

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) of ADB. 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 evalu-

ated. 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 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, educational 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 Development, Bangladesh; and Second Islands 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, the Lao PDR; and Kathmandu Urban Development, Nepal).

Greater efforts need to be made to ensure a consistent and comprehensive integration of poverty reduction issues into ADB's COSs 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.