I. INTRODUCTION

2. During the period 1990–2005, the Asian Development Bank (ADB) has approved 31 microfinance projects and 20 projects with microfinance components. These projects amounted to $943 million in loans and $6 million in grants in 16 developing member countries (DMCs). Of the 31 projects approved for microfinance activities, 15 (or 48%) were approved during the period 2000–2005. These projects amounted to $492 million (or 59%) of the total loan and grant projects approved since 1990. All these indicate a growing interest on microfinance in development projects and activities of ADB.

3. In 2002, ADB’s Microfinance Strategy was approved by the Board of Directors. Since then, projects with greater focus on microfinance have been initiated and completed, making it possible to review the effects of these projects on rural poor households and the socioeconomic status of women. In view of the envisioned overall review of the microfinance strategy in 2007, it is also an opportune time to assess ADB’s experience in microfinance as a development tool for reducing poverty and improving the status of women.

II. OBJECTIVES

4. The main objective of the study is to assess, through real experiences in ADB projects, the extent to which microfinance services have reduced poverty among rural poor households and improved the economic and social status of women in ADB’s DMCs.

5. The specific objectives of the study are to:

   (i) determine the effectiveness of ADB microfinance projects in reducing poverty of rural poor households and in changing the socioeconomic status of poor women;

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determine the extent to which the project design and implementation of ADB microfinance projects have mainstreamed improving the status of women;

(iii) draw out the lessons from ADB’s experience in reaching rural poor households and poor women with microfinance services; and

(iv) draw out the implications of the lessons to ADB’s current and future directions for microfinance.

III. SCOPE OF THE EVALUATION

6. The study will review the impact of selected microfinance projects completed since 1995 in three DMCs with different economic and social characteristics to capture the results of projects which were still ongoing during the 1999 review of ADB’s microfinance portfolio, the impact evaluation of 2001, and those that were approved since the publication of the Microfinance Strategy. The focus of the evaluation study will be on rural poor households and women.

7. Three countries (Philippines, Bangladesh, and Uzbekistan) representing three of the five operational regions of the ADB have been selected in order to represent DMCs at different levels of development. Gender assessments in these countries will provide the study a documented baseline on the status of women. Further, much can be learned from the significant microfinance projects, at present or in recent past, supported by ADB in these countries.

8. The Philippines has been selected as an example of a long-established Southeast Asian country with an open capitalist economy and long history of rural and microfinance. It was also selected for its successful experience with microfinance both in earlier projects and through the Rural Microenterprise Finance Project (RMFP), for which 97% of the client borrowers were women and which has been rated as highly successful by a recently completed project completion report. Key inputs for the Philippines study will be obtained from the project performance evaluation report (PPER) recently completed by the Operations Evaluation Department (OED).

9. Bangladesh, as a leader in the development of microfinance, has been chosen as an example of an established South Asian DMC that has a long history with ADB on projects that support microfinance activities. During the period 1990 to 2005, ADB has approved loans for Bangladesh in the amount of $116 million for microfinance projects and $14.3 million for projects with microfinance components. With Bangladesh still being one of the world’s poorest nations (with average gross domestic product per capita only marginally higher than the dollar-a-day international poverty standard) and women remaining vulnerable to poverty (having limited access to economic resources, political participation, and other forms of decision-making), there is strong justification for the inclusion of Bangladesh in the study’s coverage. The study will be looking into two microfinance projects in Bangladesh—the Participatory Livestock Development Project, completed in July 2003; and the still ongoing Rural Livelihood Project.

10. Finally, Uzbekistan was chosen to represent the DMCs in Central Asia and to provide an example of a project approved after the release of ADB’s microfinance strategy. On 20

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3 The PPER for RMFP was completed in May 2006.

4 Loan 1524-BAN(SF): Participatory Livestock Development Project, for $19.7 million, approved 19 June 1997; and Loan 1634-BAN: Rural Livelihood Project, for $42.26 million, approved 29 September 1998.
December 2002, ADB approved a $20 million loan to help provide microfinance services to poor households, microenterprises, and small businesses in Uzbekistan. Uzbekistan’s financial sector remains small and underdeveloped with limited capacity to provide financial support to micro and small enterprises (MSEs) and to poor households, particularly in isolated areas. The project was envisioned to mobilize savings and provide the poor with financial services to set up MSEs which are critical in supporting the country’s transition to a market economy and reducing poverty.

11. The study shall, first, provide an overview of the ADB’s microfinance operations in terms of the scale, composition, and selected characteristics of its microfinance portfolio. Secondly, a review of ADB’s microfinance operations in the three countries will be undertaken focusing on the extent project design in these countries have mainstreamed improving the status of women. Performance of these projects in terms of effectiveness in reaching their targeted groups and the effects of these projects on women will be evaluated. Third, the study will measure the poverty impact of microfinance on rural poor households and the status of women. In view of the costs, time, and the detailed process involved in conducting impact surveys, the RMFP in the Philippines will be selected for the impact assessment at the household and/or client level. It is envisioned that the assessment will illustrate the quantitative impact of an ADB microfinance project on poor households and women—the results of which will contribute to a better understanding of microfinance. While this quantitative impact assessment will be implemented in only one country, the profile of poor households and women in three countries will nonetheless be collected and analyzed through the use of sample surveys in each country. Data gathered from these surveys will also be used to determine if projects have indeed been effective in reaching target groups covered by the study.

IV. CONCEPTUAL FRAMEWORK

A. ADB’s Microfinance Operations

12. ADB’s basic framework for supporting microfinance activities in DMCs is embodied in its Microfinance Strategy of 2000. The role envisaged by ADB in the strategy is to catalyze the expansion of the supply of microfinance services and to strengthen the capacity of potential clients to access the services. On the supply side, the strategy focuses on building financial systems that can grow and provide financial services on a permanent basis to an increasing proportion of the poor, as well as the promotion of pro-poor innovations. On the demand side, the strategy supports investments in social intermediation to make access to financial services more readily available, especially to poor women. The strategy emphasizes selectivity in the application due to constraints on ADB’s resources for microfinance, the various stages of microfinance development in DMCs, and the relative priority of microfinance in the context of ADB’s overall strategy for poverty reduction and country operational strategies.

13. The purpose of ADB’s Microfinance Strategy is to support the development of sustainable microfinance that can provide high quality services to low-income households and their microenterprises. To ensure poor households with permanent access to financial services, the strategy focuses on:

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6 Stimulated by criticism by the Non-government Organization (NGO) Center for Global Development, the subject of impact evaluation is currently a “hot topic” in the development community. OED needs to increase the proportion of rigorous impact evaluations within its work program and this study will help meet this need.
(i) creating a policy environment conducive to microfinance,
(ii) developing financial infrastructure,
(iii) building viable institutions,
(iv) supporting pro-poor innovations, and
(v) supporting social intermediation.

14. The overwhelming concentration of the poor in the rural areas justifies ADB’s focus on this sector. In particular, women make up a significant proportion of the poor and suffer disproportionately from poverty. However, the huge demand in the region for institutional microfinance cannot be met by ADB and other agencies either individually or as group. The strategy thus emphasizes that ADB’s support be (i) catalytic, (ii) selective, and (iii) concentrated in rural areas without ignoring urban areas.

15. Poverty reduction and improving the status of women are common primary or secondary objectives in most microfinance projects financed by ADB. Very often, the main targets of these projects are the rural poor households and women. It is therefore important that the impact of ADB’s microfinance operations on these target groups (rural poor households and women) is objectively assessed to determine if the development objectives of poverty reduction and promoting the socio-economic welfare of women are being achieved. Further, since some projects (focusing on microfinance and on women) initiated after the release of the Microfinance Strategy in 2000 have already reached completion, it is thus possible to review the results of these projects particularly in relation to their development goals of reducing poverty among rural households and in effecting change in the socio-economic status of women.

16. Two important concerns regarding ADB’s microfinance operations are highlighted in this study. The first lies on how well the project design of ADB microfinance projects have mainstreamed improving the status of women. Given that improving the status of women is one of ADB’s five strategic development themes, microfinance activities are among the specific avenues for furthering the Gender and Development (GAD) objectives of ADB operations. Hence, project design and monitoring frameworks have to be examined to determine if improving the status of women has indeed been incorporated in microfinance projects. Second, it is important to determine the effectiveness of microfinance projects in reaching rural poor households and women as target groups. Specific questions that need to be answered are: Did projects reach large numbers of rural poor households and women as intended? Were there limitations in reaching these target groups? What measures are required to ensure a high level of women’s participation?

17. In terms of the implications on ADB’s microfinance operations, the following questions will be asked in the study:

   (i) What lessons can be drawn from ADB’s experience in reaching rural poor households and women with microfinance services?
   (ii) Which of these lessons can be incorporated into the review of the Microfinance Strategy planned for 2007?
   (iii) What has been the experience of other funding agencies in implementing similar projects? How do these experiences compare with ADB’s own experience?
B. Impact on Households

18. The impact of microfinance operations on households will be measured based on household income, consumption expenditures, assets, household savings, and other household welfare indicators such as education and health. Impact on household welfare will be measured both by expenditures levels (e.g., expenditure per capita on education and health) as well as final outcomes—such as school attendance rates and/or rate of absences for school-age children for education; and morbidity incidence, health seeking behavior, vaccination rates in the case of health.

19. The impact on women, on the other hand, will be measured in two ways. The first is through estimation of relevant causal relationships with sex-disaggregation. The second is by estimating relationships for gender-related outcomes such as personal income and savings, control over use of money earned, ownership and control over household assets, participation in decision making, increased mobility, and involvement in community affairs. The evaluation will consider that all these outcomes are a product of individual, household, and community characteristics and not just by microfinance interventions. Hence, appropriate controls for all of these other determinants will be done.

20. A household survey will be conducted to generate information needed for measuring household impact. To be able to appropriately measure impact, the survey will cover both treatment and control households employing quasi-experimental design. In addition, appropriate econometric estimation techniques will be applied in quantitatively measuring impact (Section V.D).

21. Figure 1 summarizes graphically the framework for assessing impact on poor households and status of women.

C. Effect on the Status of Women

22. Women in poor households are often the target of microfinance programs. The premises behind such targeting are two-fold: (i) microfinance is an effective tool in improving women’s status, and (ii) overall household welfare is likely to be higher when microfinance is provided to women rather than men. The following outlines the interaction of women’s status, household welfare, and microfinance.8

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Figure 1:
Summary Framework for Evaluating Effects of ADB’s Microfinance Operations on Poor Households and Status of Women
Draft

- What's The Impact?
  - Household
    - Income
    - Expenditures/Consumption
    - Assets
    - Economic Security
      - Housing
      - Education
      - Food Security
    - Poverty Gap
  - Microenterprise
    - Net Profits
    - Business Assets
    - Employment
    - Intermediate Variables

- Gender Disaggregation of Impact
  - Women
  - Men

- Women Status
  - Personal Income
  - Control over use of money earned
  - Assets owned and controlled
  - Savings
  - Participation in decision-making
  - Increased mobility
  - Self-confidence and self-esteem
  - Involvement and status in community
  - Relations in the family
  - Etc.

- Men
  
How are the results and impact on women different from that of men?

ADB → DMC → MF Projects →
- Policies
- Strategies

Microfinance Services
Credit
- Savings
- Other Financial Services
Non-Financial
- Social mobilization
- Others
(i) Women are thought to make better borrowers than men. Evidence shows that relative to male borrowers, women perform better in repaying loans.9

(ii) Women’s preferences regarding household business management and household consumption goals differ from men’s.10 Additional resources in the hands of women materially affect both the quality of investments financed by the microfinance programs and how extra income is spent. Evidence also shows that women tend to be more concerned about children’s health and education, and are, therefore, likely to channel more resources for household food and non-food expenditures than men.11

(iii) The status of a woman in the household is linked to how well she is able to enforce command over available resources. Increased ability to tap financial resources independently enhances her control and influence in household decision making processes.

(iv) Microenterprises newly financed by microfinance opens an important social platform for women to interact with markets and other social institutions outside the household, enabling them to gain useful knowledge and social capital. Group formation in many microfinance programs does not only reduce transactions costs in credit delivery but also assists women in building and making effective use of these opportunities.

(v) Microfinance programs that are designed to cover all costs benefit both women and the supplier of microfinance services. In this regard, development goals related to women’s empowerment and improved household welfare are self-financing, with no subsidies required.

23. These interactions point to the significant potential of microfinance in contributing to women’s economic and social empowerment. Often, it has been assumed that increasing women’s access to microfinance services will in itself lead to individual economic empowerment by enabling women’s decisions about savings and credit use, enabling women to set up microenterprise, and increasing incomes under their control. It is then assumed that this increased economic empowerment will lead to the increased well-being of women and to social and even political empowerment.

24. Unfortunately, positive empowerment effects are not necessarily an automatic consequence of microfinance. Women empowerment is a complex process of change that goes much further than women’s access to microfinance services or increase in income.12 In male dominated societies, men may use women to gain access to microfinance funds, diminishing women’s role to being mere conduits of cash. Women may have limited control over their income and what little income they earn may substitute for former male household contributions, as men retain more of their earnings for their own use. Further, expenditure decisions may continue to prioritize men and male children, while daughters or daughters-in-law bear the brunt of unpaid domestic work. Furthermore, women may invest in existing activities which are low profit and insecure and/or in their husband’s activities, resulting in limited effect on income.

10 More pronounced particularly in societies with severe gender bias.
25. Disempowerment may even take place among women participants in microfinance programs. Payments on loans and micro-insurance divert resources which might otherwise go towards necessary consumption or investment. The responsibility for loans and savings on the shoulders of women may absolve men of responsibility for the household. Further, where microfinance programs use group meetings only for savings and credit, women's precious time for work and leisure are used up, cutting program costs but not necessarily women.

26. Empowerment, therefore, goes much further than either women's access to financial services or to household level poverty reduction. Poverty alleviation as measured by increased income is not sufficient for women's empowerment because intra-household inequalities constrain women from enjoying benefits of the increase, even when they are the major contributors.

27. Given these issues and nuances in assessing the socioeconomic effects of microfinance on women, the following key questions will be the main concerns of the study:

(i) What have been the effects on the socioeconomic status of women from participation in the project?
(ii) Were there factors that constrained improvement of women's status after project participation? What were these factors?
(iv) What is the impact of savings and credit on women's role in economic decision-making in the household? How can impact be increased?
(v) Are there cross-country, cross-regional, or cross cultural factors that affect the success of microfinance projects targeted at women?
(vi) Were there cultural or other factors which impeded the success of the project to the financial products provided by the project?
(vii) Have microfinance projects that focus on women operated in a sustainable environment or contributed to bringing about such an environment?
(viii) On the basis of experience with these projects, what role should ADB play in promoting access to finance in order to improve the economic and social status of poor women?
(ix) What type of support is required over and above access to finance that would ensure success of the project and individual women's enterprises?

V. METHODOLOGY

A. Tools

1. Qualitative Tools

28. The following participatory appraisal and self learning tools will be used by the study:

(i) *Time Series of Asset Acquisition and Ownership*. This tool will be used to compare women's ownership of key assets before and after joining the program.
(ii) *Household Generation, Receipt, and Spending Cash Analysis*. This tool will be used to determine which sources of income are generated, received, and spent by men, by women, by both, and why.
(iii) *Expenditure and Saving to Meet Expenditure Analysis*. This tool will be used to determine which sources of income are generated, received, and spent by men, by women, by both, and why.
(iv) **Women Empowerment.** This is an in-depth participatory self-learning activity designed for women clients who have participated in the program for more than 2 years. The purpose of this tool is to determine to what extent clients have been empowered in terms of economic and social status, and household decision-making while participating in the program.

29. These tools will be implemented in a workshop format wherein clients actively participate in a self-learning process. The size of these workshop groups would range from 5 to 10 participants. Focus group discussions/workshops for each tool in each country will be undertaken for the qualitative component. In summary:

- **Philippines**
  - 3 workshops per tool x 4 tools = 12 workshops
- **Bangladesh**
  - 3 workshops per tool x 4 tools = 12 workshops
- **Uzbekistan**
  - 2 workshops per tool x 4 tools = 8 workshops

  Total No. of Workshops for 3 countries = 32 workshops

2. **Quantitative Tools**

30. The methodology presented here duly considers that only a one-round survey is feasible for the study.¹³

31. To quantitatively measure the impact of the microfinance operations on household outcomes, semi-reduced form equations causally relating household outcomes with treatment variables (microfinance services indicators) will be estimated. Known sources of bias identified in the literature such as sample selection, non-random program placement, and dropout bias will be dealt with through a combination of appropriately choosing control households and econometric estimation techniques. The estimation will likewise control for the underlying household and community characteristics. The particulars of the estimation procedure are given in Section D below.

32. The data that will be used in the estimation will be generated by a well-designed household survey questionnaire. The sampling design of the survey will reflect the implementation characteristics of the RMFP.

33. The household survey questionnaire shall include a component that would depict the socioeconomic profile of sample program participants. This component will be used in all countries that will be covered by the study to provide information on the effectiveness of projects in reaching their target groups. The data gathered from this component will also provide comparison between and among countries covered by the study.

¹³ Initial attempts to get the data from the RMFP 2002 impact survey yielded negative results. It was also determined that going back to the households surveyed earlier maybe too difficult and hence too costly which the evaluation has not budgeted for.
B. Data Requirements and Indicators

1. Household

34. It is well-known that the household outcomes of interest in this study are a product not only of the intervention variable of interest and microfinance services, but also of a host of individual, household, and community characteristics. Thus, data requirements for the study will cover all these variables.

35. The outcome indicators will include: (i) household income (broken down by source and who contributed); (ii) household consumption expenditures (broken down into major components such as food, education, health, etc.); (iii) measures of savings; (iv) education indicators such as school attendance and absences by school-age children; (v) health indicators such as morbidity incidence by household members, health seeking behavior, and immunization; and (vi) gender indicators such as percentage of women clients with increased capacity to meet basic needs and to invest in fixed assets, percentage of women clients with increased asset ownership, etc.

36. The exogenous variables will include: (i) individual characteristics such as age, sex, education, marital status; (ii) household characteristics such as size, age structure, household assets, and housing characteristics; (iii) village characteristics such as service availability (electricity, school facilities, health facilities, financial services, accessibility indicators, urbanity); and particulars on Grameen Bank approach replicator (GBAR) operations relevant to the performance of the program; (iv) treatment variables such as membership in GBARs, loan characteristics (amount, number of cycles, months since first loan, etc.). Thus, the usual household roster will be included in the questionnaire. Individual loan particulars will also be gathered.

2. Intra-Household

37. Information on intra-household relations are mainly qualitative and will be secured primarily through the use of qualitative tools. Information will be gathered from microfinance clients to answer the questions raised in Section IV.C above. The focus of information that will be gathered is to determine the impact of microfinance services on the decision-making in the household, sharing of resources, and economic status. Specifically, the intra-household dynamics will be analyzed in the context of income flows: generation, receipt, and spending of cash. This will determine the level of involvement of women clients in generating, receiving, and spending cash before and after joining the program. The intra-household relations will be analyzed in the context of expenditure and savings patterns. This will determine if there is any change in the role of men and women in taking responsibility for saving to meet various expenditures and for making different expenditures before and after joining the program.
C. Survey Design and Sample Procedure

38. The target population of RMFP is poor households satisfying specific criteria, generally described as poor households, based on well-defined means tests. Given recent poverty estimates, this would mean the bottom 40% of the population.

39. The study uses a quasi-experimental design utilizing new members who have not yet availed of loans as controls. Thus, the eligibility of GBARs will depend on their having suitable expansion areas. These areas should be different from existing areas with member-households already identified but have yet to avail of loans. In addition, another eligibility criterion for GBARs is that for the treatment group, an appropriate set of dropouts proportional to the dropout rate should also be available for the survey to control for the dropout bias.

40. The sampling design will consider the structure of the RMFP implementation. In particular, it will consider the distribution of GBARs by geographical location (e.g., Luzon, Visayas, Mindanao) and by type (cooperative/rural banks, cooperatives, and nongovernment organizations [NGOs]). These will be used as stratification variables since it is expected that each type of GBARs may be comfortable working with and/or target specific types of clients. In particular, the country will be divided into nine sampling strata in a two-stage sampling scheme. The first stage will be the island groups (Luzon, Visayas, Mindanao) and the second stage, the types of GBARs (Rural/Cooperative Bank, Cooperatives, NGOs) (Figure 2). The primary sampling units will be the GBAR branches consisting of approximately 1,500 to 2,000 clients per branch. It is envisioned that there will be 100 sample households per strata (50 for each of the treatment and control groups). Simple random sampling of households will be applied within each eligible GBAR selected. The number of branches for each type will be proportional to the number of clients served. An illustrative sampling allocation is provided in Table 1. This uses an allocation of 1,000 households for Luzon and 600 each for Visayas and Mindanao (a total of 2,200 sample households). Given the 100 household per sampling branch, this would mean 10 branches for Luzon and six branches for each of Visayas and Mindanao allocated to each type of GBAR according to the number of clients served.

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14 The means test is a simplified household survey to determine poverty levels of households. A composite score is derived from the test to rank households. In the RMFP, microfinance institutions are required to use an approved means test in targeting the poor.


18 From the 2003 Family Income and Expenditures Survey (FIES) the average income of the bottom 40% (the target clients of the program) is P48,633 with standard deviation of 16,520. Using the sampling formula of \( n = \frac{z^2 \sigma^2}{L^2} \), where \( L \) is the acceptable error set at 10% and 95% confidence limits, this implies a sample of 44. Thus a sample of 50 per sampling would be sufficient.
The three islands treated as separate sampling areas

Eligible branches of GBARs randomly selected by type of GBAR

Households selected randomly from list provided by GBAR

GBAR = Grameen Bank approach replicator, NGO = nongovernment organization.

Table 1: Illustrative Sampling Allocation

<table>
<thead>
<tr>
<th>Area</th>
<th>Type of GBAR</th>
<th>Assumed % of No. of Clients</th>
<th>Distribution by % of Outstanding Loansa</th>
<th>No. of branches</th>
<th>No. of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luzon</td>
<td>Bank</td>
<td>45</td>
<td>61</td>
<td>6</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>Cooperative</td>
<td></td>
<td>13</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>NGO</td>
<td></td>
<td>26</td>
<td>3</td>
<td>300</td>
</tr>
<tr>
<td>Visayas</td>
<td>Bank</td>
<td>27</td>
<td>61</td>
<td>4</td>
<td>600</td>
</tr>
<tr>
<td></td>
<td>Cooperative</td>
<td></td>
<td>13</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>NGO</td>
<td></td>
<td>26</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>Mindanao</td>
<td>Bank</td>
<td>27</td>
<td>61</td>
<td>4</td>
<td>600</td>
</tr>
<tr>
<td></td>
<td>Cooperative</td>
<td></td>
<td>13</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>NGO</td>
<td></td>
<td>26</td>
<td>1</td>
<td>100</td>
</tr>
</tbody>
</table>

Total 1,725,322b 2,200

GBAR = Grameen Bank approach replicator, NGO = nongovernmental organization, No. = number.
a Distribution of outstanding loans for whole country as of 2005; will be replaced by client households when this will become available from PCFC.
b Estimated number of active clients as of 2005.
41. Since the study is designed to capture the impact on RMFP clients which was implemented from 1997 to 2002, the desired treatment households must be those that are with the program for at least 4 years and had five loan cycles.

42. The information on the total outreach of the RMFP is expected to be provided by the People’s Credit and Finance Corporation. However, the determination of and information on eligible branches may be known only at the GBAR level. It is even likely that the list of clients from where the actual household selection will be done may only be available at the branch level.

D. Estimation Procedures

43. To be able to quantitatively measure the impact of variables of interest and microfinance services on household outcomes, the estimation procedure will utilize semi-reduced form equations\(^ {19}\) for household \(i\) in village \(j\) of the form:

\[
Y_{ij} = \beta_1X_{ij} + \beta_2V_j + \beta_3M_{ij} + \beta_4T_{ij} + \varepsilon_{ij}
\]

Where:

- \(Y_{ij}\) = household outcome of interest
- \(X_{ij}\) = household characteristics
- \(V_j\) = village characteristics
- \(M_{ij}\) = membership dummy
- \(T_{ij}\) = treatment variable

44. Except for explicit consideration for dropouts\(^ {20}\) in the sample, this is identical to the formulation (footnote 15) that employed an identical evaluation strategy. As argued in Coleman (footnote 15[i]) the coefficient of \(T_{ij}\) measures the impact of microfinance operations on household outcomes \(Y_{ij}\). The treatment variable can be expressed in different measures of program participation, e.g.: (i) have availed of microfinance services, (ii) total amount of loans, (iii) number of loans cycles the household has borrowed, (iv) number of months since first borrowed.

45. The three known sources of bias in evaluating the impact of microfinance services using new members as controls are all covered in the above specification. Sample selection is controlled for by using appropriate controls—new members that have yet to avail of microfinance services (footnote 15[i]). Coleman (footnote 15[i]) has shown that not controlling for sample selection inflates the impact of microfinance services. Endogenous program placement, on the other hand, is controlled by village characteristics \(V_j\) or fixed effects estimation (Khandker, 1998). Dropout bias is controlled by including an appropriate number of randomly selected households that have dropped out of the program (both for reasons of graduation and problems with repayments) in the treatment group as recommended in Karlan (footnote 16).

\(^{19}\) See Khandker, Shahidur R. 1998. Fighting Poverty with Microcredit. Oxford University Press and World Bank for a description of how this semi-reduced form equation is derived from a household maximization procedure.

\(^{20}\) Dropout is expected to be an endogenous household decision and, hence, cannot be included in the explanatory variables without appropriate instruments. Explicit consideration of an appropriate number of dropout households (both for reasons of graduation or repayment problems), however, controls for dropout bias (footnote 16) in the estimation.
46. Given the survey design and that the right hand side variables are all exogenous, the equation can be estimated using ordinary least squares for continuous variable outcomes or probit or logit for discrete variable outcomes.

E. ADB Microfinance Operations

47. Documents produced by ADB will be reviewed to assess the effectiveness of project design in reaching poor households and women. Among others, these would include the report and recommendation of the President to the Board of Directors, project performance reports, project completion reports and PPERs, and Country Gender Assessments. Sample progress reports of Executing Agencies and interviews with ADB staff will be conducted to gather information necessary for the study. Pertinent studies and documents produced by other agencies implementing similar projects will also be reviewed.

48. NGOs and microfinance practitioners shall be invited to participate in focus group discussions to gather their views and experiences with ADB-supported microfinance projects. The main focus of these discussions is on the effectiveness of projects in reaching poor households and effecting change in the socioeconomic status of women through the provision of microfinance services. Policy issues would also be discussed with gender representatives for the countries concerned at the ADB resident missions and within headquarters.

49. Further, the review shall include the experience of other funding agencies in supporting microfinance operations that focus on women. To the extent possible, ADB-financed microfinance projects shall be benchmarked with those financed by other funding agencies, such as the World Bank, International Fund for Agricultural Development, NGOs, etc. The Operations Evaluation Mission will exchange information with these agencies while conducting the study.

F. Schedule

48. The following schedule will be observed in conducting the study:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-testing of questionnaires and tools</td>
<td>28 July 2006</td>
</tr>
<tr>
<td>Final questionnaire and assessment tools</td>
<td>7 August 2006</td>
</tr>
<tr>
<td>Preparations for field survey/work</td>
<td>7–19 August 2006</td>
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<tr>
<td>Actual field survey and interviews in Philippines</td>
<td>21 Aug–20 Sept 2006</td>
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<tr>
<td>Mission Visit in Bangladesh and Uzbekistan (first)</td>
<td>3–14 October 2006</td>
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<tr>
<td>Mission Visit in Bangladesh and Uzbekistan (second)</td>
<td>3–15 December 2006</td>
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<tr>
<td>Submission to DG, OED</td>
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Title  
Special Evaluation Study on the Effect of ADB Microfinance Operations on Rural Poor Households and Status of Women  
Proposed Evaluation Approach

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I. BACKGROUND

A. Overview of Asian Development Bank’s Microfinance Portfolio

1. During 1990–2005, the Asian Development Bank (ADB) approved 31 microfinance projects and 20 projects with microfinance components. These projects amounted to $943 million in loans and $6 million in grants to support microfinance operations activities in 16 developing member countries (DMCs). The Philippines had the largest share in the total amount of microfinance projects approved, i.e., at 26%. Other countries that had significant shares were Pakistan (18%), Bangladesh (14%), and Indonesia (13%). In terms of projects with microfinance components, Indonesia had the largest share at 31%, Pakistan had 28%, Bangladesh at 12%, while Nepal had 11%.

2. During the period 2000 to 2005, 15 (or 48%) of the 31 microfinance projects were approved. These projects amounted to $492 million (or 59%) of the total loan and grant projects approved for microfinance since 1990. Throughout the 1990s, only nine projects with microfinance components were approved by ADB. Compared to the period 2000 to 2003, there were 11 projects with microfinance components approved in a period of 4 years. These trends in the total number of projects and total amount of loans approved for microfinance indicate the growing interest and attention given on microfinance in development projects and activities of ADB.

3. Since 1990, there have been three types of lending for microfinance:

(i) lending in favor and support of a specific investment project with clearly stated aims and objectives such as the Bangladesh Participatory Livestock Development Project, the Bangladesh Northwest Crop Diversification Project, or the Nepal Community Groundwater Irrigation Sector Project. This type of lending has a long

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1 See Appendix 1, Table A1.1. These projects do not include technical assistance (TA) to support microfinance activities in DMCs.
3 Loan 1782-BAN: Bangladesh Northwest Crop Diversification Project, for $46.3 million, approved 21 November 2000.
history among ADB projects especially in the agriculture and rural development sectors;

(ii) general credit lines which provide financing for a wide range of activities with only a broad definition or limitation such as the Viet Nam Rural Enterprise Finance Project.\(^5\) Such projects normally work through a recognized existing financial institution and may or may not include a degree of institution building and policy dialogue. This kind of project has also been part of ADB’s portfolio for a long time; and

(iii) projects designed to expressly promote microfinance in a holistic manner as an end in itself and as a tool for poverty reduction in furtherance of ADB’s poverty reduction strategy. These are the most recent additions to ADB’s rural finance and microfinance portfolio.

4. As of 31 December 2005, the total microfinance portfolio of ADB was $662.69 million. This amount includes $352.81 million of loans from ADB’s concessional Asian Development Fund, and $301.38 from Ordinary Capital Resources. The portfolio also includes a $4.0 million grant from the Trust Fund for East Timor; a $2.0 million grant for the restoration of microenterprise and microfinance in Aceh, Indonesia; and an equity investment of $2.5 million.

B. Asian Development Bank’s Experience

5. In 1999, ADB reviewed its microfinance operations for 1988–1998.\(^6\) One of the most significant characteristics pointed out by the review was that most microfinance projects showed a distinct bias towards reaching women in poor households both in rural and in urban areas, and most included social mobilization components to enhance women’s capacity to access financial services delivered through project-supported mechanisms. However, the review also found that there were deficiencies in earlier microfinance projects. They had (i) focused on microcredit delivery with no provision for other services such as savings, (ii) allowed subsidized interest rates, (iii) paid little attention to financial viability, (iv) paid little attention to sustainability, and (v) were poorly targeted. While some projects have had a positive impact, in many cases, there was no mechanism to sustain this impact beyond the project period. Therefore, many failed to make a significant contribution to poverty reduction or improvements in the status of women as a whole because of their limited outreach.

6. The review also found that project preparatory technical assistance (TAs) and advisory TAs provided to support microfinance activities suffered from a number of drawbacks: (i) most project preparatory TAs lacked adequate sector analysis, (ii) most advisory TAs were based on insufficient institutional analysis and lacked a coherent long-term approach to institutional development, (iii) most TAs were designed with only limited stakeholder ownership and participation, and (iv) TAs lacked measurable and monitorable indicators to assess performance.\(^7\)

7. However, the review also noted that project design and impact had improved over time. Lending operations in later years were supporting a wider array of institutions; went beyond credit services to promote voluntary savings; emphasized market-oriented interest rates; and

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\(^5\) Loan 1802-VIE: Rural Enterprise Finance Project, for $80.0 million, approved 12 December 2000.


\(^7\) These shortcomings are common to TAs in many sectors, not just microfinance and represent an endemic problem with ADB-wide TA operations.
paid more attention to financial viability, repayment levels, and sustainability. Unfortunately, at the time of the review, it was not possible to assess the impacts of these more recent projects since most of them had only been approved in the previous 3 or 4 years and were still in the initial stages of implementation.

8. At the present time though, several of these projects have since been completed or are now in the later stages of implementation. A better assessment of the impact on poor households and women of ADB’s initiatives in microfinance should now be possible.

9. In 2001, the Operations Evaluation Department (OED) published a study that reviewed the impact of ADB’s lending rural credit in seven DMCs. Among the projects included in the review were nine microcredit projects. The study included in-depth reviews and an attempt to quantify results through purposive socioeconomic surveys using questionnaires.

10. The study observed that microfinance projects tended to have more relevance and a more direct focus on poverty reduction and women, but also had limitations in terms of subloan size, higher costs of implementation, and the need to have sustained opportunities for access to such funds to bring about sustained improvements in the status of the beneficiaries. The experience with these projects also highlighted the challenge in achieving an important policy objective (namely poverty reduction and improvements in the status of women) while expecting activities to be implemented with commercial or market efficiency.

11. One major issue identified was that, taken as a whole, the projects did not contribute directly to the emergence of sound and sustainable rural financial systems. The evaluation also noted that the socioeconomic surveys indicated that the impact on gender development became significantly positive with the advent of microfinance projects.

12. The evaluation also noted the need (i) for more focused targeting of the poor, (ii) to promote sound and sustainable rural financial systems, (iii) for project designs which allow financial institutions to work within their mandate and capacity, (iv) for capacity-building assistance, and (v) for provisions within the project funding arrangements to mitigate foreign exchange risks. The ultimate recommendation is that, “within the context of the new Microfinance Strategy, ADB rural credit assistance should focus more on the microfinance type of operations that will allow better targeting of the poor and greater participation of beneficiaries and other stakeholders. Nevertheless, with economic growth as a necessary condition for poverty reduction, the traditional rural credit projects, on a selective basis and integrated as components of larger projects, should continue to be implemented both to bring about an increase in production and an improvement in productivity and technology, and to leverage the necessary policy changes in DMCs that will contribute toward the emergence of sound and sustainable rural financial systems.”

13. More recent experience of ADB with microfinance projects indicates that funds provided through microfinance are generally used immediately and often have very quick impact (as opposed for example to an infrastructure project). Benefits can also be widespread. Rather than being limited to one single project area benefits can be region-wide or nationwide. Under the Philippine Rural Microenterprise Finance Project (RMFP), for example, nearly

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9 The evaluation also reviewed 13 agriculture development projects and 5 development finance projects.

10 Loan 1435-PHI(SF): Rural Microenterprise Finance Project, for $20.0 million, approved 23 April 1996, for which a project performance evaluation report has been under preparation by OED.
620,000 beneficiaries were reached, while the number of direct beneficiaries under the Bangladesh Participatory Livestock Development Project (PLDP)\textsuperscript{11} exceeded 335,000. This large number of beneficiaries was reached at a very modest cost (a loan of $20.0 million for the RMFP and of $19.7 million for the PLDP). Under both of the above loans, 97.0% and 97.4% of all end-borrowers, respectively, were women.

\textbf{C. Asian Development Bank’s Microfinance Strategy}

14. After a series of internal, regional, and international consultations and workshops beginning in 1998, the ADB’s Microfinance Strategy was approved by the Board of Directors in May 2000.\textsuperscript{12} The strategy recognizes the potential of microfinance to bring about significant economic and social change in the ADB’s DMCs (some of the larger microfinance institutions in Bangladesh, for example, have a client base of over 2 million beneficiaries). It notes, however, that a huge amount of financial resources is required to provide institutional microfinance to over 95% of the potential clients who are currently not served by microfinance services in the region. In that context, it concludes that ADB and other agencies cannot meet the demand for microfinance either individually or as a group. However, without reaching a large number of the poor households on a permanent basis, microfinance is not likely to generate a significant overall development impact. The role envisaged for ADB is thus to catalyze the expansion of the supply of microfinance services and the strengthening of the capacity of potential clients to access the services. On the supply side, the strategy focuses on building financial systems that can grow and provide financial services on a permanent basis to an increasing proportion of the poor, as well as the promotion of pro-poor innovations. On the demand side, the strategy supports investments in social intermediation to make access to financial services more readily available (this is particularly important when the issue of access to financial services by women is taken into account). The strategy emphasizes selectivity in application due to the constraints on ADB resources for microfinance, the various stages of microfinance development in DMCs, and the relative priority of microfinance in the context of ADB’s overall strategy for poverty reduction and country operational strategies.

15. ADB’s microfinance development strategy defines microfinance as “the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their microenterprises.” The strategy’s goal is to ensure permanent access of institutional financial services for a majority of poor and low-income households and their microenterprises. Apparently, the strategy’s main target is the poor household engaged in entrepreneurial activity.

16. The purpose of the strategy is to support the development of sustainable microfinance that can provide diverse services of high quality. With this purpose and the goal of ensuring poor households with permanent access to financial services, the strategy focuses on:

(i) creating a policy environment conducive to microfinance,
(ii) developing financial infrastructure,
(iii) building viable institutions,
(iv) supporting pro-poor innovations, and
(v) supporting social intermediation.

\textsuperscript{11} Loan 1524-BAN(SF): Participatory Livestock Development Project, for $19.7 million, approved 19 June 1997.
17. With regard to gender, the strategy paper identifies microfinance as an effective way to assist and empower poor women, “who make up a significant proportion of the poor and suffer disproportionately from poverty”. It notes that microfinance institutions have brought poor women into formal financial systems and enabled them to access credit and accumulate savings. It also points out that recent and ongoing ADB projects have shown a distinct bias towards reaching women in poor households. In terms of recommendations, it notes that social intermediation in addition to microfinance is needed to introduce poor women to a formal or semi-formal market-oriented institutional environment. The major role played by nongovernment organizations (NGOs) in assisting women with and through microfinance is also pointed out.

18. A focus on the rural sector is justified mainly by the overwhelming concentration of poor in the rural areas. However, given the increasing recognition of potential for microfinance in urban areas, opportunities will be explored to build capacity and extend support in urban microfinance as well. The strategy thus emphasizes that ADB support will be (i) catalytic, (ii) selective, and (iii) concentrated in rural areas but without ignoring urban areas.

19. A full review of the microfinance strategy is planned for 2007. The study results of this proposed special evaluation study will comprise an important input for that review through its focus on the impact of microfinance on the most important target groups of microfinance operations and the ADB’s overall poverty reduction strategy: poor rural households and women living in poverty.

D. Asian Development Bank's Gender and Development Initiatives

20. Improvement of the status of women is one of ADB’s five strategic development themes. In this context a gender and development (GAD) policy was approved by the Board in 1998, replacing earlier policies based on the narrower concept of women in development (WID). The fundamental principle of this policy was that improvements in the status of women were a cross-cutting issue throughout development activities and that a greater positive impact on the status of women could be achieved by looking at women’s issues as a part of the overall development process rather than focusing on specially designed projects for women (without ruling out the occasional need for such projects from time to time). The new policy adopts gender mainstreaming as a key strategy in promoting gender equality. Key elements of the strategy entail promoting: (i) gender sensitivity, (ii) gender analysis during project formulation, (iii) gender planning, (iv) mainstreaming gender within project design, and (v) agenda setting in terms of gender policy issues. Within this context GAD is to be actively promoted within lending and non-lending assistance operations. Special design features and strategies will be built into projects, especially those with the potential to address GAD objectives, to facilitate and encourage women’s involvement, and to ensure tangible benefits to women.

21. The strategy further states that ADB will endeavor to increase the number of projects with GAD as either a primary or secondary objective, especially projects in health, education, agriculture, natural resource management, employment and income generation, and financial services (microfinance). Thus, microfinance activities are seen as a specific avenue for furthering the GAD objectives of ADB operations. Enhancing women’s access to savings and credit services is also identified expressly among the project activities which will be promoted. As it happens, both WID- and GAD-focused projects have commonly used microfinance as a tool to promote improvements in the status of women. These have included such examples as

the Bangladesh Rural Women Employment Creation Project,\textsuperscript{14} the Nepal Microcredit Project for Women,\textsuperscript{15} the Indonesia Community Empowerment for Rural Development Project,\textsuperscript{16} and many more. Again though, at the time of preparation of the GAD policy paper, the microfinance strategy paper, and the rural credit impact evaluation; the results of many of these projects could not be fully assessed since they were still ongoing or just completed. While the results of those that had been completed did indicate generally very positive results in terms of their impact on the status of women participants in the individual projects, these projects were not necessarily analyzed for their overall impact on the establishment of sustainable financial institutions to which women would have access whether they were project participants or not (i.e., the goal of the Microfinance Strategy).

II. RATIONALE FOR THE SPECIAL EVALUATION STUDY

22. Poverty reduction and improving the status of women have been common primary or secondary objectives in most microfinance projects and project components financed by ADB. Very often the main targets of these projects are the rural poor households and women. Microfinance participation can affect households in many ways. There is a range of possible social and economic outcomes beyond household income and consumption—including business profits, nutrition, schooling, fertility, risk, asset holdings—and a range of measures of empowerment and changes in social status.

23. As regards women, experience in microfinance shows that relative to male borrowers, women perform better in repaying loans.\textsuperscript{17} Evidence also shows that serving women is likely to have stronger impacts on households.\textsuperscript{18} One reason is that women tend to be more concerned about children's health and education, and therefore are likely to channel more resources for household food and non-food expenditures than men, if given the opportunity.\textsuperscript{19}

24. It is important that the impact of ADB's microfinance operations on these target groups (rural poor households and women) is objectively assessed to determine if the development objectives of poverty reduction and promoting the socio-economic welfare of women are being achieved. Most studies on microfinance acknowledge the focus on assisting poor women increase their incomes and social status and note that poor women have been major beneficiaries but do not note the extent to which they have benefited nor assess how sustainable such benefits are. In past retrospectives (undertaken in 1997 in the case of gender and development and in 1999 in the case of microfinance), most projects which combined microfinance and women were still under implementation or just completed. While the initial results were positive, assessing the medium to long-term development impact of these projects on their targeted groups was then difficult to perform reliably.

\textsuperscript{14} Loan 1067-BAN(SF): Rural Women Employment Creation Project, for $8.0 million, approved 13 December 2000.

\textsuperscript{15} Loan 1237-NEP(SF): Microcredit Project for Women, for $5.0 million, approved 24 June 1993.

\textsuperscript{16} Loan 1765-INO: Community Empowerment for Rural Development Project, for $50.0 million, approved 19 October 2000.


25. At the present time, the situation has changed. It is now 5 years since the 2001 impact evaluation and many of the projects which were then on-going have now been completed. Moreover, it has been 6 years since the microfinance strategy was published so new projects with a greater focus on microfinance (and its impact on women) that have since been initiated, have now been completed. In addition, an internal review of the microfinance strategy is planned for 2007. It is now possible to review the results of the gender equality initiatives of several recently or nearly completed microfinance projects and be productively used as a key input into the overall review of the microfinance strategy in 2007. Since the reduction of poverty among women is one of the top priorities of ADB’s poverty reduction strategy, it is considered important to take this opportunity to assess ADB’s experience with one of the most promising tools for both poverty reduction and improving status of women, i.e. microfinance operations.

26. The study shall only focus on microfinance projects and activities of ADB, and not rural finance projects. While there are overlaps between rural finance and microfinance, they are basically distinct from each other. Microfinance involves the provision of financial services (credit, savings, insurance, etc.) to the poor and low-income households and their micro-enterprises.^{20} Many of these microfinance programs are directed towards women. Rural finance on the other hand involves the provision of financial services for agriculture and non-agricultural activities in rural areas. Rural finance could involve financing fairly significant investments, whereas in microfinance, financing are usually in small amounts specifically for groups or individuals defined as poor. Unlike microfinance, many rural finance projects do not necessarily target women. For the study therefore to be more specific and focused, the scope will be narrowed down only to microfinance operations of ADB.

III. OBJECTIVE AND SCOPE OF THE PROPOSED STUDY

A. Objective

27. The objective of the study will be to assess, through real experiences on ADB projects, the extent to which microfinance services has reduced poverty among rural poor households and improved the economic and social status of women in ADB’s DMCs.

28. The study seeks to answer the following major questions:

(i) How effective were microfinance projects in reducing poverty of rural poor households and in changing the socio-economic status of poor women?
(ii) To what extent has the project design and implementation of ADB microfinance projects mainstreamed improving the status of women?
(iii) What lessons can be drawn from ADB’s experience in reaching rural poor households and poor women with microfinance services? What are the implications of these lessons to ADB’s current and future directions for microfinance?

B. Scope

29. The study will review the impact of selected microfinance projects completed since 1995 in three DMCs with different economic and social characteristics, capturing the results of projects which were still ongoing during the 1999 review of ADB’s microfinance portfolio, the impact evaluation of 2001, as well as projects that were approved since the publication of the

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^{20} Definition based on ADB’s Microfinance Development Strategy.
Microfinance Strategy. The focus of the study will be on the target groups—rural poor households and women. On a prima facie basis, three countries representing three of the five operational regions of the ADB have been selected in order to include a range of different types of DMCs at different levels of development, with a range of financial sectors and development finance institutions. Gender assessments have also been completed in these countries providing the study a documented baseline of the status of women. Further, these countries have had significant microfinance projects supported by ADB, at present or in recent past, and there is much that can be learned from their experiences. These countries purposively selected are the Philippines, Bangladesh, and Uzbekistan.

30. The Philippines has been selected as an example of a long-established Southeast Asian country with an open capitalist economy and a long history of rural and microfinance. It was also selected for its successful experience with microfinance both in earlier projects and through the RMFP, for which 97% of the client borrowers were women and which has been rated as highly successful by a recently published project completion report. Key inputs for the Philippines study will be obtained from the project performance evaluation report for the project which is currently undertaken by OED in its final stages.

31. Bangladesh has been chosen as an example of an established South Asian DMC that has a long history with ADB which include projects that support microfinance activities. During the period 1990 to 2005, ADB has approved loans for Bangladesh in the amount of $116 million for microfinance projects and $14.3 million for projects with microfinance components. With Bangladesh still being one of the world’s poorest nations (with average gross domestic product per capita only marginally higher than the dollar-a-day international poverty standard) and women remaining vulnerable to poverty (having limited access to economic resources, political participation, and other forms of decision-making), there is strong justification for the inclusion of Bangladesh in the study’s coverage.

32. Finally, Uzbekistan was chosen to represent the DMCs in Central Asia and to provide an example of a project approved after the release of ADB’s microfinance strategy. On 20 December 2002, the ADB approved a $20 million loan to help provide microfinance services to poor households, microenterprises, and small businesses in Uzbekistan. Uzbekistan’s financial sector remains small and underdeveloped with limited capacity to provide financial support to micro and small enterprises (MSEs) and to poor households, particularly in isolated areas. The project was envisioned to mobilize savings and provide the poor with financial services to set up MSEs which are critical in supporting the country’s transition to a market economy and reducing poverty.

33. The study shall, first, provide an overview of the ADB’s microfinance operations by analyzing the scale, composition, trends, and characteristics of its microfinance portfolio. Secondly, a review of ADB’s microfinance operations will be undertaken focusing on the extent the projects’ design in these countries have mainstreamed improving the status of women. Performance of these projects in terms of effectiveness in reaching their targeted groups will be evaluated. Further, the effects of these projects on women will be assessed. It is recognized that microfinance has significant potential for contributing to women’s economic, social, and political empowerment. However, these effects are not necessarily an automatic consequence of microfinance. Women empowerment is a complex process of change that goes much further than women’s access to microfinance services or increase in income. For example, the effect on empowerment could be limited due to intra-household inequalities that constrain women from

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enjoying benefits of an increase in household income, even when they are major contributors. Third, the study will measure the poverty impact of microfinance on rural poor households and the status of women. In view of the costs, time and tedious process involved in conducting impact surveys, a project in one country will be selected for the impact assessment at the household and/or client level. It is envisioned that the assessment will illustrate the quantitative impact of an ADB microfinance project on poor household and women, the results of which will contribute to a better understanding of microfinance. While this quantitative impact assessment will be implemented only in one country, the profile of poor households and women in three countries will nonetheless be collected and analyzed through the use of sample surveys in each country. Data gathered from these surveys will also be used to determine if projects have indeed been effective in reaching target groups covered by the study.

IV. METHODOLOGY

34. The study will be undertaken in three phases: (i) a preparatory phase, (ii) a full-scale implementation phase, and (iii) a general operational review phase. The preparatory phase will include a review of related literature; the formulation of the framework and detailed methodology for the study; the testing of the methodology in one of the three chosen countries, most likely the Philippines; the fine-tuning of the methodology based on real field experiences; and the preparation of a country report. At this stage, a detailed note to file will be prepared in which the refined methodology is described along with the results from phase 1. This will be discussed with peer reviewers and, if desired, OED management. The methodology for evaluating the effects of microfinance services on poor households and women will employ a mixture of quantitative and qualitative methods.

35. The full implementation phase will entail (i) the initiation of the study in the other two countries to be covered; (ii) implementation of the study applying the methodology developed in the preparatory phase; (iii) compilation, processing and analysis of results; (iv) preparation of country study report for each country; and (v) consolidation of the country reports into an integrative report.

36. The general operational review phase will consist of an overview of past microfinance projects undertaken since 1995 focusing on the target groups. This will be done through a literature review and desk studies supplemented by interviews with ADB staff involved in ongoing and past microfinance projects. The literature review would entail a thorough review of reports and recommendations of the President, project completion reports, project performance evaluation reports, and project performance reports along with any relevant review mission reports. Results would be tabulated in matrix form for ready reference and comparison. Subsequently, once the main issues are identified, in-depth interviews and discussions with key operational staff would be undertaken to round off the picture and complete the analysis. Past experience have shown that the results of a general overview are more valuable after specific country studies have been completed. The country studies can point out trends and issues which can then be looked at on a broader and more generic perspective through a region-wide

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22 Stimulated by criticism by the NGO Center for Global Development, the subject of impact evaluation is currently a “hot topic” in the development community. OED needs to increase the proportion of rigorous impact evaluations within its work program and this study will help meet this need.

23 Henrike Feig and Njoman Bestari.

24 Common quantitative methods include sample surveys and semi-structured interviews. Common qualitative methods include focus groups, case studies, individual interviews based on key open-ended questions, participatory appraisals, and participatory learning activities.
overview of past operations. This will allow parallels to be drawn and distinctions to be made among and between countries and geographic regions.

37. An important aspect of the literature review is the identification of methodologies used by financial institutions in selected DMCs. Lessons that may apply to ADB operations will be drawn out from their experiences, particularly on sustainable and effective delivery of microfinance services. Further, the review shall include the experience of other funding agencies in supporting microfinance operations that focus on women. To the extent possible, ADB-financed microfinance projects shall be benchmarked with those financed by other funding agencies, such as the World Bank, NGOs, etc. Contacts have already been initiated with the International Fund for Agricultural Development, which will do a similar study, and international NGO Grameen USA. The OEM will exchange information with these agencies while conducting this study.

38. An important feature of the study will be the inclusion of an impact evaluation within it (para. 31). Estimating the impacts of a microfinance intervention is especially difficult in the absence of baseline data or where opportunities for a randomized control trial are not available. The procedure is beset by two well-known problems of nonrandom participation (selection problem) and nonrandom program placement that could seriously bias the estimates of impact if not appropriately dealt with. The former has to do with the likely different unobserved characteristics, such as entrepreneurial ability, of participants and non-participants that can affect outcomes. The latter has to do with selecting program areas on the basis of specific characteristics, such as developed or undeveloped areas, which can also affect outcomes. The crucial problem is finding a valid counterfactual. Recent research have generated valid counterfactuals from single-round surveys, which the study intends to do, in at least two ways: (i) by an ingenious use of newly qualified clients who have yet to receive loans in a geographically different area from the existing clients, and (ii) utilizing eligibility criteria that are exogenous to the decision of clients. In both approaches the selectivity problem is dealt with by getting information on both client and non-client eligible in program areas. Nonrandom program placement, on the other hand, is dealt with either by using variables indicating relevant village-level characteristics or village-level fixed effects estimation. Thus, sample households should cover both eligible (clients and non-clients) and non-eligible in program areas and eligible and non-eligible in soon-to-be opened program (control) areas. The procedures require three sets of information: (i) household characteristics covering both measures of outcomes of interest and determinants, (ii) village characteristics, and (iii) program characteristics. These quasi-experimental methodologies are approaches available for adoption in the study.

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25 NGO Grameen USA has agreed to cooperate as an external peer reviewer. The Economics and Research Department (ERD) of ADB has been consulted and agreed to cooperate by sharing their working knowledge.

26 Baseline data is usually absent in most donor supported microfinance programs.


39. The wider impact of microfinance on women will also be examined. Appropriate tools will be used to determine how and to what extent women have been empowered by their participation in the program. Participatory tools such as focus groups and participatory learning and action will be utilized in discussions with client-beneficiaries to assess women empowerment. These tools will be used with the awareness that empowerment is not necessarily an automatic outcome of microfinance program, whether designed for financial sustainability or poverty targeting. The use of these tools therefore is envisioned to generate meaningful insights on the dynamics involved in analyzing the wider impact of projects on women.

40. The study will blend both qualitative and quantitative data with focus on feedback from discussions with the women client-beneficiaries and relevant stakeholders. Triangulation method will be used to check the consistency of data estimates through available secondary data and structural interviews with key informants. Respondents to the sample survey interviews and participants in focus group discussions shall include women beneficiaries, field staff of financing institutions, and their senior officers. Policy issues would also be discussed with the gender representatives for the countries concerned at the ADB resident missions and within headquarters. Where meaningful, representatives of key gender-focused agencies (such as women's unions) would be interviewed. NGOs and microfinance practitioners shall also be invited to participate in focus group discussions to gather their views and experiences. The overall design for the study is shown in the draft evaluation matrix as Appendix 1, which will be subject to refinement during the study.

V. STAFFING AND SCHEDULING

41. The study would be conducted under my responsibility as Team Leader, with assistance from complementary skilled international and domestic consultants on an intermittent basis. A team of international consultants will be needed to initiate the study and undertake the preparatory phase. The assistance of local consultants (under international supervision) will then be required in each country to (i) provide an overview of the gender situation in each country and the gender impact of the microfinance projects in particular; (ii) provide an overview of the microfinance situation in the country in general; (iii) assist in conducting the field surveys, focus groups, participatory learning, and action sessions using the methodology and tools developed during the preparatory phase; and (iv) assist with the analysis of the results within the context of the country concerned. The terms of reference for the consultants are provided in Appendix 2.

42. The study would require the input of three international consultants: (i) an international rural microfinance specialist, with experience in evaluating ADB operations/projects and sound understanding of the overall financial sectors in Asian DMCs and how their structures relate to the microfinance subsector; (ii) an international impact evaluation specialist/econometrician with strong background in impact evaluation methodologies using sample surveys, statistical, and econometric tools; and (iii) an international gender specialist with experience in projects with gender positive focus. Four domestic consultants, i.e., a gender specialist and a microfinance specialist for each country except for Philippines, would also be required for the country studies.

43. It is estimated that the international rural microfinance specialist will be heavily involved in all phases of implementation and would require 4 months input on an intermittent basis, the international gender specialist on a 2-month intermittent input, and the international impact evaluation specialist/econometrician on a 2-month intermittent input. Both the domestic gender specialist and domestic microfinance specialist will be required for 1.5 months each, except in
the Philippines. An evaluation analyst would also be required in Manila to assist in processing collected information in addition to assistance from an in-house evaluation analyst. Further, an impact survey team will be formed in one country to conduct the field survey for the quantitative impact assessment.

44. The study would be undertaken over an 8-month period from May to December 2006. The preparatory phase would be undertaken within headquarters over a period of 1.5 months. Selected country studies would be undertaken through 3 months of field and office work. The general operational review would be undertaken over a 1-month period and a further 1.5 months of analysis and write up at headquarters would be required prior to circulation for peer review.

45. The special evaluation study will adhere to the following schedule and output milestones:

- **Position paper finalization** I May 2006
- **Preparation of field assessment** May–June 2006
- **Completion of Operations Evaluation Mission** I November 2006
- **Submission to Director General, OED** IV March 2007

**Appendixes**

- Appendix 1: Draft Evaluation Design Matrix
- Appendix 2: Terms of Reference
## DRAFT EVALUATION DESIGN MATRIX

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</table>
| 1. Mainstreaming of women status in Asian Development Bank (ADB) microfinance (MF) projects | • To what extent has ADB MF projects mainstreamed improving status of women in project design?  
• Were the projects replicable or simply "one off" interventions?  
• How does the project anticipate that women will benefit from participating in the program for themselves, in the context of families, and in the context of the wider community?  
• What does the project anticipate to be the possible negative effects on women in each of these arenas arising from their participation? | • Project design and framework  
• Actual performance of projects based on design and framework  
• Overall performance of individual projects  
• Indicative "snapshots" of individual women participants through participatory appraisals | • General literature review  
• Gender assessments of selected countries  
• Project documents (reports and recommendations of the President, Appraisal Reports, project completion reports, project performance evaluation reports, etc.)  
• Review of implementation experience on ADB projects  
• Specific country literature reviews  
• Key informants and policy makers in individual countries  
• Reports and publications of MF agencies | • Internet search  
• Literature review  
• Collection and review of basic data and statistics  
• Interviews and consultations with key concerned ADB headquarters staff  
• Interviews and consultations with ADB resident mission staff  
• Interviews and consultations with key senior implementing agency staff | • Review of literature and project documents  
• Formulate framework for the study  
• Based on the framework and through intensive interaction within the study team, design study/assessment to provide answers to themes and issues  
• Closely examine situation prevailing in pilot country with regard to MF institutions and gender assessment  
• Examine historical experience in pilot country with regard to MF and gender equality  
• Examine specific MF and gender experience on ADB projects in all three selected countries |
| 2. Effectiveness of MF projects in reaching rural poor households and women as target groups. | • How effective were MF projects in reaching rural poor households and women as target groups?  
• Did the projects reach a large number of rural poor households and women as intended?  
• Were there any limitations in reaching rural poor households and women?  
• Were there cultural or other factors which impeded the success of the project and | • Scale and depth of outreach  
• Gender disaggregated socio-economic data  
• Number of women clients and level of success of ventures or enterprises funded  
• Overall performance of projects | • Project status and accomplishment reports.  
• Record of continuous economic activity and/or borrowing by women after project completion.  
• Reports and publications of MF agencies. | • Collection, review, and analysis of pertinent data  
• Interviews and consultations with key concerned ADB headquarters staff  
• Interviews with ADB resident mission staff | • Review of project documents and reports  
• Analysis of outreach and socio-economic data (disaggregated by household and gender)  
• Interviews and consultations with key informants |
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| 3. Effects of MF projects on economic and social status of women. | • What have been the effects of the socio-economic status of women from project participation?  
• Were there factors that constrained the improvement in the status of women after project participation?  
• Which of the women’s practical needs does the project address and how does the project propose to address women’s strategic needs?  
• Are the outcomes sustainable both in terms of income generation and their impact on the status of women?  | • Overall economic and social status of women in country under study  
• Indicators that track changes in women status: personal income; control over use of money earned, assets owned and controlled, savings, participation in decision-making, increased mobility, self-confidence and self-esteem, involvement and status in community, relations in family, etc.  
• Record of any documented changes in the overall status of women in areas in which projects were concentrated | • Interviews with clients of MF projects  
• Interviews with senior staff of implementing agencies  
• Interviews and consultations with pertinent ADB staff  
• Project reports and documents.  
• Country gender assessment reports | • Questionnaire for clients of MF projects  
• Qualitative assessment tools to determine effects of project participation | • Review of project performance  
• Sample survey with clients of MF projects  
• Focus group discussion and participatory learning activities with MF clients |
| 4. Impact of MF projects on rural poor households and women | • What was the poverty impact of MF projects on rural poor households and women? What has been the impact on project participants?  
• Did the projects leave behind an improved institutional situation whereby the general access of financial services for rural poor households and women was | • Impact Indicators:  
- Income  
- Expenditures  
- Economic Security  
  * Housing  
  * Education  
  * Food Security  
- Poverty Gap  
- Etc. | • Project design and framework  
• Interviews with project clients/end-borrowers  
• Interviews with key informants of implementing agencies | • Structured questionnaire for impact survey MF clients | • Impact assessment survey of sample MF clients  
• Use of quasi-experimental methodology to determine counterfactual effects of program participation  
• Use of econometric |
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| 5. Cross-cultural and cross-country factors that affect success of MF projects | • What are the cross-country, cross-regional, or cross-cultural factors that affect the success of MF project targeted at women and rural poor households?  
• Were there cultural or other factors which impeded the success of the project and women’s access to the financial products provided by the project?  
• Have MF projects that focus on women operated in a sustainable institutional environment or contributed to bringing about such an environment? | • Disaggregation of Impact  
- Household  
- Women  
- Men | • Country gender assessments.  
• Reports/studies on microfinance sub-sector of selected countries.  
• Project status and performance reports.  
• Key informants and policy makers in individual countries.  
• Key informants of implementing agencies.  
• Key ADB informants. | • Interviews and consultations with key informants  
• Qualitative assessment tools for analyzing effects of MF projects on women | tools and techniques to generate unbiased estimates of impact |
| 6. Lessons from ADB experience on reaching rural poor households and women with microfinance services. | • What were the lessons learned from ADB’s experience in reaching rural poor households and women with microfinance services?  
• Have MF models provided replicable and sustainable models for improving economic and social status of women?  
• What were the identified constraints affecting successful subproject and microenterprise implementation?  
• What type of support is required over and above access to finance which ensure success | • Household socio-economic data based on results of the survey  
• Gender disaggregated data gathered from the field survey  
• Results of the impact survey, field interviews, focus group discussions, and participatory learning and action activities  
• Project design and framework  
• Documented experience of other funding agencies  
• Level of development of | • Key informants and policy makers in individual countries  
• Key ADB informants  
• Impact survey, field interviews, focus group discussions, and participatory learning activities.  
• Key informants of implementing agencies  
• Key informants of other funding agencies with similar projects.  
• Documents of other funding agencies on | • Interviews and consultations with policy makers in individual countries  
• Interviews with key ADB informants  
• Impact survey  
• Focus group discussions  
• Interviews with key informants of implementing agencies | • Review or pertinent project documents and reports  
• Interviews with key informants  
• Analysis of data and information collected from the field surveys and focus group discussions  
• Use of results generated from the impact survey  
• Focus group discussion with implementing agencies  
• Review of ADB’s MF |
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|        | of the project and individual women’s enterprises?  
  - What lessons have been learned which can be incorporated into the review of the Microfinance Strategy planned for 2007?  
  - What has been the experience of other funding agencies in implementing similar projects?  
  - On the basis of experience under the projects what role should ADB play in promoting access to finance in order to improve the economic and social status of poor women? | MF institutions  
  - Historical level of ADB activity in MF  
  - Characteristics of ADB MF portfolio  
  - Overall performance of individual projects  
  - Record of continuous economic activity and/or borrowing by women after project completion  
  - Outreach indicators: loan size, number of clients, retention rates, repayment rates, etc.  
  - Gender situation in each country  
  - Status of microfinance sub-sector in each country | similar projects  
  - Project documents and reports  
  - Reports and publications of MF agencies  
  - Country gender assessment reports  
  - Reports and recommendations of the President, project completion reports, project performance evaluation reports, project performance reports. | agencies.  
  - Interviews with key informants of other funding agencies with similar projects  
  - Internet search. | operations in each country with focus on poverty reduction and women |

* These indicative questions would be further refined after the commencement of the study.

ADB = Asian Development Bank, MF = microfinance.
A. International Rural Microfinance Specialist (4.0 person-months, intermittent)

1. The consultant should have a strong background in rural microfinance operations and good understanding of the Asian Development Bank’s (ADB) operation. He/she should have working knowledge of microfinance operations and practices in the region. Experience in the evaluation of microfinance programs and projects using impact assessment tools (quantitative and qualitative) is required. The international rural microfinance specialist shall be responsible for the following tasks:

(i) Carefully consider the terms of reference and prepare improvements (under the guidance of the Team Leader), if deemed necessary.
(ii) Conduct an overall review of ADB’s microfinance operations analyzing the scale, composition, trends, and characteristics.
(iii) Review the microfinance operations in three countries that will be included in the study.
(iv) Compare results of the overall review of ADB’s microfinance operations with the findings of the detailed country studies.
(v) Develop the framework and methodology for the study in coordination with the other international specialists, and integrate their inputs.
(vi) Formulate the tools and questionnaires for the sample survey and interviews for evaluating impact of microfinance on rural households.
(vii) Identify key issues and factors to be addressed when conducting field surveys and in-depth interviews with key informants.
(viii) Consolidate the tools and questionnaires that will be used for the study in coordination with the inputs of the other international consultants/specialists.
(ix) Supervise the implementation of the preparatory stage (phase 1), including field surveys and interviews with key informants, ensuring that adjustments are made to the methodology as circumstances and experience warrant.
(x) Revise, as necessary, the methodology and tools in phase 1 in such a format that can be readily used for full implementation in other countries included in the study.
(xi) Brief/orient the domestic consultants/field interviewers on the methodology to be used and on the proper use of the tools and questionnaire for the sample survey and field interviews.
(xii) Oversee/supervise/review the work of the domestic microfinance specialist.
(xiii) Oversee the processing of relevant data gathered from the field survey and in-depth interviews that will be used for analyzing the effects of microfinance on rural households.
(xiv) Supervise the implementation of the country studies.
(xv) Analyze the results of the survey and in-depth interviews conducted particularly for assessing the impact on rural households of ADB’s microfinance operations.
(xvi) Prepare the country studies and consolidated reports in coordination with the other international and domestic consultants integrating their inputs into these reports.
B. International Gender Specialist (2.0 person-months)

2. The consultant should have a strong background in gender issues related to microfinance. Experience in the use of quantitative and qualitative tools (e.g., focus groups, participatory self-learning, etc.) in determining gender impact of microfinance will be necessary. The following are the specific tasks and responsibilities of the international gender specialist:

(i) Carefully consider the terms of reference and prepare improvements (under the guidance of the Team Leader), if deemed necessary.
(ii) Conduct a review of ADB’s microfinance projects focusing on the extent these projects have incorporated or mainstreamed gender in project design.
(iii) Provide a review using existing literature on the experiences in the region regarding the impact of microfinance on the socio-economic status of women.
(iv) Assist the Team Leader and the study team in developing the methodology for the study particularly on determining the impact of microfinance on the economic and social status of women in countries selected for the study.
(v) Identify the qualitative and quantitative indicators that will be used in assessing the impact of microfinance on the status of women.
(vi) Formulate the tools and questionnaires that will be used in determining the effects of ADB’s microfinance operations on women.
(vii) Interview pertinent key informants relevant for the study.
(viii) Develop the gender/women component of the questionnaire that will be used for the survey and in-depth interviews with women clients.
(ix) Orient the domestic consultant/field interviewers on the proper use of the tools and questionnaire.
(x) Oversee/supervise/review the work of the domestic gender specialist.
(xi) Supervise the implementation of field interviews with women beneficiaries and pertinent interviews with key informants.
(xii) Oversee the processing of relevant data gathered from the field survey and in-depth interviews that will be used for analyzing the effects of microfinance on women.
(xiii) Analyze the results of the survey and in-depth interviews conducted particularly for assessing impact on women of ADB’s microfinance operations.
(xiv) Write a report focusing on the effects of ADB’s microfinance operations on the status of women based on data gathered, results of survey, and in-depth interviews with women in countries selected for the study.
(xv) Contribute in the preparation of the country and consolidated reports.

C. International Impact Evaluation Specialist/Econometrician (2.0 person-months)

3. The consultant should have strong background in impact evaluation of development programs/projects using surveys, statistical tools and econometric techniques. He/she must have good understanding of rural and microfinance operations. The international impact evaluation specialist/econometrician shall have the following tasks:

(i) Carefully consider the terms of reference and prepare improvements (under the guidance of the Team Leader), if deemed necessary.
(ii) Formulate the methodology for the estimating the impact of microfinance on rural households and status of women.
(iii) Develop the survey design for the impact survey.
(iv) Formulate the questionnaire that will be used for the impact survey.
(v) Contribute in the formulation of the framework for the study and the methodology that will be used.
(vi) Oversee/supervise the implementation of the field survey for evaluating quantitative impact on poor households and status of women.
(vii) Orient/brief field interviewers on the proper use of the questionnaire that will be used for the impact survey.
(viii) Supervise the processing of data for the impact survey.
(ix) Apply appropriate statistical and econometric tools/techniques in correcting for statistical biases associated with impact evaluation such as selectivity, attribution, and endogenous program placement.
(x) Analyze the results of the survey.
(xi) Write a report on the impact survey specifying the methodology used, analyzing the results, drawing out the implications of the results, among others.

D. Domestic Gender Specialist (1.5 person-months)

4. The domestic gender specialist should have strong working knowledge on women and gender equality issues in his/her own country. Experience in conducting in field surveys, in-depth interviews with women, and use of qualitative tools for assessing impact of microfinance on women are necessary. The following are the specific tasks and responsibilities of the domestic gender specialist:

(i) Prepare a briefing note on the status of women and gender issues in the poor segments of the economy in the country.
(ii) Prepare a briefing note on past and on-going efforts (including funding agencies other than ADB) to promote women and gender equality and the role microfinance has played in these efforts.
(iii) Conduct/supervise (in conjunction with the domestic microfinance specialist) field surveys and in-depth interviews with women clients of microfinance using the methodology and tools developed for the study.
(iv) Help identify and gather documents, references, and data in the country that would be needed for the study.
(v) Determine the views and experience of microfinance institutions and their management/staff on the impact of microfinance on women.
(vi) Determine the position of key policy makers on microfinance and women.
(vii) Identify key factors that determine the success or failure of ADB’s country microfinance operations in assisting women and propose measures to further improve performance.
(viii) Summarize the findings and make recommendations on how to improve microfinance operations to ensure a positive impact on the economic and social status of women and high degree of women’s participation.
(ix) Assist in the processing and analysis of data gathered from the field survey, focus groups and in-depth interviews.
(x) Assist in the preparation of the country report.

E. Domestic Microfinance Specialist (1.5 person-months)

5. The domestic microfinance specialist should have an in-depth knowledge of the issues and state of microfinance in his/her own country. Experience in the evaluation of microfinance operations/programs and familiarity with the use of quantitative and qualitative tools for
assessing impact on clients of microfinance are required. The specific tasks and responsibilities of the domestic microfinance specialist are:

(i) Provide a written brief on the status of microfinance in the country and the history of ADB’s involvement; specifying the main agencies involved, the programs being promoted, the major donors, the role played by ADB, the key issues, and how microfinance fits into the overall financial sector.

(ii) Identify the methodologies used in delivering microfinance services in the country with particular focus on sustainability and effectiveness.

(iii) Prepare a brief on the programs/projects of other funding agencies that support microfinance with focus on rural poor households and women.

(iv) Introduce the study team to key actors, informants and resource persons in the microfinance sector and assist in the interviews.

(v) Help identify and gather documents, references and data in the country that would be needed for the study.

(vi) Review the results of the project(s) covered by the study in the country following the methodology prepared in phase 1 and using the standard Operations Evaluation Department evaluation criteria: relevance, efficiency, effectiveness, and sustainability.

(vii) Assess the replicability and sustainability of the project(s) especially within the overall institutional framework and in relation to the overall financial sector.

(viii) Participate/assist in the conduct of field surveys and interviews using the tools prepared in phase 1.

(ix) Assist in the processing and analysis of data and information gathered from field surveys, focus groups, and in-depth interviews.

(x) Assist in identifying lessons on ADB microfinance operations in the country.

(xi) Assist in identifying key factors which determine the success or failure of microfinance operations in the country and propose measures to further improve performance.

(xii) Contribute to the country report.

F. Evaluation Analyst (3.0 person-months)

6. The research assistant will provide research and administrative support to the study team. He/she must have: (i) experience in assisting research work; (ii) experience in working in research projects or with agencies involved in research; (iii) excellent computer knowledge with some background on statistical analysis; and (iv) good interpersonal skills and ability to work independently and accurately. The research assistant will be based in Manila and will have the following specific tasks:

(i) Assist in collecting relevant data and documents needed by the study team;

(ii) Gather and process data relevant to the study, prepare tables, and charts; as may be needed.

(iii) Assist in the processing of data for the impact survey.

(iv) Assist in the conduct of the impact survey.

(v) Assist in other study related activities as may be required by the study team and concerned Operations Evaluation Department staff.