poverty reduction as their secondary objective, the last conditions are somewhat altered, reducing the required percentage of poor beneficiaries to one third and the project cost allocated to poverty reduction components to 20 percent. From 1991 to 1998, 123 projects valued at \$5,901 million were approved with poverty reduction as their primary or secondary SDO (Appendix 1). The projects cover 20 subsectors in 21 developing member countries (DMCs). Most of the projects are still ongoing.

6. Poverty reduction gained even greater importance when President Tadao Chino, during his opening remarks at the 32nd Annual Meeting (1999), placed poverty reduction in the center of attention, calling it the overarching goal for Asia and the Pacific and ADB. The poverty reduction strategy⁴ provides a new strategic focus to embed this vision into ADB's operations.

C. Evaluation

7. In recognition of the need for an operational approach to poverty reduction, ADB established in October 1997 an internal working group tasked to prepare a working paper on poverty reduction. After one year, the working group recognized that ADB did not have sufficient evaluative data to report on the extent to which poverty reduction was reflected in ADB's country strategies and projects, or on the first results of its poverty reduction operations. The present evaluation was initiated to fill the information gap. It is designed to analyze three issues: (i) the extent to which poverty reduction is integrated into country programming instruments and project designs, (ii) the adequacy of monitoring and evaluation systems to analyze whether poverty is reduced, and (iii) results achieved by a selected number of projects. The evaluation aims to provide insights into successes as well as areas where approaches and operations can be improved to ensure an effective incorporation of poverty concerns into the operations of ADB.

8. The evaluation uses a case study approach, which was the most meaningful way to evaluate country programs and projects, given the large number of diverse projects (para. 5). It selected five countries that represent a cross section of ADB's DMCs. The number of ADB's poverty reduction projects in the country was one criterion. The evaluation also aimed to cover a sample representing the different challenges that countries face: long-term persistent and widespread poverty (Bangladesh, Lao People's Democratic Republic [PDR], and Nepal); challenges of transition (the Kyrgyz Republic and the Lao PDR); and effects of the economic crisis in Asia (Philippines). None of the Pacific DMCs were included in the evaluations because of the limited number of projects that have poverty reduction as their SDO classification. The evaluation analyzed COSs, CAPs, and reports of country programming and review missions, using a standardized checklist to ensure a systematic analysis of documentation.

⁴ Ibid.

9. In each country four projects covering a cross section of sectors were chosen for the case studies. The projects were selected in consultation with governments and ADB's programs and projects departments. Some projects were approved prior to ADB's adoption of the SDOs, and others were not classified under poverty reduction for other reasons. The analysis determined whether and to what extent nonclassified projects address poverty reduction issues and evaluated the longer term results of older projects. The design of all projects was analyzed,⁵ and on the basis of the results, performance indicators that relate directly to project interventions were developed. The indicators were used to varying degrees in structured interviews with key informants, focus group discussions, and household surveys. Domestic consultants in each of the five countries conducted fieldwork from March to July 1999.

10. The evaluation differentiated between four dimensions of poverty because different benefits result from an increase in well-being, the capacity for self-support, and an expansion of choices, or awareness thereof. Project designs and results were analyzed to identify which of these dimensions had been addressed:⁶

- (i) well-being/survival: issues that relate to immediate survival needs such as shelter, food and nutrition, health, and water and sanitation;
- (ii) access to resources: self-support through access to income sources, land and other assets, finance, transport, and markets;
- (iii) knowledge: education and skills, access to information on markets and technology, and social capital, which enable people to make informed choices; and
- (iv) rights: a supportive policy environment that helps the poor to actually exercise their choices, a legal and political environment that enables the poor to participate in social and economic community activities.

11. The evaluation report is based on the detailed country and project reports; discussions that the evaluation specialist had with government officials, representatives of other external agencies, nongovernmental organizations, and project beneficiaries; and observations at project sites.

II. COUNTRY PROGRAMMING

12. The COS and CAP are the planning instruments that form the basis for ADB's country-specific thematic and sectoral priorities. The guidelines governing the COS/CAP preparation⁷ mention poverty reduction as one of ADB's SDOs, highlight the importance of economic growth as an "appropriate and effective poverty reduction strategy" (see footnote 6), and require that a section on crosscutting concerns, including poverty, be prepared. These instructions provide general guidance, but do not explain how poverty reduction issues should be analyzed and incorporated into the operational strategy. To assess how poverty reduction issues were

⁵ The evaluation focused on the design elements (objectives, scope, and project framework). It did not analyze loan covenants and their effectiveness in enforcing pro-poor project performance. This could be the subject of a separate evaluation.

⁶ The evaluation recognizes that these dimensions have not previously been used by ADB. However, when using a broad definition of poverty, it is necessary to be aware of these dimensions and how interventions affect them.

⁷ Staff Working Group on Review of the Bank's Business Processes. 1995. *Guidelines for Preparation of Country Assistance Plans, 1997-1999*. Asian Development Bank. Manila.

actually integrated into COSs, evaluation assessed the data, policy, and institutional analyses undertaken for the five sample countries,⁸ which serve as case studies to underpin the evaluation's analysis or illustrate a particular point. The assessment does not reflect on the overall quality of the COSs, which may be entirely satisfactory from the economic and sectoral point of view, but makes poverty reduction the center of attention. This focus was adopted to determine the areas requiring additional analysis to ensure that poverty reduction emerges as the overarching goal of ADB's operations.

A Overview of Selected Country Programs

13. Bangladesh has borrowed \$5,576 million for 129 projects since 1973, of which all except three were financed from the Asian Development Fund (ADF). Poverty reduction is the overall objective of ADB's country operational strategy of 1993, with medium-term priorities focusing on efficient growth, access of the poor to growth benefits, and environmental concerns. A total of 22 projects costing \$1,059 million had poverty reduction as their primary or secondary SDO. Of the total portfolio, 45 projects were postevaluated: 38 percent of them were rated generally successful, 53 percent partly successful, and 9 percent unsuccessful (Box 1).

Box 1: Country Program Summary Data (as of December 1998)					
	BAN	KGZ	LAO	NEP	PHI
Total Number of Projects	129	12	44	89	161
Asian Development Fund	126	12	44	88	40
Ordinary Capital Resources	3	-	-	1	121
Total Budget (\$ million)	5,576	314	775	1,583	7,134
Project approvals 1991-1998	38	12	23	23	50
Budget 1991-1998 Approvals (\$ million)	2,373	314	565	603	3,073
Number of Poverty Projects	22	3	4	14	18
Primary Strategic Development Objective (SDO)	4	-	2	3	8
Secondary SDO	18	3	2	11	10
Percentage of Total Projects	17.1	25.0	9.1	15.7	11.2
Percentage of 1991-1998 Approvals	57.9	25.0	17.4	60.9	36.0
Poverty Project Loan Amounts (\$million)	1,059	55	81	273	664
Primary SDO (\$ million)	149	-	20	56	335
Secondary SDO (\$ million)	910	55	61	217	329
Percentage of Total Budget	19.0	17.5	10.4	17.2	9.3
Percentage of 1991-1998 Approvals	44.6	17.5	14.3	45.3	21.6
Number of Postevaluated Projects	45	-	10	32	57
Percentage of Total Projects	34.9	-	22.7	35.9	35.4
Performance Rating (percent of total portfolio)					
Generally Successful	37.8	-	40.0	50.0	45.6
Partly Successful	53.3	-	40.0	25.0	31.6
Unsuccessful	8.9	-	20.0	25.0	22.8

Source: Asian Development Bank.

14. The Kyrgyz Republic started borrowing from ADB in 1994. The main objectives of ADB's assistance include supporting the Government's reform activities, encouraging the creation of a "new structure of output" accompanied by job creation, and arresting the rapid deterioration of

⁸ The COSs for Bangladesh, Nepal, and Philippines were prepared in 1993. The Philippines COS was updated in 1998, while draft updatings for the two other countries were prepared in 1999. The COSs for the Kyrgyz Republic and the Lao PDR were approved in 1996.

long-term potential by investing in infrastructure and human resource development. Selective interventions for environmental protection are also foreseen. Of 12 ADF loans for \$314 million, 3 that amount to \$55 million have poverty reduction as their secondary objective.

15. For the Lao PDR, ADB has approved 44 loans since 1970, for a total of \$775 million from ADF sources. Ten projects were postevaluated: 40 percent were generally successful, 40 percent partly successful, and 20 percent unsuccessful. The COS (1996) includes three strategic objectives, namely: sustainable growth, policy support for an enabling environment, and human and institutional development. The related program elements include infrastructure support (development of hydropower and rural roads, markets, and irrigation systems), private and financial sector development, and social sector support (primary health care, basic education, urban development, sanitation, and nutrition). Four projects with a total budget of \$81 million each have poverty reduction as their primary or secondary SDO.

16. Since 1969, Nepal has borrowed from ADB a total of \$1,583 million for 89 projects, all but one being financed from ADF resources. Postevaluation of 32 projects showed 50 percent as generally successful and 25 percent each partly successful or unsuccessful. The COS of 1993 makes poverty reduction the strategic priority of ADB's program in the country, which is a new feature compared with the previous COS. This overarching priority is reflected explicitly in two of the three medium-term priorities, namely: attaining broad-based growth that helps reduce poverty, and augmenting basic social services for the poor. The third medium-term objective, environment protection, also relates to poverty reduction. Of the total project portfolio, 14 projects amounting to \$273 million had poverty reduction as primary or secondary SDO.

17. Lending to the Philippines started in 1969. Since then, 161 projects have been approved for \$7,134 million, with 121 of them financed from the ordinary capital resources. Postevaluation of 57 projects have rated 46 percent as generally successful, 32 percent partly successful, and 23 percent unsuccessful.⁹ The strategic objective in the 1993 COS was to increase sustainable economic growth rates and growth. The strategic focus of activities with short-term impact included greater private sector investments, developing an internationally competitive economy, and providing credit. Primary activities with medium-term impact were infrastructure investments and environmental rehabilitation and protection, while secondary activities involved human resource development. Eighteen projects with a total budget of \$664 million had poverty reduction as their primary or secondary SDO.

B. Data Analysis

18. A comparison of the COSs shows that they contain a large amount of data on poverty, including indicators such as income poverty, unemployment, population below the poverty line, living standards, educational attainment, health status, and malnutrition and food security. The data is aggregated at the national level, showing the percentage of the total population living in poor conditions or suffering ill health. Other comparisons include geographic distribution of poverty, identification of disadvantaged areas, or information on the urban and rural poor. Income disparities are illustrated with the help of the Gini coefficient. Trend analyses are provided inasmuch as that is possible with the available data. At this aggregate level, the poor are treated as a homogeneous group, without distinguishing between the poor that have potential for self-help once development support is provided to them, and those that are dependent on continuous support. The more recent COSs have an appendix with more detailed

⁹ Adds up to more than 100 percent due to rounding of figures.

poverty information. Very few details, if any, are provided on aspects of social exclusion (para. 25). The CAPs contain a section on poverty, which updates this information.

C. Analysis of Government Policies

19. All five DMCs expressed concern with poverty or living standards issues, although the COSs for three sample countries did not reveal whether the countries had specific poverty reduction policies or strategies at the time. Some details, though scant, were contained in the COSs for Bangladesh and the Philippines. According to the Bangladesh COS, poverty reduction features as one of the three key objectives in the five-year development plan (1990/91-1994/95), but it is not clear whether the objective was supported by a comprehensive poverty reduction policy or strategy. Instead, a number of plan elements are listed (COS, para. 6), all of which are focused on economic dimensions without discussing their implications for poverty reduction. This becomes clearer in the draft Bangladesh COS (1999), which stresses that poverty reduction has taken a more prominent position in the most recent five-year development plan with explicit reference to poverty goals in general and as part of sectoral strategies. The then draft medium-term development plan of the Philippines mentions the “equalization of opportunity” (COS, para. 9), implying a poverty reduction policy in the making. Significant changes were observed in the 1998 COS for the Philippines, where the shift in the government’s strategy was noted, and the government’s policy for poverty reduction is discussed in greater detail.

20. Much greater attention is given to reviewing government policies at large, but their implications for the poor, whether negative or positive are not always analyzed. For instance, COSs contain a summary of economic policies, but these are not interpreted from a poverty perspective. The need to phase out subsidies is mentioned, but the document does not spell out whether the poor or nonpoor benefit from subsidies and how they will be affected by the suspension of subsidies. ADB could contribute to identifying the misallocation of public resources to undeserving recipients and highlight how such resources could be better targeted. A few exceptions to the lack of poverty-sensitive policy analyses exist. One is the agriculture sector in general where poverty is most prevalent and linkages to poverty reduction are frequently made. Another is the COS for the Lao PDR, which realistically rules out possibilities for broadening the tax base. Instead, it highlights the need to increase taxation of the timber and energy sectors (COS, para. 115), anticipates the impact of various economic growth rates on the incidence of poverty, and analyzes the impact of macroeconomic policies on poverty.¹⁰

21. The COSs, recognizing economic growth as an important but not necessarily sufficient ingredient for poverty reduction, suggest that the beneficial effects of economic growth need to be supplemented by public investments in the social and economic sectors to enable the poor to participate in the economy. However, potential conflicts between economic growth and poverty reduction are not explicit and their consequences are not examined in the COSs. For instance, the Bangladesh COS observes low economic growth rates due to low levels of mechanization—which advocates capital-intensive investments—but it does not show how low levels of mechanization relate to the labor-intensive growth strategy favored otherwise in the COS. It also noted that the government gave highest priority to the Jamuna Bridge, saying that this could be done without compromising local resource availability for social and poverty reduction programs

¹⁰ The latter remains generic and does not specify whether any of the three examples given in the COS apply to the Lao PDR (COS, Appendix 3, para. 35).

(COS, para. 96). There is no analysis to corroborate this assertion, although other sections of the COS highlight the shortage of local resources as one of the impediments to smooth project implementation in any sector. In the Kyrgyz Republic, the need to close down inefficient State-owned enterprises and lay off workers compounds the urgency to create new job opportunities. In Nepal, the government's focus on hydropower as the main growth engine of the economy is mentioned, but there is no illustration of how the linkages with the agriculture and industry sectors will take place, and how such linkages will contribute to poverty reduction at the local level. This evaluation does not take exception to the choices that are made, but highlights the absence of a systematic analysis and illustration of how the benefits of economic growth will reach the population at large and the poor in particular.

D. Other External Agencies and ADB's Comparative Advantage

22. Four of the five COSs described the work of other external agencies, but without specific focus on efforts to reduce poverty, and saw value in a coordinated approach. Several expressed concerns about weak coordination or poorly synchronized agency activities as in the case of Nepal, and the potential for externally driven aid portfolios, particularly in the case of Bangladesh. Both the Bangladesh and Nepal COSs questioned the successful targeting of the poor and the apparent focus of external agencies in attacking the symptoms of poverty without due regard to project outcomes and impacts. The COSs seem to subsume coordination of poverty issues among general coordination matters, although the latter tend to focus on implementation and resource issues. To derive the full value of synergies that the programs of various agencies can have, it would be necessary to develop a concrete, country-specific poverty reduction strategy to which all government, nongovernment organizations and external agencies can subscribe. The difficulties of agreeing on such a strategy with concrete goals and targets for poverty reduction lie in the myriad of stakeholders, their possibly differing convictions about how poverty can be reduced, and purely logistical problems. Some inroads have been made in Bangladesh, where the draft COS (1999) highlights poverty reduction as a common objective, unifying the development community.

23. The Nepal COS discusses ADB's comparative advantage in terms of the size of its operations (providing for almost 25 percent of total external assistance) and its regional roots (COS, para. 38). The Bangladesh COS discusses the sectoral leads ADB has taken, including reform and privatization of State-owned enterprises and secondary education. With its regional presence, ADB is in a strong position to take a leading role in poverty reduction efforts, as programming missions are an opportune time to engage in dialogue on poverty policies and analyses.

E. ADB's Country-Specific Poverty Reduction Strategy and Policy Dialogue

24. The evaluation analyzed whether the poverty reduction elements contained in the COSs add up to a poverty reduction strategy in each DMC. It reviewed data related to these questions: (i) what causes of poverty were identified and did ADB's interventions aim to address them and how, (ii) did ADB pursue country-specific poverty issues with a separate strategy or rather as an integral element of sector strategies, (iii) were priorities established and a sequence of interventions developed, and (iv) were targets and performance indicators defined?

25. The COSs associate the occurrence of poverty with an economic equation stating that economic growth is insufficient to sustain a population that grows at a higher rate than the economy. Beyond this economic perspective, the manifestations of poverty—such as absence of access to land, resources, employment, or social services—are recognized, but the causes

for their existence are not analyzed. Consequently, ADB's response to poverty is to promote economic growth and finance facilities that provide social services. However, the underlying reasons for social exclusion are not identified, except in the most recent draft COS for Bangladesh where these issues are discussed in conjunction with the governance agenda (COS, para. 30). An analysis of social exclusion requires an assessment of the social, cultural, historical, and political causes of poverty to understand why the poor do not have access to opportunities. This might be due in some cases to lack of physical infrastructure, but often it is caused by societal factors. Such an analysis is difficult, delicate, and time-consuming, but it is needed to identify structural issues that will prevent ADB operations from reaching poor beneficiaries, as observed in a number of COSs (para. 22), and should form the basis for policy dialogue on poverty reduction in general as well as an integral part of sectoral policies and strategies.

26. None of the COSs specifies an ADB country-specific strategy for poverty reduction. Instead, the COS for Bangladesh proposes the concept of a poverty reduction loan (COS, paras. 110-111). The Kyrgyz Republic COS does not provide an ADB poverty strategy for the country, but summarizes the "scope for Bank involvement" (COS, Appendix 1, page 9) by extracting some of these details from the sector strategies. However, it does so in an incomplete fashion and does not provide any framework or guidance for incorporating poverty issues into the sector strategies.

27. All COSs integrate some poverty reduction elements into sectoral strategies. However, there is no apparent coherence that unifies the various interventions into a consistent poverty strategy, giving the impression that the inclusion of poverty issues depends on the judgment of the individual(s) preparing the COS. The following two examples illustrate the fragmentary approach to poverty reduction. In Nepal the sector strategies cover various aspects affecting poverty, but do not discuss the connection between sector development and poverty reduction. An unwritten assumption is that sector improvements will automatically benefit the poor, but there is no analysis of the expected distribution of benefits among the poor and nonpoor, nor is there any mention of measures to ensure inclusion of poor beneficiaries. The interventions are spread thinly over several dimensions of poverty, such as survival needs, access to resources or employment, and basic education. But there is no conceptualizing how the composite parts will ensure that beneficiaries progress out of poverty. Likewise, the Philippines COS overlooks poverty issues in a number of sector strategies. It does contain some areas that have conceptual linkages, namely marketable skills and microcredit. However, it cannot be determined from the COS whether these interventions will be provided to the same target group, and thus actually complement each other. The CAPs do not go beyond this approach.

28. The COSs tend to identify one or two priority sectors and priorities within sectors, while permitting assistance outside these preferences. Apart from the Bangladesh COS (1993) and the draft COS for Nepal (1999), it is not obvious whether poverty is used as a criterion for setting priorities. The absence of poverty issues in a number of sector strategies in the COSs suggests that this may not be the case. Sequencing of interventions was attempted in one isolated example in Nepal, where the agriculture strategy chose to work in a better-off geographic region to attain growth in the agriculture sector before moving into less developed, remoter areas (COS, para. 58). This demonstrates a deliberate decision to prioritize and phase assistance so as to increase effectiveness. The Kyrgyz Republic COS recognizes broad priority development needs of the country, ranking them in the short, medium, and long term. However, the actual sectors of ADB intervention are whittled down to four areas, which are not prioritized (COS, para. 113).

29. A logical consequence of not adopting a country-specific poverty strategy is a lack of specific targets and indicators.¹¹ Setting targets is not a simple matter because poverty reduction is complex and affected by a number of factors beyond ADB's control. Given this difficulty, the absence of concrete targets becomes understandable but measurable targets remain desirable to help focus ADB's poverty reduction interventions.

30. Policy dialogue, which is part of the programming cycle, manifests itself in the COS and in back-to-office reports of country programming and country program review missions. Recent reports were examined to determine the degree to which they covered poverty reduction. Countrywide policy discussions focused on economic growth and development without reflecting whether poverty issues were considered, although discussions of some specific project proposals featured poverty aspects. Since 1999 programming missions have increasingly emphasized ADB's commitment to poverty reduction. These expressions of intent need to be supplemented by substantive debates on issues, such as distribution of benefits, barriers to the advancement of the poor, and the integration of poverty reduction efforts into development policies and strategies.

III. PROJECT DESIGN

A Overview of Selected Projects

31. The evaluation included four projects from each of the five DMCs. First, projects with poverty reduction as their primary or secondary SDO were identified. Second, a cross section of projects from all main sectors, viz. agriculture, finance, infrastructure, and social services, were chosen, although focusing on a selected number of subsectors within the main sectors. Third, governments and ADB departments reviewed the preliminary selection and suggested projects that had been approved prior to the adoption of SDOs or that had other SDOs than poverty reduction. These projects were included as counterfactual to identify whether projects with poverty reduction as SDO classification show significantly different project designs, approaches, monitoring and evaluation systems, or results. Older projects were used to measure longer term impacts. The resultant project selection is shown in Box 2.

32. The projects fall into two broad categories. One group targets the economy, aiming to stimulate growth, normally in the agriculture sector, and thus generate income, promote employment, and increase food security and reduce malnutrition. The other projects concentrate on providing targeted social services to ensure livelihood or abilities to participate in the economy, and comprise a mix of infrastructure components, microcredit lines, advisory services, and community organization. Appendix 2 describes project objectives, scope, approval dates, and loans. Appendix 3 summarizes how far poverty reduction featured in the design of the projects.

¹¹ The indicators mentioned in a number of COSs are aggregate macroeconomic, economic, and social indicators that are not necessarily relevant to ADB's poverty reduction portfolio. Therefore, they are useful only to measure changes at the national level without determining ADB's contributions to these changes.

Box 2: Project Summary Data

Project	Approval Year	Loan Amount (\$ million)	Poverty Reduction SDO			
			Primary	Secondary	Other	None
BANGLADESH						
0908-BAN Rural Infrastructure Development	1988	99.8				†
1066-BAN Rural Training	1990	16.2				†
1213-BAN Rural Poor Cooperatives	1992	30.0	†			
1376-BAN Secondary Towns Infrastructure	1995	65.0		†		
KYRGYZ REPUBLIC						
1342-KGZ Special Assistance Loan	1994	40.0		†		
1529-KGZ Rural Financial Institutions	1997	12.5				†
1554/5-KGZ Education Sector Development	1997	33.0				†
1645-KGZ Social Services Delivery and Finance	1998	10.0		†		
LAO PEOPLE'S DEMOCRATIC REPUBLIC						
0642-LAO Vientiane Plain Rural Electrification	1983	6.3				†
1348-LAO Primary Health Care	1995	48.0	†			
1369-LAO Champassak Road Improvement	1995	5.0		†		
1488-LAO Community-Managed Irrigation	1996	14.7	†			
NEPAL						
1165-NEP Third Water Supply and Sanitation	1997	5.0				†
1237-NEP Microcredit for Women	1993	20.0		†		
1240-NEP Kathmandu Urban Development	1993	12.0		†		
1311-NEP Irrigation Management Transfer	1994	12.9		†		
PHILIPPINES						
1052-PHI Second Island Provinces Rural Water Supply	1990	24.0				†
1216-PHI Small Farmers' Credit	1992	75.0	†			

B. Situation Analysis

33. The evaluation reviewed the background data analyzed in project designs to establish the extent to which the situation of the poor in general and that of the target groups in particular was assessed. This was of interest to identify whether the project objectives were specifically geared toward meeting the needs of the poor who were to be the actual project beneficiaries.

34. The large majority of the projects provide only aggregate information on poverty. Data against the four dimensions of poverty (para.10) are usually provided at the national level, and are at best broken down by geographic region, which indicates that target groups are considered homogeneous. Only two projects give details differentiated by poor versus nonpoor. Specific information on the target groups is lacking in all but five projects, which did undertake surveys before the project design was finalized. Only one of them includes data that is both specific to project beneficiaries and disaggregated by income.¹² Ironically, this project was designed in 1983, long before poverty featured as an SDO. Despite the lack of analytical background to the situation of the poor that are the potential beneficiaries, 80 percent of the projects stated generic poverty reduction objectives.

¹² Loan 642-LAO(SF): *Vientiane Plain Rural Electrification (Phase II)*, for \$6.3 million, approved on 11 October 1983.

35. Information on well-being aspects¹³ was a common feature in 70 percent of the projects. However, there is no apparent linkage between the sector, the project scope, and the inclusion of well-being data in the background section of the project design. All projects contain background information on resource issues, but details are confined to average national income data and/or general constraints on access to productive resources. Only seven projects in various sectors included data on skills and education levels. A linkage to these indicators existed for four of the projects, which dealt with the education sector, while the others provided this information without any meaningful connection to the project. These examples illustrate the plethora of information (contained in most project documents) that is not focused on issues that are immediately relevant to the project design. Details on the policy and legal environment are lacking in all projects.

C. Preventing Exclusion—Ensuring Inclusion

36. Exclusion is often confused with manifestation of poverty (para. 25); projects mention the lack of access to resources or social services, but do not explain why the poor are excluded from access. For instance, the lack of land can result from a shortage of land or from overpopulation, or can be due to uneven distribution of wealth or an exclusive social structure. All projects anticipated positive outcomes; only four considered that there may be adverse effects, requiring mitigation. These were largely infrastructure projects involving resettlement. In one case, it was foreseen that reform programs might affect smaller schools and disadvantaged families negatively. To mitigate these potential impacts, the project included testing whether families had the means to pay school fees, and provided access to an education fund if family means were insufficient.¹⁴ In another project, economic exclusion was to be avoided by considering the ability of beneficiaries to pay for services and possibilities for cross-subsidies between beneficiary groups to reduce the financial burden on the poorest.¹⁵

37. Measures for ensuring inclusion encompassed community organization and participation as a first step toward greater involvement of beneficiaries at the local level. In this context, however, considering beneficiaries as a homogeneous group is counterproductive because local communities are diverse, with their own social stratification that tends to exclude the poor.

D. Objectives and Targets

38. The majority of the projects include a broad reference to poverty reduction in their objective, but no specific goals are set, possibly because background information is not analyzed (para. 34). Six projects, which did not have poverty reduction as an SDO, nonetheless explicitly stated a poverty reduction objective. By contrast, the objectives of two projects that had an SDO classification for poverty reduction did not have an objective that explicitly aimed to assist the poor. One project had a clearly defined outcome target, namely, to reduce the number of people below the poverty line from a determined baseline that was given in the project design.¹⁶ Others had outcome targets limited to general aims such as increasing employment, income, and well-being which is insufficient to focus inputs and measure outcomes. About 30 percent of the projects determined project-specific indicators that are relevant to poverty

¹³ Well-being aspects are such factors immediately necessary for survival: nutrition, health, shelter, and safe water.

¹⁴ Loan 1554/1555-KGZ(SF): *Education Sector Development Project and Program*, for \$33.0 million, approved on 29 September 1997.

¹⁵ Loan 1165-NEP(SF): *Third Water Supply and Sanitation Project*, for \$20.0 million, approved on 25 June 1992.

¹⁶ Loan 1422-PHI(SF): *Cordillera Highland Agriculture Resource Management*, for \$19.0 million, approved on 11 January 1996.

reduction (para. 40). In spite of the poverty reduction objectives, only eight projects determined some kind of poverty-related outputs.

IV. MONITORING AND EVALUATION

A National System

39. Each of the five DMCs has at least one institution¹⁷ responsible for conducting household surveys, collecting data against poverty indicators, and estimating a national poverty line and/or the incidence of poverty. Most of these institutions receive external assistance, largely from WB. None of them are mandated or equipped to monitor the impact of externally financed projects on the incidence of poverty. Other central agencies, which monitor project performance, tend to focus on implementation and financial performance and do not compile data on project-specific poverty reduction indicators.

B. ADB-Financed Projects

1. Planned

40. Eighty-five percent of the projects generally mentioned the requirement to collect benefit monitoring and evaluation data in accordance with ADB guidelines, which includes benchmark, monitoring, and evaluation data. However, the type of data required focused on physical and financial implementation, with an occasional cursory mention of socioeconomic data. Although some projects required collecting income data from households, they did not create the awareness that this information should be computed and used for an analysis of poor/nonpoor beneficiaries and the benefits provided to them.

41. Fourteen projects assigned the responsibility for collecting monitoring data to the project management or implementation unit, assisted by consultants. These units are, by necessity, preoccupied with project implementation matters and do not have much time to take interest in project benefit monitoring. Benefits should continue to be produced long after the completion of project implementation. Therefore, benefit monitoring, by nature, should be part of the government's own monitoring and evaluation system to ensure actual use of data and continuity of collection, something not considered in any of the project designs.

42. The feedback process is not defined. A few projects suggest that monitoring data be used to ensure the effectiveness of implementation and production of benefits. However, there is no evidence of a systematic feeding of the monitoring data into a decision-making process that is concerned to ensure that benefits reach the poor. An effective feedback process needs to be based on the data needs of the information users, determine how data is analyzed and interpreted to derive useful information for decision making, and ensure that data is systematically used for operational management of facilities and services. To address poverty reduction issues, this data has to be compiled in such a way that the distribution of benefits among the different income groups can be distinguished.

¹⁷ Bangladesh Bureau of Statistics; Ministry of Labor and Social Protection and National Statistical Committee in the Kyrgyz Republic; National Statistical Center in the Lao PDR; Nepal Rastra Bank; and National Statistical Coordination Board, National Statistics Office, and National Economic Development Authority in the Philippines.

2. Actual

43. Fourteen projects collected benchmark data, but only eight conducted subsequent monitoring surveys. The benchmark information included socioeconomic details, but none of the surveys presented data that would show the distribution of benefits to the poor and nonpoor or whether the poor benefit at all. Only two projects collected information on benefits rather than physical and financial implementation. Of the 14 projects that collected benchmark data, 3 involved staff of the executing agency and the others relied entirely on consultants. In general, data was collected to meet ADB's requirements (loan covenants) but hardly to serve any management purpose. Only one case was reported where data was used to take corrective actions that would address poverty issues (Loan 1311-NEP).¹⁸ Appendix 4 provides an overview of poverty-related project monitoring and evaluation.

V. POVERTY REDUCTION RESULTS

44. The majority of the projects in the sample are still ongoing or just completed.¹⁹ The following findings are, therefore, indicative of preliminary project effects and impacts. While the results are not conclusive and can be expected to change when the projects become fully operational, they are nonetheless useful to show initial trends.

45. The evaluation conducted surveys²⁰ to verify preliminary benefits generated by the projects and analyze whether the poor benefited equally or more than the nonpoor from project facilities or services. The lack of baseline data and elusive targets without specified indicators made this part of the evaluation difficult. The surveys had to rely on recall by the beneficiaries and used control groups to compare the current situation of the poor in the project and control areas. Key informant interviews and focus group discussions were also used to verify the survey findings.

46. The findings are discussed under headings that fall within the four dimensions of poverty (para. 10)²¹ to observe whether the projects focused on one dimension or another, or attempted to provide assistance across several dimensions of poverty. The importance of this grouping arises from the interdependence of the four dimensions,²² which raises the question whether improvements in one domain can be effective and sustained without improvements in others, and, if so, how should projects be structured to address more than one or two dimensions of poverty.

¹⁸ Loan 1311-NEP(SF): *Irrigation Management Transfer*, for \$12.9 million, approved on 13 September 1994.

¹⁹ With the SDO classification system coming into effect only in 1992, most projects are still ongoing. The evaluation included those projects because they are clearly identified as poverty reduction projects.

²⁰ The findings presented in this section are based on the survey of 16 of 20 projects. Three projects in the Kyrgyz Republic were not surveyed, and the survey results of Loan 1422-PHI(SF): *Cordillera Highland Agriculture Resource Management* (footnote 16) were indicative of the slow progress made in project implementation.

²¹ The evaluation did not observe impacts on knowledge and rights and thus omits these sections from the report.

²² The interdependence of poverty dimensions is intricate. Well-being depends on the extent to which community members can afford services, availability of services, knowledge of the value of services, and social inclusion that enables all community members to access services. Increasing income-generating activities helps the poor support themselves, but their well-being will not improve in the absence of service facilities or with overpriced services, or if they are unaware of the importance and benefits of services. Knowledge is also a key to increasing access to income-generating opportunities. However, the poorest are often excluded from the benefits of education for any of these reasons: schools are not available or are poorly equipped and run, children have to work to support the household, or children do not have clothes to wear to school. The legal right to participate is a dimension in itself as it can be addressed at the policy, legal, and law enforcement levels, whereas the social or historical right to participate, or rather the absence of such right, permeates all the dimensions.

47. None of the projects produced results that cut across all dimensions of poverty in a systematic way. Almost all projects showed some effects or impacts on the resource situation of the beneficiaries, be it by creating employment or stimulating productive activities, generating income, or providing access to microcredit or infrastructure, or affecting the prices of services. Fewer affected the well-being of beneficiaries, cutting across nutrition, health, access to safe water, or general living conditions. Even fewer addressed knowledge issues, and those that did focused on basic skills training. Impacts on rights such as creating an enabling environment to ensure social inclusion were hardly observed.

48. The evaluation assessed effects and impacts separately. Effects result directly from a project and normally within a short time of its completion, whereas impacts are generated as a consequence of effects, often take a longer time to materialize, and depend to a greater extent on external influences. For instance, a project may have positive effects on generating greater awareness of nutrition issues, but an impact on diet and health could be impeded by lack of resources to purchase healthier food or by unavailability of the requisite nutrients. Also, project effects may be evenly distributed among the poor and nonpoor, but impacts might become biased toward the nonpoor because of the unfavorable situation from which the poor start. One such example would be where both the poor and nonpoor profit from the use of microcredit, but the poor need to use the additional income to meet survival needs, while the nonpoor would be able to reinvest profits.

A Poverty Reduction Effects

1. Well-Being

49. **Nutrition.** This aspect of well-being was addressed only indirectly by aiming to increase agricultural production and through some training courses that covered nutrition aspects. Immediate effects on the nutrition status of beneficiaries can, therefore, not be expected.

50. **Health.** Three projects provided access to health services, one as part of an urban infrastructure project (1376-BAN);²³ the two others were exclusive health projects (1348-LAO and 1331-PHI).²⁴ The project in Bangladesh provided some health stations in the areas where urban infrastructure was upgraded, but survey data is not conclusive on their use, compared with use of other health service providers. The project in the Lao PDR is clearly focused on delivering health services in an area where the majority of the population is poor. The survey results show better vaccination levels and a higher number of family planning users in the project area than in the control areas. The proportion of households practicing self-prescription of medicaments is lower in the project area than in the control areas, which indicates a greater degree of consultation with health practitioners in the project area. However, on average only 20 percent of the respondents use health centers,²⁵ 40 percent practice self-medication and around 30 percent use district or provincial hospitals. In the Philippines, the project and control areas show similar levels of use of health services for prenatal and postnatal care and vaccinations. The use of local/rural health stations is somewhat higher in the control areas as

²³ Loan 1376-BAN(SF): *Secondary Towns Infrastructure Development*, for \$65.0 million, approved on 19 September 1995.

²⁴ Loan 1348-LAO(SF): *Primary Health Care*, for \$5 million, approved on 19 January 1995; and Loan 1331-PHI(SF): *Women's Health and Safe Motherhood*, for \$54.0 million, approved on 10 November 1994.

²⁵ The low preference rate for health centers might be due to their relatively new establishment, the distance between them and villages, and the time attitudinal changes require.

the incidence of poverty in those areas was observed to be higher than in the project areas. The impacts on the health status of the beneficiaries are described in para. 57.

51. **Safe water.** Three projects provided access to safe water. In Bangladesh (1376-BAN), the population with access to safe water increased from 66 to 82 percent; in the Philippines, the increase was from 77 to 93 percent.²⁶ Another major contribution of these three projects was their effect on the time required for fetching water. The most dramatic improvements were in Nepal (1165-NEP), where the time was reduced on average by 45 minutes per 20-kilogram load of water.

2. Resources

52. **Short-term employment.** The Champassak Road Improvement Project²⁷ employed 1,221 skilled and semiskilled workers for the road works. Records of the construction companies show that 40 percent of the workers were locals and 60 percent were foreign workers, mostly from neighboring countries. The project management office reported 20,513 person-months employment, which is less than half of the appraisal projections. The survey revealed that 73 of the surveyed households (5 percent) had been employed by the project, although for only a few days. The same households reported an average daily wage rate that varied between KN2,000 and KN8,000 depending on location. This additional income would be significant for a poor household, considering the poverty line of KN7,272 per household per day. In Nepal, the Kathmandu Urban Development Project²⁸ employed 626 skilled workers an average of 65 days each (40,628 person-days) and 1,401 unskilled laborers an average of 76 days each (106,875 person-days). The average daily wage rate was NRs215 for skilled and NRs117 for unskilled labor, which compares favorably with the poverty line of NRs94 per household per day. The Irrigation Management Transfer Project (1311-NEP) generated few and low-paying employment opportunities because labor was a required contribution made by more than 90 percent of all beneficiary households.

53. **Physical infrastructure.** Six projects improved infrastructure facilities for productive purposes, such as electricity, drainage, irrigation systems, and roads. Three projects²⁹ with road components considerably reduced travel and transport time (in Bangladesh by 60 percent) and stimulated the local economy to varying degrees (para. 58). The effects on prices, anticipated as a result of easier access to project areas, were only partly realized (para. 63). In Kathmandu, road works in one of the project areas also improved drainage, reducing the incidence of waterborne diseases (para. 57). The electrification project in the Lao PDR (642-LAO) brought about some economic opportunities (para. 59), and to a greater extent increased the comfort level of beneficiaries, providing them the opportunity to use radio, television, electrical fans, and light. In the Lao PDR, the irrigation project³⁰ increased access to irrigation water during the dry season, affecting cropping patterns (para. 58). In Nepal the irrigation project (1311-NEP) is rehabilitating existing irrigation systems. Therefore, immediate changes in water availability observed by the survey are not as dramatic as when new irrigation systems are built.

²⁶ Loan 1052-PHI(SF): *Second Island Provinces Rural Water Supply*, for \$24.0 million, approved on 20 November 1990.

²⁷ Loan 1369-LAO(SF): *Champassak Road Improvement*, for \$48.0 million, approved on 31 August 1995.

²⁸ Loan 1240-NEP(SF): *Kathmandu Urban Development*, for \$12.0 million, approved on 29 June 1993.

²⁹ Loan 908-BAN(SF): *Rural Infrastructure Development*, for \$99.8 million, approved on 13 October 1988; Loan 1369-LAO(SF): *Champassak Road Improvement* (footnote 27); and Loan 1240-NEP(SF): *Kathmandu Urban Development* (footnote 28).

³⁰ Loan 1488-LAO(SF): *Community-Managed Irrigation Sector*, for \$14.7 million, approved on 21 November 1996.

54. **Microcredit.** Of the 16 projects surveyed, 6 provided microcredit (in four countries). This access to finance resulted in additional productive activities (para. 58) and, to lesser extent, in additional formal employment (para. 61). Three of the countries have a track record in this field and a multitude of providers from commercial and nongovernment sources. The evaluation attempted to identify whether the projects provided microcredit that otherwise would not be accessible. In Bangladesh the situation is not very clear. The number of microcredit providers in the country is impressive and overlaps cannot be ruled out. In addition, the requirement that borrowers can access only one credit facility (provider) makes them reluctant to report on multiple sources even if they use them. A similar situation exists in Nepal where a multitude of providers have been extending microcredit to women for years so that it is hard to determine whether the project resources filled a gap or increased the overall amount of resources for microcredit. For the Small Farmers' Credit Project³¹ control group observations show that poor nonmembers of cooperatives have access to credits, indicating that other resources are available.

3. Knowledge³²

55. Two projects in Bangladesh³³ increased the beneficiaries' awareness of food and nutrition, and health issues. Both projects provided training and microcredit, but are remembered more for the latter. The training provided is often general basic training that the beneficiaries considered part of the process to access credit (Grameen Bank model). Control group observations show similar changes in awareness levels, which indicate that awareness changed as a result of factors outside the projects. In Nepal, the Microcredit for Women Project³⁴ provided training that, according to the participants, is making a positive contribution to their knowledge base. The survey team observed the cleanliness of households and their surroundings, which signals a change in behavior.

4. Rights

56. The surveys revealed very little influence on the political or legal rights of the poor. Recent projects increasingly include participatory arrangements such as user associations, which are assumed to increase the participation of the poor. However, a general assumption such as this might not reflect the actual situation. The case studies indicate that poorer community members might not attend association meetings because their time is taken up by work in the fields, or they are reluctant to voice their opinion if it goes against that of wealthier community members. The poorest community members, namely the landless, are automatically excluded from these associations.

³¹ Loan 1216-PHI: *Small Farmers' Credit*, for \$75.0 million, approved on 22 December 1992.

³² The absence of an assessment of participants' skills and knowledge level before training and rather broad descriptions of the training content make it impossible to verify the effectiveness of training in a scientific way. The evaluation had to rely on the participants' self-assessment.

³³ Loan 1066-BAN(SF): *Rural Training*, for \$16.2 million, approved on 13 December 1990; Loan 1213-BAN(SF): *Rural Poor Cooperative*, for \$28.9 million, approved on 17 December 1992.

³⁴ Loan 1237-NEP(SF): *Microcredit for Women*, for \$5 million, approved on 24 June 1993.

B. Poverty Reduction Impacts

1. Well-Being

57. **Health status.** The evaluation tried to gauge the impact of six projects on the health status of its beneficiaries because their services could be expected to have such impact. In the four nonhealth projects (1376-BAN: Secondary Towns Infrastructure, 1165-NEP: Water Supply and Sanitation, 1240-NEP: Kathmandu Urban Development, and 1052-PHI: Rural Water Supply), reports showed that the incidence of diarrhea is declining. However, these are self-reported cases based on recall. It is too early to assess the impact of the two health projects (1348-LAO and 1331-PHI) on the incidence of diseases or on mortality and morbidity rates.

2. Resources

58. **Productive activities and incomes.** About half of the surveyed projects stimulated productive activities among the project participants. In Bangladesh, the microcredit facilities of three projects might have increased some livelihood activities; however, the correlation with the project is not clearly identifiable because of the number of other microcredit providers, the small scale of investments, and the multitude of income-generating activities that beneficiaries are involved in. It was not possible to identify how much additional income was generated through these activities. In the Kyrgyz project³⁵ the majority of the union members benefited from loans to set up businesses in a broad range of subsectors. About 85 percent reported profitable businesses, 52 percent reinvested profits in business activities, 46 percent invested in livestock, and 52 percent used profits to purchase food items. The latter is likely due to the increase in cost of living or may indicate an increase in consumption.

59. In the Lao PDR, the Vientiane Plain Rural Electrification Project (642-LAO) enabled 20 percent of the surveyed households to engage in electricity-dependent businesses, generating considerable additional incomes. The project's contribution to irrigation as the main driving force behind economic growth was observed in 30 percent of the surveyed villages. However, improvements in irrigation and agriculture cannot be attributed directly or solely to the electrification project. The Champassak Road Improvement Project (1369-LAO) stimulated 46 percent of households to increase their agricultural output, largely for sale. Due to the Community-Managed Irrigation Project (1488-LAO), 74 percent of households receiving irrigation water have a second rice paddy, and 18 percent introduced new cash crops, contributing to greater food security and potentially increasing the incomes of households (assuming they are producing a surplus and actually can sell on markets).

60. In Nepal, the Water Supply and Sanitation Project (1165-NEP) resulted in time savings, which the women reportedly use for additional productive activities, such as tending livestock and/or vegetable gardens, or making handicrafts, but without generating additional income. The Women's Credit Project (1237-NEP) extended the traditional activities previously pursued by women, namely livestock raising (46 percent) and running small enterprises (43 percent). The majority of the women who engaged in livestock raising reported an additional average annual income of NRs17,120 from these activities, while all women who borrowed for microenterprises reported additional annual incomes, averaging NRs44,744. In the Philippines, almost all cooperative members of the Small Farmers' Credit Project (1216-PHI) reported that they had

³⁵ Loan 1529-KGZ(SF): *Rural Financial Institutions*, for \$12.5 million, approved on 21 August 1997.

expanded their farming activities; however, only 41 percent reported generating additional income.

61. **Employment.** In the Lao PDR, water users associations set up under the Community-Managed Irrigation Project (1488-LAO) will employ a number of people (4 percent of surveyed households) as irrigation workers. The stimulus the project gave to agricultural production did not generate more employment in the area, where few people employ short-term seasonal help to work on farms. Equally, only a small fraction reported that they had worked occasionally for a short period of time as a daily paid laborer. In Nepal, the survey found that small businesses set up under the Women's Credit Project (1237-NEP) employed on average an additional 1.75 persons per enterprise. These observations indicate that project interventions resulted only in minimal additional job opportunities.

62. **Trade.** In the area of influence of the Champassak Road Improvement Project (1369-LAO), the majority of the farmers along the road trade their produce in the village market, while in the hinterland the proportion is around 30 percent. Farmers from both locations also trade in district markets or in the provincial capital, and sell to wholesale dealers who visit the area (24 percent of farmers in the hinterland). In the absence of baseline data, it cannot be determined whether trade patterns have changed, nor how this affected the prices that farmers make for their produce.

63. **Prices of goods and services.** Of the three projects with road components, only the one in Bangladesh reported decreases in the cost of transporting goods (31 percent), passengers (40 percent), and essential goods (25 percent). In the Lao PDR, the Champassak Road Improvement Project expected to bring about price reductions as a result of better access. However, transportation cost has not decreased³⁶ and other prices have changed without a consistent pattern. The absence of baseline data makes it difficult to assess changes against this parameter. The water supply projects in Nepal (1165-NEP) and the Philippines (1052-PHI) reported that tariff collection rates improved, which means that fewer people got free services. In the Philippines, this was accompanied by a decrease in mean average expenditures for water.

C. Actual Beneficiaries

64. The evaluation used national poverty lines and indicators of living standards as benchmarks for comparison with the average household incomes and living standards of project beneficiaries to verify where, in relationship to these indicators, the beneficiaries of ADB projects are. This data was not available for the before-project situations; therefore, it cannot be stated with certainty whether the beneficiaries rose above the poverty line or whether assistance was misdirected to the nonpoor. Appendix 5 provides an overview of the indicators per country and project.

65. In Bangladesh the poverty line is not expressed in monetary terms, but in terms of calorie consumption (2,112 kilocalories per person per day) plus the cost of essential nonfood items. A commonly used definition of poverty is either less than 0.5 acre of land or equivalent

³⁶ The project pursued inconsistent aims in this respect. Through policy dialogue it was agreed that tariffs for transportation would be increased, but at the same time the project expected to benefit the poor through decreased transportation cost, passed from the transport operators to the customers.

assets, or an annual household income of Tk3,290.³⁷ The evaluation grouped respondents into poor and non-poor based on land ownership (less than 0.5 acre). The average monthly household income in the project areas ranged between Tk1,500 and Tk2,000, which is about half the poverty line income. The average income of households in the highest bracket is Tk3,000, while that of the lowest income bracket is around Tk750. The majority of the beneficiaries (92 percent) live in housing made of tin or thatch; a much smaller proportion live in the poorest type of accommodation (up to 8 percent live in more expensive concrete housing). The proportion of beneficiaries with access to safe water is below the national average of 95 percent (HDR 1999), ranging between 64 and 89 percent. By contrast, the percentage of households with access to sanitation is above the national average in all cases.

66. In the Kyrgyz Republic, the beneficiaries of Rural Financial Institutions Project (1529-KGZ) report an average monthly household income of Som2,329, which is below the poverty line of Som4,376 (1999 prices). However, the respondents show a large disparity in income, the highest being Som10,000 and the lowest Som350. On average, the respondents live in relatively good conditions and have high education standards as a result of the high living standards and good education system that existed during the Soviet period.³⁸

67. In the Lao PDR, the poverty line for monthly household income was calculated at KN218,160 (August 1999 prices), based on WB estimates for 1992-1993.³⁹ For Vientiane Plain Electrification Project (642-LAO), the average household income is KN304,161 (1.4 times the poverty line), which is understandable given the approval year of the project (1983) and the relatively faster development of the Vientiane Plain. Today, the average of the low-income group is just below the poverty line. The three other projects show average household incomes that are between 10 and 30 percent below the poverty line. Beneficiaries of primary health care (1348-LAO) have the lowest average household income (KN153,205), with even the average income of the highest bracket falling below the poverty line. In the project areas of the Champassak Road Improvement Project and Community-Managed Irrigation Project, households have average incomes somewhat below the poverty line. However, the difference between the lowest and the highest income group is more pronounced, with the average income of the higher bracket being 1.3 and 1.5 times the poverty line compared with the lowest income bracket that has average incomes of 40 to 50 percent of the poverty line. Beneficiaries' access to safe water and sanitation is, on average, below national standards, but the state of housing is relatively good, with 8-27 percent of the houses requiring repairs.

68. In Nepal the poverty line, calculated on the basis of the Nepal Living Standards Survey (1996), was a monthly household income of NRs2,833 (1999). In the Bishnumati Corridor (1240-NEP: Kathmandu Urban Development) where the average monthly income falls below the poverty line, and in Naya Bazar where it is close to the poverty line, the survey included only poor households; therefore the average is not representative of the total population in the area. The proportion of poor to nonpoor households in the Bishnumati area is 1:9; an even smaller proportion of the poor live in Naya Bazar, where the poor to nonpoor ratio is 1:19. This is understandable given the fact that the incidence of poverty is lowest in the Kathmandu valley

³⁷ The poverty line was projected to 1997/98—the latest period for which a consumer price index is available—based on the poverty line for 1995/96 given in Sen, Binyak. 1999. *An Assessment of Poverty Reduction Objective of the Asian Development Bank's Operations in Bangladesh*. Dhaka.

³⁸ Three of the projects in the Kyrgyz Republic were not surveyed because, in one case, benefits and beneficiaries could not be directly associated (Loan 1342-KGZ: *Special Assistance Loan*, for \$40.0 million, approved on 8 December 1994) or their implementation is at an early stage.

³⁹ World Bank. 1995. Report No. 139992-LA: *Lao PDR, Social Development Assessment and Strategy*.

compared with other parts of Nepal. The Microcredit for Women Project (1237-NEP) was designed to reach poor women. The proportion of households reporting an income below the poverty line decreased dramatically from 87 percent before the project to 13 percent after the project. The average household income in the area is NRs6,308, or 2.2 times the poverty line. The average household income is even higher in the areas of the Irrigation Management Transfer Project (1311-NEP), where households in even the lowest income bracket have incomes above the poverty line (the highest being 4.4 times the poverty line). The disparities between highest and lowest incomes are striking in rural areas where the lowest income is as low as 1 percent of the highest income. The average access to safe water in three project areas is far below the national average. Two other projects report higher than national average access rates, which would indicate that households are slightly better off (in this respect) than in other parts of the country. None of the respondents live in the poorest type of housing, but the majority live in mud or clay dwellings.

69. In the Philippines, the poverty line for the monthly household income is ₱949. The average household income of the project beneficiaries is well above the poverty line, ranging between ₱5,300 and ₱6,900. The average income of households in the high-income bracket is between 11 and 15 times the poverty line, while the low-income bracket households have an income around 4-5 times above the poverty line. Access to safe water is about the same as the national average in the project areas of the Second Island Provinces Rural Water Supply Project (1052-PHI) and Small Farmers' Credit Project (1216-PHI). It is much lower in the project areas of the Women's Health and Safe Motherhood Project (1331-PHI) and Cordillera Highland Agricultural Resource Management Project (1422-PHI). Access to sanitation is reportedly high in all project areas (80-100 percent of the national average).

D. Distribution of Benefits Among the Poor and Nonpoor

70. This analysis focuses on the extent to which the poor benefited from the projects. This will not cast judgment on the success or performance of a project as such, but highlight whether the poor enjoy benefits to an equal or possibly greater extent than the nonpoor. This is important particularly for those projects where the beneficiaries span the poverty line (paras. 64-69). A differentiation between the poor and nonpoor was made for all projects, to reflect differences in the target group at the local level even when all of them were above or below the poverty line. The following paragraphs review whether the project results are neutral, pro-poor or pro nonpoor. Project effects and impacts that are neutral are those that do not favor poor or nonpoor beneficiaries, although the nonpoor may be able to take greater advantage of infrastructure or services. A project-by-project account is given in Appendix 6.

71. In Bangladesh, beneficiaries of all four projects have an average household income below the poverty line and are provided more or less equal access to services and infrastructure. It appears that the relatively higher income groups can make better use of the improvements brought about by the projects. For instance, reductions in transport costs are of greater benefit to those with traded surplus goods.

72. In the Kyrgyz Republic, the Rural Financial Institutions Project (1529-KGZ) provided equal access to loans to poor and nonpoor credit union members, with about equal proportions of both groups generating profits from these loans. However, the nonpoor members are able to reinvest these resources in other income-generating activities to a greater extent, while a larger proportion of the poor need to use loans or profits made therefrom to meet daily expenses.

73. The projects in the Lao PDR show mixed results. The electrification project (642-LAO) provides more or less equal access to electricity although the poorer households tend to depend on the better-off neighbors for a shared connection. One fifth of the households that use electricity for commercial purposes and generate an additional average income above the poverty line are from low-income households. Two other projects Champassak Road (1369-LAO) and the Irrigation Project (1488-LAO) benefit the nonpoor or those just around the poverty line, but leave out the lowest income group whose average household income lies far below the poverty line. There is no indication that these projects generate additional employment opportunities from which the poorest could benefit. The beneficiaries of the primary health project (1348-LAO) are all below the poverty line, and receive equal access to services.

74. In Nepal, the Water Supply and Sanitation Project (1165-NEP) provides equal access to improved water sources to poor and nonpoor beneficiaries. Tariffs, which are not based on total consumption, work somewhat to the advantage of the nonpoor, as their consumption rate is higher. Cross-subsidization from the nonpoor to poor users, anticipated in the project design, is not taking place. A larger proportion of the nonpoor also report additional economic activities (pursued in lieu of time spent for fetching water) and associated income, which is not the case for most of the poor. The survey of the Microcredit for Women Project (1237-NEP) shows that a considerable proportion of the project participants moved from impoverishment to an income well above the poverty line. In two project areas of the Kathmandu Urban Development Project (1240-NEP), the ratio of poor to nonpoor is 1:9 and 1:19, respectively. Direct project benefits in terms of infrastructure improvements and land value appreciation go largely to the nonpoor, while the poor benefited from short-term jobs (para. 52) and regular employment opportunities (para. 60). The Irrigation Management Transfer Project (1311-NEP) benefits all households that have an income above the poverty line, but does not include any of the landless.

75. The projects in the Philippines benefited households with incomes above the poverty line. In some cases the control areas showed a higher incidence of poverty, although this information is difficult to interpret in the absence of baseline data.

VI. CONCLUSIONS

A. Summary of Findings

1. Poverty Reduction Issues in Country Program and Project Designs

76. Poverty reduction was the overarching objective in the COSs of two countries (Bangladesh and Nepal), while the COSs in the other three countries focused on economic growth as the best means for reducing or preventing poverty (Kyrgyz Republic, Lao PDR, and Philippines). In spite of this commitment to poverty reduction goals, none of the COSs contain comprehensive poverty reduction strategies. Two of them have an overview of the pro-poor initiatives under each sector strategy. However, they are just summary descriptions and not an effective ADB strategy for addressing poverty issues in each of the countries. Only few attempts are made at establishing clear priorities in response to poverty reduction goals or deciding on the sequencing of interventions. Information on other external agencies does not contain details on poverty reduction and the identification of ADB's niche is weak. The lack of a coherent country strategy for poverty reduction makes it difficult to put together a comprehensive poverty reduction portfolio. It also makes it impossible to evaluate attainments at the country level or to place project evaluations in a context that allows measuring the contributions of individual interventions to an overall goal.

77. The COSs increasingly generate data on poverty in a country, providing information on the incidence of poverty, income levels, Human Development Index, and education and health attainments. Sometimes they also provide rural-urban or regional comparisons, but none contain details on social exclusion, which influences the extent to which the poor can and do participate in economic and social activities, or projects for that matter. Government policies are not systematically analyzed as to their implications for the poor, nor is the commitment to poverty reduction. The latter would require reviewing—from a poverty reduction perspective—at least the following: growth policies, public resources (revenue generation and use), regulatory framework, and the extent to which governments keep up-to-date on poverty issues (institutions collecting data, data quality, extent to which data is used). Without these basic analyses, it will be difficult to develop a country-specific poverty reduction strategy.

78. The majority of the projects reflected poverty reduction concerns in their objectives, including projects that were designed before adoption of the SDOs and projects that had other SDOs. However, the expressed objectives were not based on specific information on the target groups—an observation that applies equally to poverty reduction projects and others. None of the projects identified (i) the poor to nonpoor ratio of beneficiaries, (ii) the extent to which project benefits were relevant and important to the poor (as compared with the nonpoor), (iii) the likely distribution of benefits among the poor and nonpoor, and (iv) what the project intended to do to ensure at least an even distribution of benefits.

79. The increasing amount of data on poverty indicators that is made available in project documentation is not specific to the target groups, and well-being indicators are provided without linkage to the project objectives. Details that probably are understood to denote exclusion factors are actually descriptors of poverty (for instance, lack of land). The underlying causes of exclusions are not discussed. Such an analysis would be essential to determine whether a project addresses or actually can address the causes of social exclusion, and whether any of them are likely to impede the project's likelihood to reach the poor.

2. Poverty-Sensitive Monitoring and Evaluation Systems

80. The lack of baseline information is corroborated by rather general requirements for monitoring and evaluation, normally not specifying benefit indicators or the need to collect, process, and analyze data by income level. The implementation of monitoring activities faced common problems; they focus on project implementation, administration, and financial data, and do not collect data against benefit indicators. Most importantly, the monitoring and evaluation systems were not designed or set up in such a way that data feeds into a decision-making process that preferably should be decentralized to local levels to ensure the actual inclusion of the poor.

3. First Project Results

81. As an immediate result of the projects, households in the project areas benefited from short-term project employment (two projects) with wages above the poverty line; access to infrastructure that serves productive purposes (six projects); or increased well-being (three projects), microcredit (six projects), social services (three projects), and training or awareness creation (three projects). The positive effects of projects in these areas resulted in impacts, or have the potential to produce impacts on productive activities and income (about half of the surveyed projects), regular additional employment (two projects), trade (one project), prices of goods and services (three projects), and the health status of beneficiaries (six projects).

Whether these effects and impacts resulted in poverty reduction in the sense of moving households above the poverty line cannot be determined for lack of baseline data and traceable households. However, since the projects focused on only one or two dimensions of poverty, they cannot be expected to produce results on a composite poverty index that corresponds to a multidimensional definition of poverty.

82. Most projects benefit households across income strata, including those above and below the poverty line. However, there is no systematic pattern to including community members from different income strata or for the distribution of benefits among them. Interventions targeted to reach the poor may do so successfully when focusing on a geographic area with a relatively homogeneous and predominantly poor population and providing a service that is equally valuable to the entire population (primary health care, Lao PDR). However, an intervention that by design should be equally targeted could have reached a greater proportion of the poor, if project sites had been well selected (Secondary Towns Infrastructure Project, Bangladesh; and Second Island Provinces Rural Water Supply, Philippines). Nontargeted interventions, particularly in areas with a relatively lower incidence of poverty, show an uneven distribution of benefits, generally favoring the nonpoor without generating expected additional employment or other benefits for the poor living in the same area (Champassak Road Improvement Project in the Lao PDR, and Kathmandu Urban Development Project in Nepal).

B. Challenges Ahead

83. Poverty reduction being ADB's overarching goal, greater efforts need to be made to ensure a consistent and comprehensive integration of poverty reduction issues into the COSs. A systematic framework should be adopted for analyzing incidence, forms, and causes of poverty. The framework should (i) cover at least the requirements for an assessment of the implications of government policies for poverty, (ii) indicate from whom public resources are generated and on whom public resources are spent, (iii) show whether the regulatory framework and its enforcement are even-handed for the poor and nonpoor and sufficient to allow or stimulate microenterprise activities, and (iv) reflect whether governments keep abreast of poverty issues in their country by supporting and using local think tanks that research poverty issues. This recommendation is in line with ADB's poverty reduction strategy, which foresees that detailed poverty analyses will be undertaken as a basis for policy dialogue and partnership agreements.

84. The country-specific poverty reduction strategy should develop a sequence of interventions that can be expected to be most effective in reducing poverty and inform ADB's sector strategies in each country how sectors and subsectors can contribute to reducing poverty. Research and, possibly, pilot projects are needed to test how the poverty-reducing synergy effects of projects can be maximized.

85. The multidimensional nature of poverty necessitates considering fact-finding without a predetermined sector focus. During programming, a multiskilled team should visit a geographic area where the government and ADB agree to work together to identify the development needs and potentials of the poor in that area.⁴⁰ Such a needs assessment should be done in a participatory manner, ensuring the involvement of the poor. Its results should be analyzed to

⁴⁰ Technical assistance resources would need to be made available for this purpose.

identify whether a single-sector or an integrated multisector⁴¹ approach is required to respond effectively to the needs to the poor.

86. To meet the multidimensional needs of the poor, various operating options should be considered. For instance, should ADB focus on selected geographic areas in one country and provide assistance to all dimensions of poverty in that area, or rather design projects in active collaboration with other agencies to cover all dimensions of poverty of a particular group of the poor.

87. There is an obvious need to collect beneficiary-specific data at the feasibility stage of projects, including details on barriers that the poor face in accessing resources and services, and their coping mechanisms to deal with adversity. Data on social exclusion needs to be analyzed to assess whether and how ADB's intervention can overcome these factors and ensure inclusion of the poor. Research is needed to identify new mechanisms, in addition to participatory associations, which might not always be able to overcome historical patterns of exclusion.

88. Beneficiary-specific data needs to be collated in a way that identifies beneficiaries and their needs and potentials by income level. In project designs, the anticipated distribution of benefits among the poor and nonpoor should be specified (type and quantity).

89. Projects that suggest that they will result in employment opportunities by stimulating economic growth should provide a detailed analysis of the number and types of jobs that will be created, and whether these will be suitable employment for the poor. Other factors, such as the likelihood of increasing mechanization instead of employing more labor, which influence employment opportunities, need to be considered and spelled out in this context.

90. A monitoring system to observe whether the poor participate equally in projects needs to be combined with a decentralized decision-making system that ensures immediate feedback and remedial action should economic and social exclusion continue. The monitoring system and decentralized decision making should involve local governments, nongovernment organizations, and civil society.

⁴¹ It will be necessary to analyze whether ADB's current structure and business processes are most effective for undertaking multisectoral projects.

APPENDIXES

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**PROJECTS WITH POVERTY REDUCTION AS
PRIMARY OR SECONDARY STRATEGIC DEVELOPMENT OBJECTIVE**

Loan No.	Loan Title	Approval Date	SDO Classification		Amount (\$ mn)
			Primary	Secondary	
1	BAN-1124 Dhaka Integrated Flood Protection	21-Nov-91	GRO	POV	91.5
2	BAN-1125 Northeast Minor Irrigation	21-Nov-91	GRO	POV	73.0
3	BAN-1159 Second Bhola Irrigation	27-Feb-92	GRO	POV	39.8
4	BAN-1182 Rehabilitation of Damaged School Facilities	27-Oct-92	HD	POV	15.0
5	BAN-1202 Secondary Towns Integrated Flood Protection	03-Dec-92	GRO	POV	55.0
6	BAN-1213 Rural Poor Cooperative	17-Dec-92	POV		30.0
7	BAN-1215 Second Rural Infrastructure Development Project	21-Dec-92	GRO	POV	83.4
8	BAN-1264 Second Water Supply and Sanitation	16-Nov-93	HD	POV	31.0
9	BAN-1289 Khulna-Jessore Drainage Rehabilitation	14-Dec-92	POV		50.0
10	BAN-1353 Coastal Greenbelt	02-Mar-95	ENV	POV	23.4
11	BAN-1356 Rural Electrification Project	30-May-95	GRO	POV	50.0
12	BAN-1376 Secondary Towns Infrastructure Development II	19-Sep-95	HD	POV	65.0
13	BAN-1381 Small-Scale Water Resources Development Sector	26-Sep-95	GRO	POV	32.0
14	BAN-1390 Nonformal Education	29-Sep-95	POV	WID	26.7
15	BAN-1399 Command Area Development	07-Nov-95	GRO	POV	30.0
16	BAN-1486 Forestry Sector	21-Nov-96	ENV	POV	50.0
17	BAN-1524 Participatory Livestock Development Project	19-Jun-97	WID	POV	19.7
18	BAN-1538 Urban Primary Health Care	16-Sep-97	WID	POV	40.0
19	BAN-1581 Third Rural Infrastructure Development	20-Nov-97	GRO	POV	70.0
20	BAN-1643 Sundarbans Biodiversity Conservation	27-Nov-98	ENV	POV	37.0
21	BAN-1666 Flood Damage Rehabilitation	16-Dec-98	GRO	POV	104.0
22	BAN-1634 Rural Livelihood	29-Sep-98	POV	WID	42.6
	Subtotal				1,059.1
1	BHU-1375 Rural Electrification	19-Sep-95	GRO	POV	7.5
	Subtotal				7.5
1	CAM-1385 Rural Infrastructure Improvement	28-Sep-95	GRO	POV	25.1
2	CAM-1447 Basic Health Services	20-Jun-96	HD	POV	20.0
	Subtotal				45.1
1	COO-1588 Cyclone Emergency Rehabilitation	08-Dec-97	GRO	POV	0.8
	Subtotal				0.8
1	IND-1415/16 Karnataka Urban Infrastructure Development	14-Dec-95	HD	POV	105.0
	Subtotal				105.0
1	INO-1100 Technical Education Development	26-Sep-91	HD	POV	100.0
2	INO-1118 Tree Crop Smallholder Sector	14-Nov-91	GRO	POV	135.0
3	INO-1126 Central Java Groundwater Irrigation Development	26-Nov-91	GRO	POV	51.0
4	INO-1184 Upland Farmer Development	05-Nov-92	POV		30.0
5	INO-1186 Smallholder Tree Crop Processing	12-Nov-92	POV	GRO	75.0
6	INO-1187 Biodiversity Conversation Project	12-Nov-92	ENV	POV	24.5
7	INO-1194 Junior Secondary Education	19-Nov-92	HD	POV	105.0
8	INO-1198 Central Java and DI Yogya Urban Development	26-Nov-92	GRO	POV	150.0
9	INO-1241 Flores Emergency Reconstruction	01-Jul-93	GRO	POV	11.0
10	INO-1258 Sustainable Agricultural Development in Irian Jaya	26-Oct-93	POV		28.0
11	INO-1296 Second Integrated Irrigation Sector	20-Jan-94	GRO	POV	100.0
12	INO-1327 Microcredit Project	25-Oct-94	GRO	POV	25.7
13	INO-1359 Private Junior Secondary Education	18-Jul-95	HD	POV	49.0
14	INO-1378 Farmer Managed Irrigation Systems	21-Sep-95	POV		26.3
15	INO-1571 Coastal Community Dev and Fisheries Resources	04-Nov-97	ENV	POV	41.0
16	INO-1583 Rural Income Generation	25-Nov-97	POV		78.6
17	INO-1605 Central Sulawesi Integrated Area Development	27-Jan-98	ENV	POV	32.0
18	INO-1622/23 Social Protection Sector Development	09-Jul-98	POV	HD	300.0
	Subtotal				1,362.1

ENV = environment, GRO = growth, HD = human development, POV = poverty reduction, SDO = strategic development objective, WID = women in development.

Loan No.	Loan Title	Approval Date	SDO Classification		Amount (\$ mn)
			Primary	Secondary	
1	KAZ-1338 Special Assistance Loan	06-Dec-94	GRO	POV	60.0
	Subtotal				60.0
1	KGZ-1342 Special Assistance	08-Dec-94	GRO	POV	40.0
2	KGZ-1633 Flood Emergency Rehabilitation	24-Sep-98	GRO	POV	5.0
3	KGZ-1645 Social Services Delivery	27-Nov-98	HD	POV	10.0
	Subtotal				55.0
1	LAO-1267 Northern Provincial Towns WS &S	18-Nov-93	HD	POV	13.0
2	LAO-1348 Primary Health Care	19-Jan-95	POV	HD	5.0
3	LAO-1369 Champassak Road Improvement	31-Aug-95	GRO	POV	48.0
4	LAO-1488 Community-Managed Irrigation	21-Nov-96	POV		14.7
	Subtotal				80.7
1	MAL-1238 Pahang Barat IADP Phase II	29-Jun-93	POV		28.5
2	MAL-1307 Fisheries Infrastructure Improvement	11-Aug-94	GRO	POV	22.6
	Subtotal				51.1
1	MON-1290 Employment Generation Project	16-Dec-93	POV	WID	3.0
	Subtotal				3.0
1	NEP-1112 6th Agricultural Credit	31-Oct-91	GRO	POV	35.0
2	NEP-1113 Rajapur Irrigation Rehabilitation	31-Oct-91	GRO	POV	16.6
3	NEP-1114 Upper Sagarmatha Agriculture Development	31-Oct-91	GRO	POV	13.2
4	NEP-1196 Secondary Education Development	24-Nov-92	HD	POV	12.6
5	NEP-1237 Microcredit for Women	24-Jun-93	WID	POV	5.0
6	NEP-1240 Kathmandu Urban Development	29-Jun-93	GRO	POV	12.0
7	NEP-1311 Irrigation Management Transfer	13-Sep-94	GRO	POV	12.9
8	NEP-1377 Third Road Improvement	21-Sep-95	GRO	POV	40.0
9	NEP-1437 Second Irrigation Sector	16-May-96	POV		25.0
10	NEP-1450 Rural Infrastructure Development	27-Jun-96	POV		12.2
11	NEP-1461 Third Livestock	19-Sep-96	POV		18.3
12	NEP-1464 Fourth Rural Water Supply and Sanitation Sector	24-Sep-96	HD	POV	20.0
13	NEP-1609 Community Ground Water Irrigation	24-Feb-98	GRO	POV	30.0
14	NEP-1650 Rural Microfinance	08-Dec-98	WID	POV	20.0
	Subtotal				272.8
1	PAK-1179 NWFP Barani Area Development	24-Sep-92	GRO	POV	32.8
2	PAK-1260 Urban Water Supply and Sanitation	04-Nov-93	HD	POV	72.0
3	PAK-1349 Punjab Rural Water Supply and Sanitation	31-Jan-95	HD	POV	46.0
4	PAK-1401 Rural Access Roads	09-Nov-95	GRO	POV	140.0
5	PAK-1467 Bahawalpur Rural Development	26-Sep-96	POV		38.0
6	PAK-1531 DG Khan Rural Development	04-Sep-97	POV		36.0
7	PAK-1578 Flood Protection II	13-Nov-97	GRO	POV	100.0
	Subtotal				464.8
1	PHI-1136 Kabulnan Irrigation and Rural Development	28-Nov-91	POV		48.0
2	PHI-1137 Second NGO Microcredit	28-Nov-91	POV	WID	30.0
3	PHI-1150 Manila South Water Distribution	19-Dec-91	HD	POV	31.4
4	PHI-1163 Mt. Pinatubo Damage Rehabilitation	23-Apr-92	GRO	POV	28.0
5	PHI-1216 Small Farmers Credit	22-Dec-92	POV		75.0
6	PHI-1254 Nonformal Education	30-Sep-93	HD	POV	25.2
7	PHI-1269 Municipal Water Supply	25-Nov-93	HD	POV	43.2
8	PHI-1332 Rural Infrastructure Development	10-Nov-94	GRO	POV	17.5
9	PHI-1365 Second Irrigation Systems Improvement	30-Aug-95	POV		30.0
10	PHI-1422 Cordillera Highland Agriculture	11-Jan-96	POV		19.0
11	PHI-1435 Rural Microenterprise Finance	23-Apr-96	POV		20.0
12	PHI-1453 Bukidnon Integrated Area Development	23-Jul-96	POV		20.0
13	PHI-1599 Infrastructure Improvement of Subic Area Municipality	19-Dec-97	HD	POV	22.0

Loan No.	Loan Title	Approval Date	SDO Classification		Amount (\$ mn)
			Primary	Secondary	
14	PHI-1668 Southern Philippines Irrigation Sector	18-Dec-98	GRO	POV	60.0
15	PHI-1658 Clark Area Municipal Development	15-Dec-98	HD	POV	24.3
16	PHI-1606 Early Childhood Development	27-Jan-98	HD	POV	24.5
17	PHI-1654 Secondary Education Development and Improvement	11-Dec-98	HD	POV	53.0
	Subtotal				571.1
1	PNG-1097 Third Rural Health Services	05-Sep-91	HD	POV	21.0
2	PNG-1153 Transport Infrastructure	14-Jan-92	GRO	POV	69.0
	Subtotal				90.0
1	PRC-1087 Yaogu-Maoming Railway	20-Jun-91	GRO	POV	67.5
2	PRC-1145 Ports Development	13-Dec-91	GRO	POV	88.8
3	PRC-1175 Guangdong Tropical Crops Development	13-Aug-92	GRO	POV	55.0
4	PRC-1286 China Agribusiness Development Trust and Investment	09-Dec-93	GRO	POV	50.0
5	PRC-1304 Yunnan-Simao Forest and Pulp Mill	30-Jun-94	GRO	POV	77.0
6	PRC-1347 Agriculture Bank of China	12-Jan-95	GRO	POV	100.0
7	PRC-1372 Hainan Agriculture and Natural Resource Development	07-Sep-95	GRO	POV	53.0
8	PRC-1386 Fujian Soil Conservation and Rural Development	28-Sep-95	GRO	POV	65.0
9	PRC-1626 Guizhou-Shuibai Railway	18-Aug-98	GRO	POV	140.0
10	PRC-1617 Hebei Roads Development	18-Jun-98	GRO	POV	180.0
	Subtotal				876.3
1	SOL-1219 Emergency Infrastructure Rehabilitation Project	18-Feb-93	GRO	POV	0.5
	Subtotal				0.5
1	SRI-1128 Southern Province Rural Development	26-Nov-91	GRO	POV	38.0
2	SRI-1166 North Western Province Water Resources Development	25-Jun-92	HD	POV	30.0
3	SRI-1183 Participatory Forestry	05-Nov-92	GRO	POV	10.5
4	SRI-1201 Fisheries Sector	01-Dec-92	GRO	POV	26.0
5	SRI-1235 Second Water Supply and Sanitation	17-Jun-93	HD	POV	40.0
6	SRI-1462 North Central Province Rural Development	24-Sep-96	POV	POV	20.0
7	SRI-1545 Upper Watershed Management	24-Sep-97	ENV	POV	16.6
8	SRI-1575 Third Water Supply and Sanitation	06-Nov-97	HD	POV	75.0
	Subtotal				256.1
1	THA-1429 Rural Electrification	23-Jan-96	GRO	POV	100.0
2	THA-1494 Skills Development	28-Nov-96	HD	POV	80.0
	Subtotal				180.0
1	TON-1412 Outer Islands Agricultural Development	12-Dec-95	GRO	POV	3.6
	Subtotal				3.6
1	VIE-1259 Irrigation and Flood Protection Rehabilitation	26-Oct-93	GRO	POV	76.5
2	VIE-1273 Ho Chi Minh Water Supply Rehabilitation	29-Nov-93	HD	POV	65.0
3	VIE-1344 RR Delta Water Resource Sector	13-Dec-94	GRO	POV	60.0
4	VIE-1457 Rural Credit Project	12-Sep-96	GRO	POV	50.0
5	VIE-1564 Rural Infrastructure Sector	23-Oct-97	GRO	POV	105.0
	Subtotal				356.5
Total	Number of Loans		123		
	Loan Amount (\$ million)				5,901.1

PROJECT SUMMARIES

A Bangladesh

- 1. Loan 908-BAN: Rural Infrastructure Development.** The project was expected to provide a stimulus to rural development (thus increasing employment opportunities) by building a year-round transport and marketing network for the rural population in two areas of the country. The project involved upgrading of rural markets, feeder roads, and construction of bridges and culverts. The provision of such facilities was expected to reduce the costs of marketing and transport, increase the financial returns to farmers and cottage industries, provide access to new technology and information, improve the quality of marketed produce, intensify cropping patterns, and generate a wide range of rural employment opportunities. The loan amount was \$99.8 million. It was approved on 13 October 1988, before the Asian Development Bank (ADB) adopted the strategic development objectives (SDOs), and was completed on 21 April 1997.
- 2. Loan 1066-BAN: Rural Training Project.** This project specifically targets the poor, although it was approved before poverty reduction was an SDO of ADB. Its overall objective was to enable the poorest of the poor to attain the status of economic contributors to their socioeconomic environment, to improve efficiency, and to improve the quality of life. The specific objectives were to provide effective livelihood training and microcredit facility to the landless rural poor, bring about improvements in their overall socioeconomic status through self-employment and increased participation in the community development programs, and strengthen the capacity of the Ministry of Youth and Sports to undertake training and rural microcredit programs. The project was expected to provide training in specialized skills and broader areas of livelihood, functional literacy, health and nutrition, safe motherhood and child care, and reforestation. The loan amount was \$16.2 million. The project was approved on 13 December 1990 and closed on 22 January 1998.
- 3. Loan 1213-BAN: Rural Poor Cooperatives.** Poverty reduction is the primary and only SDO for this project, which aims to contribute to reducing the poverty of the landless rural poor and marginal farmers by creating sustainable nonfarm employment that will improve incomes. The expansion of irrigated areas and improvement of market facilities were expected to lead to higher productivity for marginal farmers and greater viability of farmers' cooperatives. The project undertook the preparation of rural poor groups (mobilization, forming of cohesive groups, etc.), trained them for gainful employment, and provided microenterprise credits for income generating activities. The project was to be complemented by developing irrigation command areas, providing irrigation management training, and supplying cooperative association credits. The project was approved on 17 December 1992 and closed on 18 May 1999. The loan amount was \$30.0 million.
- 4. Loan 1376-BAN: Secondary Towns Infrastructure Development Project II.** The project has human development as its primary SDO. Poverty reduction is the secondary SDO, as one third of the beneficiaries were expected to be poor. Investments in water supply, sanitation, solid waste management, and slum upgrading are expected to contribute to human development. One of the five objectives was specifically to reduce poverty, while one of the planned pilot projects aimed to develop land for low-income housing, including service delivery. Approximately 100,000 poor people are expected to directly benefit from the slum-upgrading component. The physical improvements are considered important, but more important are the project social inputs of community organization, credit for income generation, primary health

care including family planning, and literacy programs. The project was approved in September 1995 and is ongoing. The loan amount is \$65.0 million.

B. The Kyrgyz Republic

5. **Loan 1342-KGZ: Special Assistance Loan.** The project approved on 8 December 1994 had a budget of \$40.0 million to support the Government's macroeconomic stabilization and structural reform program. It aimed to ease the shortage of foreign exchange to enterprises, including those in the private sector. The main thrust of the project was to provide budgetary support. In addition, it financed imports that were needed by the education, transport, and energy sectors. It was anticipated that these impacts would assist in ensuring continued delivery of these services. The project had poverty reduction as its secondary SDO classification. The loan was closed on 9 November 1998.

6. **Loan 1529-KGZ: Rural Financial Institutions.** The project, approved on 21 August 1997, aims at rebuilding a sustainable rural financial system. The immediate objective is to increase the level and sources of savings mobilization and lending services to rural communities. This is to be achieved through project support in setting up 280 individual credit unions, and providing them with credit lines to match contributions made by members. The financial institution implementing the project receives institutional support. The total project cost is \$22.0 million, with \$12.5 million financed from the loan. The project SDO is economic growth; however, the Government considers the project as one of its poverty reduction activities and suggested including it in this study.

7. **Loans 1554/1555-KGZ: Education Sector Development.** ADB support to the education sector comprises one program loan and one project loan, for a total amount of \$33.0 million. The loans were approved on 29 September 1997. They are linked to the reform process, which foresees rationalizing user charges, state funding for schools, and staffing; reforming the curriculum and learning materials development; improving education infrastructure; and restructuring and facilitating access to early childhood education. The projects have human development as their SDO. However, the Government expects the projects to have positive implications for the poor as they increase access to basic social services. It was therefore suggested that they be included in the evaluation.

8. **Loan 1645-KGZ: Social Services Delivery and Finance Project.** The project aims to protect human capital and improve the quality of life of vulnerable groups by making basic social services accessible to them. The project targets the rural poor living in two of the most depressed districts of the country. It focuses on building the capacities of local governments to deliver social services by improving administrative procedures and systems, rehabilitating infrastructure, and increasing the participation of the community and the private sector. The total loan amount is \$10.0 million. The primary SDO is human development, the secondary is poverty reduction. The project was approved on 27 November 1998; thus implementation has not progressed sufficiently to show results. The project was included in the evaluation for its two other main concerns, namely, to analyze the design of a recently approved poverty reduction project, and the monitoring and evaluation arrangements.

C. The Lao People's Democratic Republic (PDR)

9. **Loan 642-LAO: Vientiane Plain Rural Electrification Project (Phase II).** The project is the second phase of a 10-year program for the construction of a power distribution network in the Vientiane Plain, including the provision of electricity to 61 villages. The objectives were to

(i) increase food production through pump irrigation schemes, (ii) permit the development of agrobased and other industries, (iii) stimulate productive activities, and (iv) raise the living standards of the population through increased use of electricity produced by the Nam Ngum hydropower station in the Vientiane Plain. This phase of the program involved the provision of house wiring and service connections to 3,000 houses, some training of electricity department staff, provision of materials and facilities for the concrete pole factory constructed under phase I, and the construction of substations. Poverty reduction does not feature in the project as ADB had not adopted SDOs at the time. The loan amount was \$6.3 million. The project was approved on 11 October 1983 and completed in March 1990.

10. **Loan 1348-LAO: Primary Health Care.** This project has poverty reduction as its primary SDO and human resource development as a secondary SDO. To address poverty issues, selected project areas fulfilled such criteria as high proportion of rural population, presence of large groups of ethnic minorities, lack of other external assistance to the health sector, and minimal budget resources available to the province. The long-term objective of this project is to decrease, first in the pilot area and subsequently in other provinces, mortality and morbidity caused by factors that can easily be prevented or treated. The medium-term objectives include expanding access to basic curative and preventive services, enhancing the quality of care, and improving the quality of drugs available to patients. Improvements will be made through the establishment of primary health care stations at village level, training of health care workers, and tighter monitoring of the pharmaceutical sector. The loan amount was \$48.0 million. The project was approved on 19 January 1995 and is ongoing.

11. **Loan 1369-LAO: Champassak Road Improvement.** The primary SDO is economic growth. Poverty reduction is the secondary SDO, the beneficiaries in the project areas being generally poor. The objectives are to provide all-weather access to Thailand and Cambodia, support economic growth and employment generation (thus reduce poverty), reduce transport cost, and support the operation and maintenance program of the Government. The project was expected to induce growth in the agriculture sector and thereby generate employment. The road construction itself would provide employment of about 3,000 person-years, half of which would be for unskilled workers. The previous experience of ADB in road construction projects in the Lao PDR was cited, showing that incomes rose as a result of the new road, and access to social services improved. The loan amount was \$5.0 million. The project was approved on 31 August 1995 and is still active.

12. **Loan 1488-LAO: Community-Managed Irrigation.** The primary and only SDO of this community-based project is poverty reduction. The main objectives are to increase agricultural production on a sustainable basis; increase the food security and incomes of about 6,000 farm families, most of whom are small landholders; and improve watersheds by reducing shifting cultivation and promoting tree planting. The project will create job opportunities for 7,000 person-years per annum, raise incomes, raise rice yields, and introduce cash crops. Each community-managed irrigation scheme was to be selected to ensure that the income of at least two thirds of the community members that will benefit from the scheme is below the poverty line, and that the scheme is located in a rice deficiency area where paddy yields are insufficient for the community's subsistence. The project will set up water users associations to ensure community participation. The project was approved for \$14.7 million on 21 November 1996, and is ongoing.

D. Nepal

13. **Loan 1165-NEP: Third Water Supply and Sanitation Sector.** Human development is the primary and only SDO for this project, which was designed to improve living conditions, particularly for women and children, and to strengthen the water and sanitation sector by mobilizing the resources of the communities and nongovernment organizations in the project area. The provision of potable drinking water within easy walking distance was expected to reduce the incidence of water-related diseases and shorten the time required to fetch water. With the freed-up time, female household members engaged in additional income-generating activities or looked after the household members, and girls could attend school. The project intended to construct or improve water supply systems by providing hand pumps, tubewells, drainage, and piping systems, and construct low-cost latrines. Water users committees created and developed under the project through a community liaison program were designed to ensure active community participation. The project was approved in June 1992 and completed in December 1997 at a loan amount of \$5.0 million.

14. **Loan 1237-NEP: Microcredit for Women.** The primary SDO for the project is gender and development; the secondary SDO is poverty reduction. The overall goal of the project is to assist the government in improving the socioeconomic status of women by promoting their greater participation and integration in national development. By providing credit and training in income-generating activities, the project expects to improve the income and employment of poor women in selected rural and urban areas. The project targets mostly rural women who live below the poverty line, but will also include a limited number of poor urban women and employees in the commercial sector. The project was approved in June 1993 and completion is expected in December 1999. The loan amount was \$20.0 million.

15. **Loan 1240-NEP: Kathmandu Urban Development (KUDP).** KUDP was approved in June 1993. Its primary SDO is economic growth, with poverty reduction as the secondary SDO. The poverty SDO classification was justified on grounds that 40 percent of the urban population live below the poverty line. Urban poverty is manifested by a growing proportion of the population living in slums and squatter areas, constituting about one third of the total in Kathmandu. KUDP was designed to benefit about 300,000 people, of whom 50 percent belong to low-income groups. Urban poverty was to be reduced through the strengthening of critical municipal services and provision of basic urban infrastructure at affordable prices, which is part of the project's overall objective to improve productivity and urban development. The project provided for selected physical infrastructure improvements and institutional capacity building. The project was expected to continue until October 1999 at a total cost of \$12.0 million.

16. **Loan 1311-NEP: Irrigation Management Transfer.** The project aims to encourage participation in irrigation development, promote economic growth, and reduce poverty in rural areas. The beneficiaries will be mostly small-scale farmers, including women farmers, who live below the poverty line. The primary SDO for the project is economic growth with poverty reduction as secondary SDO. The project is intended to contribute to the government's goals of improving irrigation system performance, increasing agricultural production and farm incomes, generating employment, and reducing the incidence of poverty and the government's operation and maintenance budgetary requirements. Smallholders will be empowered and trained in the organizational and technical skills necessary to operate and maintain the irrigation systems they rely on for their livelihood. The project will raise farmers' confidence in their own capabilities and will enhance self-reliance. The project was designed to have a strong beneficiary participation element by working through the water users associations. Women's participation in irrigation management will be encouraged. The project was approved on 13 September 1994 and completion is expected in June 2002. The loan amount was \$12.9 million.

E. Philippines

17. **Loan 1052-PHI: Second Island Provinces Rural Water Supply Sector.** The project was approved on 20 November 1990, and did not have an SDO classification. Its main objective was to provide safe and easily accessible drinking water to rural municipalities, particularly in areas with low service coverage, improving it from 69 to 87 percent. The project was expected to benefit more than 1 million people at the end of its implementation. The greatest expected benefits were on public health with the reduction of the incidence of waterborne diseases, and in terms of convenience attained by reducing the amount of time and effort required for fetching water. The loan amounted to \$24.0 million, and the project was completed in February 1996.

18. **Loan 1216-PHI: Small Farmers' Credit.** The primary objective was to contribute to poverty reduction, create employment opportunities, improve agricultural productivity, and enhance farm family incomes. The project aimed to reduce poverty by making credit more accessible to small farmers. The available credit was mobilized through cooperatives whose members were mostly small farmers. The project assumed that the incomes of these small farmers were below the poverty threshold. The project had two main features: provision of short-, medium-, and long-term credit assistance to cooperatives and small farmers; and strengthening rural credit programs and enhancing the role of cooperatives in the rural financial sector through policy and institutional reforms. The project was approved on 22 December 1992 and was completed on 27 March 1998. Total loan amount was \$75.0 million.

19. **Loan 1331-PHI: Women's Health and Safe Motherhood.** The project was approved for \$54.0 million on 10 November 1994. It has human development and gender and development as its two SDOs. The project's primary objective was to improve the health status of women, particularly those of reproductive age, to contribute to the government's long-term goal of reducing fertility and maternal mortality. The project financed the improvement of maternal health care providers at different levels in the health care referral system; and the information, education, and communication component. By improving the service supply side, it was expected that health indicators such as maternal mortality rate, low birth weight, and iron and iodine deficiency could be improved.

20. **Loan 1422-PHI: Cordillera Highland Agricultural Resource Management.** The primary and only SDO of this project is poverty reduction. It aims to reduce poverty by improving agricultural productivity and thereby increasing disposable incomes of smallholders and reducing malnutrition in the target areas. The specific objectives are to promote sustainable resource management practices, encourage the protection of the environment and mitigate adverse development impacts, strengthen existing institutions by involving beneficiaries in project planning and implementation activities, and improve beneficiary access to formal and nonformal credit. The areas targeted by the project are three provinces with average annual household incomes below the estimated poverty threshold and where indigenous people comprise approximately 90 percent of the target population. The project involves constructing or rehabilitating roads, bridges, pilot tramline, communal irrigation system, water supply schemes, and surveying and issuing land titles and certificates of ancestral domain and ancestral land claims. The project will also assist in forming savings and credit farmer groups, and the linking of groups to formal and semiformal financial institutions. Other assistance includes strengthening of institutions involved in project planning and execution. The project was approved in January 1996 and is expected to run until September 2003. The loan amount was \$19.0 million.

REFLECTION OF POVERTY REDUCTION IN PROJECT DESIGN

Country/Project	SDO		Data on the Poor				Exclusion				Components							
	Poverty as Primary SDO	Poverty as Secondary SDO	Livelihood	Resources	Knowledge	Rights/Supportive Policy Environment Specific to Target Group	Disaggregated Poor/Nonpoor and/or Gender	Social Barriers	Resource Barriers	Barriers to Political/Legal Rights	Risk/Adverse Effects	Mitigation Measures	Measures to Ensure Inclusion	Project Objectives Focused on Poverty	Outcome Targets for Poverty	Project-Specific Poverty Indicators	Poverty-Specific Outputs	Poverty-Specific Inputs
BANGLADESH																		
0908-BAN Rural Infrastructure Development			†	†	†									†			†	
1066-BAN Rural Training				†								†		†				†
1213-BAN Rural Poor Cooperatives	†			†			†	†				†		†			†	
1376-BAN Secondary Towns Infrastructure		†	†	†		†				†		†		†	†		†	
KYRGYZ REPUBLIC																		
1342-KGZ Special Assistance Loan	†		†	†	†		†							†				
1529-KGZ Rural Financial Institutions			†	†														
1554/5-KGZ Education Sector Development			†	†	†					†	†	†		†				
1645-KGZ Social Services Delivery and Finance	†		†	†	†	†		†				†		†	†	†	†	
LAO PEOPLE'S DEMOCRATIC REPUBLIC																		
0642-LAO Vientiane Plain Rural Electrification			†	†	†		†	†						†				
1348-LAO Primary Health Care	†		†	†								†		†				†
1369-LAO Champassak Road Improvement		†		†	†		†			†	†			†	†			
1488-LAO Community-Managed Irrigation	†		†	†		†								†	†	†		
NEPAL																		
1165-NEP 3rd Water Supply and Sanitation			†	†		†						†		†	†	†		
1237-NEP Microcredit for Women	†		†	†	†				†			†		†				†
1240-NEP Kathmandu Urban Development	†			†						†	†	†						†
1311-NEP Irrigation Management Transfer	†			†								†		†	†	†		†
PHILIPPINES																		
1052-PHI 2nd Island Provinces Rural Water Supply			†	†								†			†	†		
1216-PHI Small Farmers' Credit	†		†	†								†		†	†			
1331-PHI Women's Health and Safe Motherhood			†	†								†		†	†			
1422-PHI Cordillera Highland Agriculture Resource Management	†			†				†				†		†	†	†	†	

†= information provided, although may be general, ‡= limited information provided, blank = no information provided, SDO = strategic development objective.

MONITORING AND EVALUATION OF POVERTY

Country/Project	SDO Poverty as Primary SDO Poverty as Secondary SDO	Planned			Actual						
		Data Required	M&E System		Data	M&E System					
		Benchmark Regular Evaluation End-of-Project or In-Depth)	People/Units Collecting Data	Data Collection Tools Poor/Nonpoor	People/Units Using Data	Intended Use of Monitoring Data	Actually Collected (BME)	Data Sensitive to Poor/Nonpoor Benefits Rather Than Physical/Financial Data	Identifying Whether Poor Benefit/How	Staff Involvement Rather Than Consultant Reported to Executing Agency/Institution	Reporting to ADB (Covenants)
BANGLADESH											
0908-BAN Rural Infrastructure Development		†	†	†	†	†	†			†	†
1066-BAN Rural Training			†	†	†		†				
1213-BAN Rural Poor Cooperatives	†	†	†	†	†	†	†				†
1376-BAN Secondary Towns Infrastructure	†	†	†			†	†				
KYRGYZ REPUBLIC											
1342-KGZ Special Assistance Loan	†										
1529-KGZ Rural Financial Institutions		†	†	†							
1554/5-KGZ Education Sector Development			†		†	†					
1645-KGZ Social Services Delivery and Finance	†	†	†	†		†	†				
LAO PEOPLE'S DEMOCRATIC REPUBLIC											
0642-LAO Vientiane Plain Rural Electrification								†			
1348-LAO Primary Health Care	†	†	†	†	†	†				†	†
1369-LAO Champassak Road Improvement	†	†	†	†				†			†
1488-LAO Community-Managed Irrigation	†	†	†	†	†	†		†	†		
NEPAL											
1165-NEP 3rd Water Supply and Sanitation		†	†	†	†	†	†	†		†	†
1237-NEP Microcredit for Women	†	†	†	†	†	†		†		†	†
1240-NEP Kathmandu Urban Development	†	†	†	†	†	†		†		†	†
1311-NEP Irrigation Management Transfer	†	†	†	†	†		†	†	†	†	†
PHILIPPINES											
1052-PHI 2nd Island Provinces Rural Water Supply		†	†	†	†	†	†				
1216-PHI Small Farmers' Credit	†	†	†	†	†		†				
1331-PHI Women's Health and Safe Motherhood		†	†	†	†	†	†	†			
1422-PHI Cordillera Highland Agriculture Resource Management	†	†	†	†	†		†				

† information provided, although may be general, † limited information provided, blank = no information provided, ADB = Asian Development Bank, BME = benefit monitoring and evaluation, M&E = monitoring and evaluation, SDO = strategic development objective.

BENEFICIARY PROFILE

Loan Number	National	908-BAN	1066-BAN	1213-BAN	1376-BAN
Human Development Index Rank	150				
Poverty line					
Monthly household income (Tk)	3,290				
Calories per person per day	2,112				
Beneficiary income (Tk)					
Average monthly household income		1,984	1,763	1,560	1,563
Ratio of poverty line		0.6	0.5	0.5	0.5
Average by income group					
High (more than)		3,000	3,000	3,000	3,000
Middle		2,250	2,250	2,250	2,250
Low		750	750	750	750
High (as poverty line ratio)		0.9	0.9	0.9	0.9
Low (as poverty line ratio)		0.2	0.2	0.2	0.2
Income disparities among beneficiaries					
Highest income (more than)		3,000			3,000
Lowest income		600			600
Median		1,976	1,793	1,559	1,589
Lowest to highest ratio		0.2			0.20
Living standards (percent)					
Safe Water					
National average access (HDR 1999)	95.0				
Access of project beneficiaries		77.9	64.2	88.5	82.2
Ratio of national average		0.8	0.7	0.9	0.9
Sanitation					
National average access (HDR 1999)	43.0				
Access of project beneficiaries		53.1	82.2	51.2	44.1
Ratio of national average		1.2	1.9	1.2	1.0
Quality of Housing of Beneficiaries					
Higher standard					
Concrete structure		0.2	0.4	4.3	8.0
Brick and tin		4.0	2.2	3.1	
Middle standard					
Tin shed		52.2	50.4	64.4	63.9
Tin and thatched		16.0	26.4	16.4	16.5
Low standard					
Thatched		20.4	18.4	11.4	11.4
Low hut		7.0	1.4	0.2	0.2
Others		0.2	0.8	0.2	
Education (percent)					
National literacy rate (HDR 1999)	38.9				
Beneficiaries' literacy					
Illiterate		48.3	43.1	47.8	50.4
Can read and write (older than 7)		9.3	8.8	13.6	24.5
Class I-V		24.7	24.6	19.7	14.8
Class VI-X		12.3	15.2	14.1	7.9
HSC and above		5.4	8.3	4.8	2.3
Beneficiaries' self-assessment of well-being (percent)					
Worse		-	-	-	-
Better-off		72.5	72.6	69.0	77.3
No changes		27.5	27.4	31.0	22.7

	National	1529-KGZ
Human Development Index Rank	97	
Poverty line		
Monthly household income (som)	4,376	
Beneficiary income (som)		
Average monthly household income		2,329
Ratio of poverty line		0.5
Average monthly household income		
High		3,834
Middle		2,055
Low		1,216
High (as poverty line ratio)		0.9
Low (as poverty line ratio)		0.3
Income disparities among beneficiaries		
Highest income		10,000
Lowest income		350
Median		1,800
Lowest to highest ratio		0.04
Living standards (percent)		
Safe Water		
National average access (HDR 1999)		n/a
Access of project beneficiaries		n/a
Sanitation		
National average access (HDR 1999)		n/a
Access of Project Beneficiaries		n/a
Size of Housing of Beneficiaries		
Up to 65 sq m		53.3
65 –150 sq m		40.5
151 – 200+ sq m		6.2
Education (percent)		
National literacy rate (HDR 1999)	97.3	
Beneficiaries' literacy		
No education		0.3
Primary education		15.2
Secondary (incomplete or complete)		59.8
Higher education		24.7
Beneficiaries' self-assessment (percent)		
Worse	33.4	
Better-off	55.8	
No changes	10.5	

Source: Human Development Report. 1999. *Poverty Reduction Strategy Task Force, and Poverty Reduction Evaluation.*

Loan Number	National	642-LAO	1348-LAO	1369-LAO	1488-LAO
Human Development Index Rank	140				
Poverty line					
Monthly household income (1999) (Kp)	218,160				
Calories per person per day	2,100				
Beneficiary income (KN)					
Average monthly household income		304,161	153,204	183,475	203,039
Ratio of poverty line		1.4	0.7	0.8	0.9
Average monthly household income					
High		419,715	188,174	294,131	320,877
Middle		318,887	151,559	196,148	209,533
Low		202,940	96,324	95,561	116,729
High (as poverty line ratio)		1.9	0.9	1.3	1.5
Low (as poverty line ratio)		0.9	0.4	0.4	0.5
Income disparities among beneficiaries					
Highest income		1,700,000	833,333	708,333	1,041,667
Lowest income		10,000	10,000	3,333	11,667
Median		250,000	116,667	150,000	180,000
Lowest to highest ratio		0.01	0.01	0.00	0.01
Living standards					
Safe Water					
National average access (HDR 1999)	44.0				
Access of project beneficiaries		22.7	14.1	40.9	48.2
Ratio of national average		0.5	0.3	0.9	1.1
Sanitation					
National average access (HDR 1999)	18.0				
Access of project beneficiaries		65.6	8.5	12.7	2.4
Ratio of national average		3.6	0.5	0.7	0.1
Condition of housing					
Bad condition		8.0	24.1	27.4	12.8
Acceptable		30.7	46.7	35.3	53.0
Good condition		61.3	29.3	37.3	34.1
Building materials					
Cement and bricks		30.6	3.0	4.4	4.9
Wood		39.1	65.2	56.7	61.6
Bamboo		28.2	30.7	32.5	32.9
Education					
National literacy rate (HDR 1999)	58.6				
Beneficiaries' literacy					
Illiterate (older than 6)		11.2	25.5	21.8	26.1
Completed primary education (older than 11)		46.8	55.0	57.5	54.4
Attained some middle school education (older than 14)		26.6	16.4	17.8	26.3
Attained some higher school education (older than 17)		17.3	2.1	5.4	6.5
Beneficiaries' self-assessment (percent)					
Worse		10.1	12.2	18.7	34.3
Better-off		71.4	69.3	81.0	31.3
No changes		17.6	17.0	-	34.4

Source: Human Development Report. 1999. *Poverty Reduction Strategy Task Force, and Poverty Reduction Evaluation.*

Loan Number		1165-NEP	1237-NEP	1240-NEP		1311-NEP
				Bishnumati	Naya Bazar	
Human Development Index Rank	144					
Poverty line						
Monthly household income (NRs)	2,833					
Beneficiary income (NRs)						
Average monthly household income		4,271	6,308	2,173	2,756	7,341
Ratio of poverty line		1.5	2.2	0.8	1.0	2.6
Average by income group						
High		7,769	n/a	n/a	n/a	12,602
Middle		3,841	n/a	n/a	n/a	6,087
Low		2,056	n/a	2,173	2,756	3,330
High (as poverty line ratio)		2.7	n/a	n/a	n/a	4.4
Low (as poverty line ratio)		0.7	n/a	0.8	1.0	1.2
Income disparities among beneficiaries						
Highest income		25,750	25,250	3,000	6,083	41,667
Lowest income		250	900	1,000	1,250	1,167
Median		3,333	5,083	2,000	2,500	5,833
Lowest to highest ratio		0.01	0.04	0.33	0.21	0.03
Living Standards (percent)						
Safe water						
National average access (HDR 1999)	71.0					
Access of project beneficiaries		12.0	72.5	27.0	42.0	85.0
Ratio of national average		0.2	1.0	0.4	0.6	1.2
Sanitation						
National average access (HDR 1999)	16.0					
Access of project beneficiaries		30.7	16.0	27.0	4.0	25.0
Ratio of national average		1.9	1.0	1.7	0.3	1.6
Quality of housing						
Cement/concrete/wood/stone		10.0	30.0	36.0	42.0	46.0
Mud/clay		90.0	70.0	64.0	58.0	54.0
Hut		-	-	-	-	-
Education (percent)						
National literacy rate (HDR 1999)	38.1					
Beneficiaries' literacy						
Pre-school		n/a	n/a	n/a	n/a	n/a
Elementary		n/a	n/a	n/a	n/a	n/a
Secondary		n/a	n/a	n/a	n/a	n/a
College		n/a	n/a	n/a	n/a	n/a
Beneficiaries' self-assessment (percent)						
Worse		-	-	-	-	-
Better-off		32.0	78.0	46.0	25.0	42.0
No changes		68.0	22.0	54.0	75.0	58.0

Source: Human Development Report, 1999. *Poverty Reduction Strategy Task Force, and Poverty Reduction Evaluation.*

Loan Number	National	1052-PHI	1216-PHI	1331-PHI	1422-PHI
Human Development Index Rank	77				
Poverty line					
Monthly household income (P)	949				
Calories per person per day	1,977				
Beneficiary income (P)					
Average monthly household income		5,319	6,838	6,572	5,354
Ratio of poverty line		5.6	7.2	6.9	5.6
Average by income group					
High		12,456	13,295	10,651	14,346
Middle					
Low		4,585	4,498	4,009	4,463
High (as poverty line ratio)		13.1	14.0	11.2	15.1
Low (as poverty line ratio)		4.8	4.7	4.2	4.7
Income disparities among beneficiaries (cash income only)					
Highest Income		103,332	42,500	16,300	61,000
Lowest Income		-	220	150	-
Median		3,900	4,015	4,354	4,100
Lowest to Highest ratio		-	0.01	0.01	-
Living standards (percent)					
Safe water					
National average access (HDR 1999)	84				
Access of project beneficiaries		94	75	41	12
Ratio of national average		1.1	0.9	0.5	0.1
Sanitation					
National average access (HDR 1999)	75				
Access of project beneficiaries		74	57	68	61
Ratio of national average		1.0	0.8	0.9	0.8
Quality of housing of beneficiaries					
Strong materials		34.7	54.3	42.2	84.8
Light materials		38.0	30.1	39.1	9.1
Poor salvaged/makeshift		10.0	0.0	2.2	3
Education (percent)					
National literacy rate (Bank 1998)	94.6				
Beneficiaries' literacy					
Preschool		5.2	1.1	5.8	2.8
Elementary		56.7	46.7	56.8	58.3
Secondary		25.5	32.0	27.4	30.6
College/vocational		9.5	18.1	10.0	8.3
Beneficiaries' self-assessment (percent)					
Worse		26.0	46.6	32.0	51.5
Better-off		32.7	32.4	52.0	33.3
No changes		40.7	21.0	16.0	15.2

Source: Human Development Report. 1999. *Poverty Reduction Strategy Task Force, and Poverty Reduction Evaluation.*

DISTRIBUTION OF BENEFITS

1. **Loan 908-BAN: Rural Infrastructure.** The project is neutral in that it provides all beneficiaries with equal access to infrastructure. However, the relatively better-off are in a better position to maximize benefits. They report greater savings in travel time and are likely to derive greater benefits from the reduced transportation cost of agriculture produce compared with subsistence farmers or the landless, who do not have a surplus to sell or transport.
2. **Loans 1066-BAN: Rural Training and 1213-BAN: Rural Poor Cooperatives.** Access to microcredit appears to have been neutral among the beneficiaries. Comparing the relatively better-off with the poorest project participants shows that greater increases in income and savings materialized among the better-off. The poorer groups report higher increases in awareness of nutrition and health issues. It cannot be said with certainty whether these changes can be entirely attributed to the project, and how strong other influences were.
3. **Loan 1376-BAN: Secondary Towns Infrastructure.** Feedback from this project indicates that the relatively poor among the beneficiaries are benefitting from project facilities. However, the slum areas selected for upgrading are generally in a better condition than the squatter areas where the destitute settle. The lowest income group in the survey is reported to have benefited more from access to safe water, latrines, and solid waste disposal facilities. They also show greater commitment and community participation in project activities. The relatively better-off households in the slum areas tend to house temporary residents, who do not show the same interest in area upgrading and maintaining the facilities. The increased awareness of social and personal development issues is reported to be high for all income groups.
4. **Loan 1529-KGZ: Rural Financial Institutions.** The project is not designed to reduce poverty. The survey found that 53 percent of credit union members live below the poverty line, and all credit union members benefit more or less equally from access to loans in terms of number and amounts. The high rate of reported profitability (85 percent) indicates that poor credit union members benefit equally, although they are not able to reinvest their profits to the same extent as nonpoor members, 33 percent of whom reinvest in businesses and 21 percent in livestock. In comparison, 18 percent of the poor reinvest in businesses and 25 percent reinvest in livestock. The control group comprised poor households that are not credit union members, who on average are very poor, which is the reason they are not able to join the credit union.
5. **Loan 642-LAO: Vientiane Plain Rural Electrification.** Access to electricity is even among the poor and nonpoor households because all households have an average income that is above the poverty line. A greater proportion of the poor have “shared” connections.¹ The same proportion of poor and nonpoor households has electric fans (94 percent), television (81 percent) and radio (66 percent) sets. On average, 52 percent of the households have a refrigerator, compared with 31 percent of poor households. Of the 22 percent of households that use electricity for commercial purposes, one fifth (10

¹ A shared connection exists when a household connects to electricity through the neighbor’s formal connection. The cost of electricity is agreed upon between the two parties. Without a separate meter, the poor household depends on the nonpoor to determine fairly the rate the poor household should be charged.

households) belong to the lowest income group and report an average additional income of KN238,450, which is above the poverty line. The middle-income group reports an average additional income of KN157,800 and the high-income group an additional KN257,500. The proportion of households that use electricity to study in the evening is largest among the middle-income group.

6. **Loan 1348-LAO: Primary Health Care.** The average income of all households and even that of the highest income group fall below the poverty line. The following observations indicate that the poorest among the beneficiaries received an equally high level of service coverage for vaccinations as the nonpoor did. The proportion of infants and children under 5 years of age from poor households that were vaccinated against measles, polio, or tuberculosis compares favorably with the rates for the nonpoor beneficiaries and with the rates in the control areas. The percentage of women of reproductive age that received tetanus vaccinations is higher among the poor in the project areas, but about equal to the percentage in the control areas, although the percentage is still very low (20 percent). A larger proportion of poor project beneficiaries (63 percent) relies on mobile health teams, which are provided under the project.

7. **Loan 1369-LAO: Champassak Road Improvement.** The nonpoor tend to benefit to a greater extent from this project than the poor, as increases in agricultural output and sales on district markets are higher among the middle- and high-income groups. Immediately along the road, 57 percent of poor households report no increase in earnings since the road was completed, while 37 percent have additional earnings of up to KN100,000. Only a small fraction of 6 percent earn an additional amount of KN100,000 or more. The proportion of middle- and high-income households with no extra earnings is 40 and 37 percent, respectively, while 30 and 35 percent report an additional income of up to KN100,000. A much higher proportion (30 and 38 percent, respectively) earn more than an additional KN100,000. This is important because the average income of the beneficiaries spans the poverty line, indicating that a larger proportion of benefits going to the nonpoor is likely to widen the gap between them and the poor. Disparities are even larger in the more remote area of influence of the road.

8. **Loan 1488-LAO: Community-Managed Irrigation.** The average household income in the project area is below the poverty line. The average income of wealthier households is 1.8 times the poverty line while that of the poor is 30 percent of the poverty line. Benefits from this project are biased toward the middle-income group, which has an average household income that is just marginally above the poverty line. This can be explained by the fact that poverty is defined by lack of paddy land, which means that the poorest are automatically excluded from the project benefits. If the middle-income group is the main beneficiary, then among the better-off the relatively poor with an income just around the poverty line are benefiting the most. Of the middle-income households, 48 percent receive irrigation water, compared with 21 percent of the poor and 31 percent of high-income households. A second crop of rice is grown by 41 percent of the high-income households (10 percent grow a second crop without accessing irrigation water), 28 percent of the middle-income households, and 16 percent of the low-income households. Of the households introducing new cash crops, 88 percent come from the middle-income group. The anticipated trickle-down effect—that even when the poor are not provided with irrigation water, they would benefit from additional employment opportunities—did not materialize. Only a very small proportion of households employ laborers, which is corroborated by an equally small number of households whose members actually work as daily paid laborers.

9. **Loan 1165-NEP: Third Water Supply and Sanitation.** The average household income in the project area is 1.5 times the poverty line, but the average income of the lowest income group is only 70 percent of the poverty line. Benefits in terms of physical access to water, improved water quality, and reductions in time needed to fetch water are more or less even for poor and nonpoor groups. In terms of total water consumption, high-income households use an average 9 liters per day per person more than the poor, but only a flat water tariff is charged. Only one or two project areas had a somewhat higher rate for consumers from the high-income groups, but this also was not based on consumption levels. As a result the average cost per liter of water is lower for the high-income groups. Most women finding that less time is required for fetching water use the freed time for additional productive activities. These activities resulted in additional income for 28 percent of low- and middle-income groups, and 47 percent of women from high-income households.

10. **Loan 1237-NEP: Microcredit for Women.** The average household income of beneficiaries of this project is twice the poverty line income. Self-reported household incomes prior to the project were much lower: 87 percent of households had an income below the poverty line. This percentage was reduced to 13 percent with the project, and the mean average within this lowest income bracket is higher than before the project. These improvements are attributed to the additional income generated through project activities.

11. **Loan 1240-NEP: Kathmandu Urban Development.** The ratios of poor to nonpoor residents in two of the project areas are 1:9 and 1:19, respectively, although among the poor, the average household income is just below the poverty line. The nonpoor, therefore, receive the largest proportion of direct benefits from this project. However, the poor benefited from short-term employment: 626 skilled workers were employed an average 65 days each (40,628 person-days) and 1,401 unskilled laborers for an average 76 days each (106,875 person-days). The average daily wage rate was NRs215 for skilled and NRs117 for unskilled labor, which compares favorably with the poverty line of NRs94 per household per day. Further benefits will arise from regular employment opportunities, some of which have already been generated and will continue to be so as one of the project areas (Naya Bazar) develops. The jobs are typically occupied by low-income groups.

12. **Loan 1311-NEP: Irrigation Management Transfer.** The average household income in the project area is 2.6 times the poverty line income, and that of the lowest-income bracket is about 20 percent above the poverty line. Water is distributed by land size, which means that high-income households with larger landholdings get a larger absolute amount of water, although at the same rate of water per unit of land (acre). The survey came across reports that the tail end of the irrigation system did not receive sufficient water in all seasons. Cropping pattern changes were probably due to other factors. Discussions indicated some farmers were able to change cropping patterns and increase yields because they had access to microcredits with which they purchased agriculture inputs. The survey found little self-reported changes in income, and the absence of baseline data does not allow any other comparison. Members of higher castes dominate the water users associations as they typically take a leading role in community affairs. Members of lower caste often do not seek election or even participate in meetings. This may be due partly to their status in community, and partly because they need time to work in the fields.

13. **Loan 1052-PHI: Second Island Provinces Rural Water Supply.** All the beneficiaries report an average household income that is below the poverty line, although the average for households in the higher income group is above the poverty line. The project benefited the poor beneficiaries in terms of increasing access to safe water for 72-93 percent of households. In the control areas, the percentage of poor households with access to safe water is only 61 percent, which indicates that choosing a different project area would have provided the opportunity to improve access to safe water for an even larger proportion of the poor. The proportion of households with a source of clean water on household premises increased to a greater extent among the nonpoor, but the mean length of time required for fetching water is about the same for poor and nonpoor households. The mean average expenditure for water was reduced to a greater extent among the poor households—from ₱73 to ₱35—than for nonpoor households— from ₱150 to ₱92.

14. **Loan 1216-PHI: Small Farmers' Credit.** Benefits in the form of microcredit and other services, such as dividends, discounts on farming inputs, and free advisory services, are equally accessible to poor and nonpoor members of cooperatives set up under the project. The loan performance, however, varies by income group: 52 percent of nonpoor members are able to generate additional income compared with 37 percent of poor members, which might be due to the fact that 31 percent of the poor cooperative members borrow to meet education and health expenses. The average amount of additional resources generated is almost the same for poor and nonpoor cooperative members, and is about 3.5 times the amount that poor farmers outside the cooperative manage to generate. Nonetheless, 51 poor cooperative members report difficulties in repaying loans, which compares unfavorably with 42 percent poor who are not cooperative members but borrow from other sources.

15. **Loan 1331-PHI: Women's Health and Safe Motherhood.** The project results show no differences among poor and nonpoor beneficiaries and those in the control areas. Service utilization (prenatal care, iron and vitamin A supplements, and tetanus immunization) is above 60 percent in all areas. However, the control group shows higher utilization rates of local and rural health stations, which is explained by a somewhat higher incidence of poverty in the control areas.