

POVERTY REDUCTION RESULTS

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.

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.

The findings are discussed under headings that fall within the four dimensions of poverty 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, which raises the question whether improvements in one domain can be effective and sustained without improvements in others, and, if so, how projects should be structured to address more than one or two dimensions of poverty.

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 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.

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.

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

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 and thus not used in the analysis.

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.

Poverty Reduction Effects

Well-Being

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.

Health. Three projects provided access to health services, one as part of an urban infrastructure project (1376-BAN);²¹ the two others were exclusive health projects (1348-LAO and 1331-PHI).²² 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 respon-

dents use health centers,²³ 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 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 on page 18.

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.²⁴ 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.

Resources

Short-term employment. The Champassak Road Improvement Project²⁵ 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

²¹ Loan 1376-BAN(SF): *Secondary Towns Infrastructure Development II*, for \$65.0 million, approved on 19 September 1995.

²² 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.

²³ 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.

²⁴ Loan 1052-PHI(SF): *Second Islands Provinces Rural Water Supply*, for \$24.0 million, approved on 20 November 1990.

²⁵ Loan 1369-LAO(SF): *Champassak Road Improvement*, for \$48.0 million, approved on 31 August 1995.

Employing people for project construction, with wages above the poverty line income, can provide short-term relief to financial shortages.

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 project²⁶ 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.

Physical infrastructure. Six projects improved infrastructure facilities for productive purposes, such as electricity, drainage, irrigation systems, and roads. Three projects²⁷ with road components considerably reduced travel and transport time (in Bangladesh by 60 percent) and stimulated the local economy to varying degrees. The effects on prices, anticipated as a result of easier access to project areas, were only partly realized. In Kathmandu, road works in one of the project areas also improved drainage, reducing the incidence of waterborne diseases. The electrification project in the Lao PDR (642-LAO) brought about some economic opportunities, and to a greater extent increased the comfort level of beneficiaries, providing them the opportunity to use radio, television, electric fans, and light. In the Lao PDR, the irrigation project²⁸ increased access to



irrigation water during the dry season, affecting cropping patterns. 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.

Microcredit. Of the 16 projects surveyed, 6 provided microcredit (in four countries). This access to finance resulted in additional productive activities and, to lesser extent, in additional formal employment. Three of the countries have a track record in this field and a multitude of providers from commercial and non-government 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

²⁶ Loan 1240-NEP(SF): *Kathmandu Urban Development*, for \$12.0 million, approved on 29 June 1993.

²⁷ Loan 908-BAN(SF): *Rural Infrastructure Development*, for \$99.8 million, approved on 13 October 1988; Loan 1369-LAO(SF): *Champassak Road Improvement* (footnote 26); and Loan 1240-NEP(SF): *Kathmandu Urban Development* (footnote 27).

²⁸ Loan 1488-LAO(SF): *Community-Managed Irrigation Sector*, for \$14.7 million, approved on 21 November 1996.

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 project in the Philippines,²⁹ control group observations show that poor nonmembers of cooperatives have access to credits, indicating that other resources are available.

*Knowledge*³⁰

Two projects in Bangladesh³¹ increased the beneficiaries' awareness of food and nutrition, and health issues. Both projects provided training and microcredit, but are remembered more

Rights

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.



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 project³² 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.

Poverty Reduction Impacts

Well-Being

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

Increasing knowledge and skills, and providing microcredit to help people start their own microenterprise activities.

nonhealth projects (1376-BAN: Secondary Towns Infrastructure Development II, 1165-NEP: Water Supply and Sanitation Sector, 1240-

²⁹ Loan 1216-PHI: *Small Farmers' Credit*, for \$75.0 million, approved on 22 December 1992.

³⁰ 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.

³¹ 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.

³² Loan 1237-NEP(SF): *Microcredit for Women*, for \$5 million, approved on 24 June 1993.

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.

Resources

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 project³³ 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.

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 Sector project (1488-LAO), 74 percent of households receive

Providing access to water supply saves time and physical energy and has positive effects on the health status of people.

ing 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).

In Nepal, the Third Water Supply and Sanitation Sector 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 Microcredit for Women 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



³³ Loan 1529-KGZ(SF): *Rural Financial Institutions*, for \$12.5 million, approved on 21 August 1997.

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

Employment. In the Lao PDR, water users associations set up under the Community-Managed Irrigation Sector 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 Microcredit for Women 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.

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.

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 decreased³⁴ 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.

Actual Beneficiaries

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.

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 non-food items. A commonly used definition of poverty is either less than 0.5 acre of land or equivalent assets, or an annual household income of Tk3,290.³⁵ The evaluation grouped respondents into poor and nonpoor based on landownership (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

³⁴ 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.

³⁵ 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, Binayak. 1999. *An Assessment of Poverty Reduction Objective of the Asian Development Bank's Operations in Bangladesh*. Dhaka.

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.

In the Kyrgyz Republic, the beneficiaries of the 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.³⁶

In the Lao PDR, the poverty line for monthly household income was calculated at KN218,160 (August 1999 prices), based on WB estimates for 1992-1993.³⁷ For Vientiane Plain

line. In the project areas of the Champassak Road Improvement and Community-Managed Irrigation Sector projects, 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



The long-term effects of rural electrification, and other developments, help move household incomes above the poverty line.

Rural 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

of the houses requiring repairs.

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 be-

³⁶ Three of the projects in the Kyrgyz Republic were not surveyed because, in one case, benefits and beneficiaries could not be directly associated to the Project (Loan 1342-KGZ: *Special Assistance Loan*, for \$40.0 million, approved on 8 December 1994) or their implementation is at an early stage.

³⁷ World Bank. 1995. Report No. 139992-LAO: *Lao PDR, Social Development Assessment and Strategy*.

low 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 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.

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 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 Women's Health and Safe Motherhood Project (1331-PHI) and Cordillera Highland Agriculture Resource Management project (1422-PHI). Access to sanitation is reportedly high in all project areas (80-100 percent of the national average).

Distribution of Benefits Among the Poor and Nonpoor

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. 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.

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.

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.

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 Community Managed Irrigation Sector Improvement 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 Care project (1348-LAO) are all below the poverty line, and receive equal access to services.

In Nepal, the Third Water Supply and Sanitation Sector 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

Reaping the benefits of projects—the poor are not always included.

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 and regular employment opportunities. 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.

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.

