

ASIAN DEVELOPMENT BANK

TAR: LAO 35311

TECHNICAL ASSISTANCE

TO THE

LAO PEOPLE'S DEMOCRATIC REPUBLIC

FOR

INSTITUTIONAL STRENGTHENING

FOR POVERTY MONITORING AND EVALUATION

December 2004

CURRENCY EQUIVALENTS

(as of 14 November 2004)

Currency Unit	–	kip (KN)
KN1.00	=	\$10,773.00
\$1.00	=	KN0.00009

ABBREVIATIONS

ADB	–	Asian Development Bank
CSPU	–	Country Strategy and Program Update
Lao PDR	–	Lao People's Democratic Republic
NGPES	–	National Growth and Poverty Eradication Strategy
NSC	–	National Statistics Centre
PPA	–	participatory poverty assessment
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	Targeted intervention
Sector	–	Multisector
Theme	–	Inclusive social development

NOTES

- (i) The fiscal year (FY) of the Government ends on 30 September.
- (ii) In this report, "\$" refers to US dollars.

This report was prepared by J. Menon, Mekong Department, Operations Coordination Division.

I. INTRODUCTION

1. In October 2003, following discussions at the Donor Roundtable meeting in September 2003, the National Assembly mandated the Government of the Lao People's Democratic Republic (Lao PDR) to implement the National Growth and Poverty Eradication Strategy (NGPES). The NGPES serves as the poverty reduction strategy for the country and aims to reduce poverty through strong economic growth and an increased focus on the poorest districts. The Asian Development Bank (ADB) completed the first phase of the technical assistance (TA), that pilot tested implementation of the participatory poverty monitoring instrument in various districts, established measures of poverty incidence and poverty lines, and built capacity in conducting periodic poverty assessments. The current TA will build upon these achievements by expanding the pilot test cases of the participatory poverty monitoring instrument, updating the participatory poverty assessment (PPA) undertaken in 2000 employing (and where necessary, improving upon) the methodology developed in the first phase, strengthening local capacity through on-the-job training and workshops, as well as investigating the link between infrastructure development and trade and poverty incidence by drawing upon a recent household and consumption survey database. In implementing this TA, ADB will work closely with the National Statistics Centre (NSC) and World Bank. ADB included an advisory TA to assess current poverty conditions and the impact of various programs and policies on poverty reduction in the 2004–2005 Country Strategy and Program Update. Fact-finding for the TA was undertaken in March 2004. Discussions were held with representatives of NSC, Ministry of Finance, Committee for Planning and Cooperation, World Bank, and Statistics Sweden. Based on these discussions, an understanding was reached with the Government on the objectives, scope, cost estimates, implementation arrangements, and terms of reference for the consulting services under the TA.¹ The TA framework is in Appendix 1.

II. ISSUES

2. The Lao PDR is a land-locked country with a dispersed and ethnically diverse population. Mountainous terrain, limited arable land, weak infrastructure, low government resources, and limited institutional capacity contribute to poor human development indicators and low per capita incomes. On the basis of new poverty thresholds developed by ADB in close collaboration with NSC, 45% of the Lao population was found to be living in poverty in 1992/93. Since then, the overall incidence of poverty has decreased quite sharply. The percentage of poor fell to 39% in 1997/98, and preliminary estimates for 2002/03 indicate that poverty incidence may have fallen to around 32%. Consecutive years of robust economic growth appear to have played an important role in the reduction of poverty incidence. Furthermore, indications are that a significant portion of this reduction has occurred in the rural sector.

3. Despite this, urban-rural differences in poverty incidence persist, and vary substantially across regions and provinces. Among the four major regions, the north has the highest incidence of poverty, while Vientiane Municipality has the lowest. After the northern region, the south has the highest proportion of poor. Among the 18 provinces, 5 had poverty incidence exceeding 50%. Of these 5 provinces, 4 are located in the north. More importantly, not only is the north the poorest region in the country, but its rate of poverty reduction is the lowest.

4. While the Lao Government should continue to follow growth-enhancing policies, it should, at the same time, target the specific groups in the society that are unable to reap the full

¹ The TA first appeared in the *ADB Business Opportunities* (Internet edition) on 19 October 2004.

benefits of growth. Many ethnic groups are unable to take part in economic activities. As a result, they continue to be poor despite high economic growth. How to integrate these people in the mainstream of economic activities is indeed a challenging task and an overarching policy issue. Economic growth alone will not be sufficient to achieve a consistent reduction in poverty across districts. The Government clearly recognizes that it will need to better target specific groups in society that are unable to reap the full benefits of economic growth. This is reflected in the NGPES, which targets the poorest 47 districts in its poverty reduction drive.

5. The findings from ADB's first PPA² in 2000 and the qualitative assessment undertaken in the first phase of this TA support the statistical data in many ways. Economic inequality, as a factor of economic growth, not only between villages and ethnic groups, but also in the realm of gender is an important aspect of poverty revealed by the PPA. Thus the negative pull of inequality discussed by the quantitative methodology is unambiguous in the PPA as well.

6. Within the country, interest in establishing poverty monitoring systems that combine participatory exercises with traditional household surveys is increasing. This would allow one set of findings to complement or supplement the other or inform the process of conducting it. The process attempts to combine the important quantitative and qualitative analyses of poverty measurement and merge their findings into one set of policy recommendations. Both approaches will generally be required to address different aspects of the problem: the quantitative approach will answer much of where poverty is, while the qualitative method will focus generally on why people are poor. Following the completion of the first phase, the Government has accepted and institutionalized the qualitative approach developed and has accorded it equal status with the statistical analysis. The need to build better links between these two approaches is critical. The World Bank will take the lead in conducting the overall quantitative assessment, and ADB will take the lead in conducting the qualitative assessment. However, close collaboration and sharing of information on a timely basis will be pursued throughout the duration of the TA.

7. Another area requiring further attention is to improve our understanding of the link between project interventions and poverty outcomes. In particular, a rigorous quantitative assessment of the impact of infrastructure development and poverty incidence is lacking. How does increased connectivity through road development, for instance, increase trade and through this translate into changes in poverty levels? Information on these relationships and their quantitative magnitude is required not only to validate previous interventions but also guide the design of future programs. Since ADB has actively encouraged the Government to consider the poverty impact of its public investment program, it is appropriate that ADB also examine how its project investments have affected poverty incidence and other social conditions.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

8. The major purpose of the TA is to respond to the recommendations of, and build and expand upon the achievements from, the first phase of this TA by strengthening the poverty monitoring and evaluation system in the Lao PDR. Enhancing the Government's capacity to develop effectively targeted poverty reduction programs, and improving institutional capacity in

² ADB. 2000. *Technical Assistance to the Lao People's Democratic Republic for Participatory Assessment of Poverty in the Lao PDR*. Manila (TA3407-Lao, for \$150,000, approved on 3 March 2000).

the area of qualitative and quantitative poverty assessment are the main expected outputs of the TA. The TA will also support the analytical phase of a new consumption and expenditure survey that will be the primary source of poverty estimates. One of the outputs of this analysis will be a report that examines the quantitative link between infrastructure development and trade on poverty incidence and other measures of social well-being. All of these outputs, especially that of the PPA, will serve as inputs to the next country strategy and program for the Lao PDR.

B. Methodology and Key Activities

9. In implementing this TA, ADB will work closely with the NSC and World Bank. Table 1 summarizes the work-sharing arrangement of NSC, ADB, and the World Bank by identifying areas in which each agency will take the lead. The methodologies to be employed and the key activities to be undertaken by ADB in this TA are as follows:

- (i) Update the results of the PPA conducted in 2000 employing the methodology developed in the first phase of this TA. Improvements to this methodology will be considered, as necessary.
- (ii) Expand the implementation of the participatory poverty monitoring instrument beyond the pilot test cases of the first phase of the TA to include poor districts and villages on a nationwide basis as part of the planning process.
- (iii) Improve the data management system developed under the first phase to improve the effectiveness of poverty monitoring.
- (iv) Assess progress in poverty reduction, employing both qualitative and quantitative techniques but focusing on the former. With the World Bank taking the lead role on the quantitative assessment, incorporate the inputs to inform the qualitative assessment as required.
- (v) Provide training to the central, provincial, and district staff on designing, collecting, and analyzing PPAs by expanding upon the pilot test cases of the first phase of the TA.
- (vi) Conduct provincial workshops on survey instruments that include qualitative and quantitative methods and approaches to measure poverty.
- (vii) Continue support initiated in the first phase to institutionalize PPA methods in decision-making.
- (viii) Conduct analysis of new and existing data sets on the relationship between infrastructure development and trade on poverty reduction.
- (ix) Conduct periodic seminars to discuss the main TA findings with Government officials, academics, private sector, nongovernment organizations, and the aid community.

C. Cost and Financing

10. The TA is estimated to cost \$470,000 equivalent, comprising \$326,000 in foreign exchange cost and \$144,000 equivalent in local currency cost. ADB will provide \$400,000 equivalent to cover the entire foreign exchange cost and \$74,000 of the local currency cost. The TA will be financed on a grant basis by ADB's TA funding program. The Government will finance the remaining \$70,000 equivalent of the local currency cost by providing counterpart staff, office accommodation, and other related services and facilities. The detailed cost estimates are given in Appendix 2.

Table 1: Lao Poverty Assessment 2004/05, Outline

Studies\Subject Areas	Lead Agency
Quantitative Analysis of Poverty	
1. Measurement of overall poverty and inequality	NSC
2. Impact of economic growth	WB
3. Impact of Infrastructure	ADB
4. Impact of trade (cross-border, infrastructure)	ADB
Impact of trade (Integrated Framework study)	WB
5. Rural development and food security	WB
6. Employment and household enterprises	WB
7. Social sectors (education, health, social protection)	WB
8. Poverty monitoring (qualitative)	ADB
Poverty monitoring (quantitative)	WB
Qualitative Analysis: Participatory poverty assessment	ADB
Synthesis Report	Joint

ADB = Asian Development Bank, NSC = National Statistics Centre, WB = World Bank.

D. Implementation Arrangements

11. NSC will be the Executing Agency for the TA. The NSC deputy director, who will be responsible for overall TA implementation, will appoint a TA manager to oversee day-to-day TA activities. NSC will also provide logistical support for TA implementation. The TA manager is expected to be a senior NSC officer. Qualified technical and support staff from NSC will assist the TA manager. In addition to workshops and seminars, the consultants will emphasize on-the-job training, particularly in relation to provincial and district staff involved in implementing the participatory poverty monitoring instrument and the PPA.

12. The TA is expected to commence in February 2005 and be completed by February 2006 (12 months). Recognizing country-specific institutional capacity and ownership of methodological approaches to data analyses, international and domestic consultants will be selected on an individual basis. The consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB. About 16 person-months of international consulting and 15 person-months of domestic consulting are required. The international specialists will include a participatory social development specialist (12 person-months) and an economic and social impact of projects specialist (4 person-months). The economic and social impact of projects specialist should have a strong grounding in economics and quantitative poverty analysis, and preferably be familiar with the Lao PDR and its database. The domestic consultants will be a rural development specialist (12 person-months) and a data and statistical specialist (3 person-months). The outline terms of reference for the TA are presented in Appendix 3. The consultants will provide (i) an inception report within 3 weeks of TA commencement outlining the detailed framework of the activities; (ii) an interim report within 12 weeks of TA commencement, including data collection and preliminary analysis of each task and likely directions of the final outputs; and (iii) a draft final report 12 weeks before TA completion. The final report will be prepared only after a tripartite review meeting of the Government, ADB, and the consultants. After the report is finalized, another tripartite meeting between ADB, NSC, and World Bank will be held to bring the respective inputs together and finalize the synthesis report. The World Bank will have the overall responsibility for

producing the synthesis report. Equipment items such as computers, software, audiovisual equipment, and other training materials will be procured by consultants under arrangements satisfactory to ADB and turned over to NSC at the end of the consulting assignment.

IV. THE PRESIDENT'S DECISION

13. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$400,000 on a grant basis to the Government of the Lao People's Democratic Republic for Institutional Strengthening for Poverty Monitoring and Evaluation, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators and Targets	Monitoring Mechanism	Assumptions and Risks
<p>1. Goal</p> <ul style="list-style-type: none"> Longer term impact of reducing poverty in the Lao People's Democratic Republic 	<ul style="list-style-type: none"> Through a better understanding of the poverty situation, the introduction of policies that lead to a reduction of the percentage of the population classified as poor 	<ul style="list-style-type: none"> Decrease in poverty in absolute and relative terms as reflected in Government statistics, studies and reports of bilateral and multilateral agencies. 	
<p>2. Purpose</p> <p>Develop the monitoring and evaluation capacity of government agencies such as the National Statistics Centre (NSC) to contribute towards improved poverty formulation that helps achieve poverty reduction.</p>	<ul style="list-style-type: none"> Improved information sets on poverty leading to appropriate policy responses 	<ul style="list-style-type: none"> Antipoverty national, state, and external assistance policies and programs 	<p>Assumptions</p> <ul style="list-style-type: none"> Suggested sector policies and programs are implemented according to monitoring findings. External assistance agencies will provide recommended support. Government continues to pursue the policy of reducing poverty.
<p>3. Outputs</p> <p>Participatory poverty assessment (PPA) completed</p> <p>Assessment of poverty monitoring completed</p> <p>Strategy at provincial level for poverty monitoring developed</p> <p>Quantitative assessment of impact of infrastructure development and trade on poverty incidence completed</p>	<ul style="list-style-type: none"> Report detailing PPA findings finalized and submitted by March 2006 Poverty monitoring analysis completed by December 2005 Strategy developed, discussed and submitted by December 2005 As an analytical study, performance will be assessed through quality of the monitoring mechanisms. 	<ul style="list-style-type: none"> Interim report, draft final and final reports Draft final and final reports Draft final and final reports Interim report, draft final, and final reports 	<p>Assumptions</p> <ul style="list-style-type: none"> Technical assistance (TA) stakeholders—Government, communities, community-based organizations, nongovernment organizations, bilateral and multilateral agencies will cooperate with TA team Government will supply all necessary data as required.
<p>4. Activities</p> <p>4.1 Subnational poverty monitoring and training capacity building</p> <p>(i) Develop and implement training of government officials at provincial and district levels on participatory monitoring techniques</p>	<ul style="list-style-type: none"> Start: March 2005 Complete: August 2005 Responsibility: Participatory assessment specialist 	<p>Consultant's bimonthly report</p>	<p>Activity Level</p> <p>Assumptions</p> <ul style="list-style-type: none"> Strong commitment of Government officials at national, provincial, and district levels

Cleared by:

Paul V. Turner
Director, MKOC

Rajat M. Nag
Director General, MKRD

Continued on next page

Design Summary	Performance Indicators and Targets	Monitoring Mechanism	Assumptions and Risks
<p>(ii) Formulate and update training modules/ handbooks for provincial and district authority on participatory monitoring</p> <p>(iii) Conduct PPA</p> <p>4.2 Impact of Infrastructure Development and Trade on Poverty Incidence</p> <p>(i) Select relevant project, develop analytical framework and build database</p> <p>(ii) Implement model and conduct sensitivity analysis</p>	<ul style="list-style-type: none"> • Start: May 2005 Complete: October 2005 Responsibility: Participatory assessment specialist • Start: March 2005 Complete: August 2005 Responsibility: Participatory assessment specialist • Start: March 2005 Complete: April 2005 Responsibility: Social and economic impact of projects specialist • Start: April 2005 Complete: May 2005 Responsibility: Social and economic impact of projects specialist 	<p>Consultant's bimonthly report</p> <p>Consultant's bimonthly report</p> <p>Interim, draft, and final reports</p>	<ul style="list-style-type: none"> • Relevant staff are available for the training courses, and the Government and EAs are able to retain staff after training. <p>Government will supply all necessary data as required.</p>
<p>5. Inputs</p> <p>Consulting Services</p> <p>Equipment</p> <p>Workshops and Seminars</p>	<p>\$330,000</p> <p>\$10,000</p> <p>\$10,000</p>	<p>Interim, draft, and final reports</p>	<p>Assumptions</p> <p>Appropriate individuals are contracted in a timely manner to implement TA activities</p>

Cleared by: _____
Paul V. Turner
Director, MKOC

Rajat M. Nag
Director General, MKRD

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank (ADB) Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	266.0	0.0	266.0
ii. Domestic Consultant	0.0	45.0	45.0
b. International Travel	17.0	0.0	17.0
c. Local Travel	0.0	2.0	2.0
2. Office Facilities and Equipment			
a. Computer	5.0	0.0	5.0
b. Software	2.0	0.0	2.0
c. Audiovisual Equipment	3.0	0.0	3.0
3. Workshops, Seminars, Trainings	0.0	10.0	10.0
4. Communications, Translation, and Reports	0.0	2.0	2.0
5. Miscellaneous TA Administration and Support	3.0	5.0	8.0
6. Contingencies	30.0	10.0	40.0
Subtotal (A)	326.0	74.0	400.0
B. Government Financing			
1. Counterpart Staff	0.0	30.0	30.0
2. Office Accommodation	0.0	30.0	30.0
3. Support for Field Work (Provincial Officials)	0.0	10.0	10.0
Subtotal (B)	0.0	70.0	70.0
Total	326.0	144.0	470.0

TA = technical assistance.

^a Financed by ADB's TA funding program.

Source: ADB estimates.

OUTLINE TERM OF REFERENCE FOR CONSULTING SERVICES

1. The consultants will work closely with the staff of the National Statistics Centre (NSC), the Executing Agency of this technical assistance (TA). An international consultant serving as the team leader will be responsible for overall quality of the work, and for consolidating the findings and preparing timely reports. The final report will be jointly published with the World Bank and NSC.

A. Participatory Social Development Specialist (12-person months)

2. The specialist, in cooperation with NSC, will have the following responsibilities:
- (i) Building upon the pilot test in the first phase of the TA, undertake a systematic upgrading of methodologies in field research at the central and provincial levels with particular emphasis on qualitative and quantitative socioeconomic assessment and measurement. This will include preparation of handbooks and guidelines for training in methods of social research; concept formulation, and the design of questionnaires and poverty assessment and monitoring instruments; site selection procedures; compilation of data; content analysis, measurement and coding, inference, and validation; secondary analysis of existing data; data management; and the report writing process.
 - (ii) Conduct training for provincial officials in field methods, including rapid and participatory appraisal, the implementation of socioeconomic assessment, interviewing techniques, sociological and anthropological considerations, and general participatory considerations in statistical field research.
 - (iii) Expand the provincial pilot testing in qualitative poverty assessment undertaken in the first phase to include new districts, particularly those identified as poor in the National Growth and Poverty Eradication Strategy, making changes to the design of the qualitative poverty assessment as deemed necessary; to support and complement quantitative socioeconomic or expenditure and consumption household surveys.
 - (iv) Organize participatory consultation training and dissemination workshops at the central, provincial, and district levels.
 - (v) Establish ongoing contacts with other government institutions and institutes, international organizations, and nongovernment organizations to ensure wide dissemination and awareness of poverty monitoring activities, including the publication of a periodic newsletter.
 - (vi) Prepare, in cooperation with NSC, presentations of survey results that will meet international standards in socioeconomic reporting and publication.
 - (vii) Formulate, in cooperation with NSC, a social and geographic targeting system for poverty reduction programs based upon provincial survey and assessment results.
 - (viii) Prepare inception, interim, and final reports.

B. Domestic Consultant on Participatory Social Development/Rural Development Specialist (12-person months)

3. The consultant will have the following responsibilities:

- (i) Provide advice and assistance to the international consultants to facilitate their tasks in the institutional strengthening for NSC's research capacity, and ensure the general continuity and momentum of the TA.
- (ii) Assist NSC to strengthen its institutional capacity to design and implement qualitative poverty assessments, to support and complement qualitative socioeconomic, or expenditure and consumption-based household surveys.
- (iii) Provide assistance to NSC in systematically upgrading their methodologies of field research with particular emphasis on qualitative and quantitative socioeconomic assessment. This will include training in the methods of social research, design of questionnaires and poverty assessment and monitoring instruments, compilation of data, and the analysis and management of assessment data.
- (iv) Help NSC train field personnel in the implementation of socioeconomic assessment, including interviewing techniques, sociological and anthropological considerations, and general participatory considerations in statistical economic research.
- (v) Assist in the organization of participatory consultation training and dissemination workshops at the central, provincial, and district levels.
- (vi) Help NSC apply survey and assessment results in the development of a social and geographic targeting system for poverty reduction programs.

C. Economic and Social Impact of Projects Specialist (4-person months)

4. The consultant undertaking the analysis of the impact of infrastructure development and trade on poverty incidence will have the following responsibilities:

- (i) Identify a suitable ADB infrastructure project that would suit the objectives of the analysis.
- (ii) Compile a comprehensive database from consumption and expenditure surveys, supplemented with data from secondary sources, for the purposes of the analysis; sufficient data on the relevant variables should be available pre- and post-project completion to ensure that the results are robust.
- (iii) Develop an analytical framework that allows testing of the relationships that link infrastructure development to trade to economic and social changes.
- (iv) Specify quantitative models employing multiple regression analysis to test the relationships derived from the analytical framework.
- (v) Implement these models to derive quantitative assessments of the impact of infrastructure development and trade on a range of social and economic indicators of well-being.
- (vi) Conduct sensitivity analysis to assess the robustness of the results obtained.
- (vii) Prepare inception, interim, and final reports.

D. Domestic Consultant on Economic and Social Impact of Projects (3-person months)

5. The consultant will have the following responsibilities:

- (i) Provide advice and assistance to the international consultant in the preparation of the database.
- (ii) Liaise with NSC and other relevant agencies in obtaining the data and ensuring quality control.
- (iii) Help the international consultant tabulate the database.
- (iv) Assist the international consultant in identifying a suitable ADB infrastructure project that would suit the objectives of the analysis.
- (v) Provide other assistance to the international consultant as required, consistent with the objectives of the exercise.