Guidance Note
Poverty and Social Dimensions in Urban Projects

Urbanization will become one of the defining trends of Asia's transformation in the coming decades. Investments in urban areas have a strong potential to contribute to inclusive growth, reduce urban poverty, and strengthen social resilience. The Guidance Note on Poverty and Social Dimensions in Urban Projects aims to assist Asian Development Bank (ADB) staff, including practitioners and specialists working on their behalf, to effectively address the poverty and social dimensions of ADB’s urban operations. It provides practical guidance in strengthening the link between urban investments and poverty reduction by making better use of poverty and social analysis as a resource for successful projects. The guide complements the Handbook on Poverty and Social Analysis (2012) which provides general guidance on incorporating poverty and social dimensions in ADB operations.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to approximately two-thirds of the world's poor: 1.6 billion people who live on less than $2 a day, with 733 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.
GUIDANCE NOTE
Poverty and Social Dimensions in Urban Projects
Tables, Figure, and Boxes v
Foreword vi
Acknowledgments vii
Abbreviations viii
Executive Summary ix

I. INTRODUCTION 1
   A. Urban Development in ADB 2

II. WHY POVERTY AND SOCIAL DIMENSIONS MATTER 4
   A. Improving Project Design 4
   B. Reducing Poverty and Vulnerability through Urban Investments 5
   C. Contributing to Social Inclusion 6

III. KEY POVERTY AND SOCIAL DIMENSIONS IN URBAN PROJECTS 8
   A. Urban Poverty, Inequality, and Exclusion 8
   B. Gender Equity 10
   C. Social Risks, Vulnerability, and Resilience 11
   D. Stakeholder Participation 12
   E. Urban Governance, Institutions, and Capacity 14

IV. INCLUSIVE PROJECT DESIGN 16
   A. Increase Project Relevance 16
   B. Target Beneficiaries 18
   C. Develop Inclusive Targets and Indicators 19
   D. Activate Impact Channels 22
<table>
<thead>
<tr>
<th>CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Ensure Affordability</td>
</tr>
<tr>
<td>F. Secure Accessibility</td>
</tr>
<tr>
<td>G. Confirm Availability</td>
</tr>
<tr>
<td>H. Assess Acceptability</td>
</tr>
<tr>
<td>I. Reduce Vulnerability and Build Social Resilience</td>
</tr>
<tr>
<td>J. Support Social Inclusion</td>
</tr>
<tr>
<td>K. Promote Gender Equity</td>
</tr>
<tr>
<td>L. Include Stakeholder Participation and Empowerment</td>
</tr>
<tr>
<td>M. Strengthen Urban Governance, Institutions, and Capacity</td>
</tr>
<tr>
<td>N. Address Issues Outside of the Project</td>
</tr>
<tr>
<td>O. Consider Planning, Input, and Timing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APPENDIXES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Role of Poverty and Social Analysis in the Project Cycle</td>
</tr>
<tr>
<td>2. Further ADB Resources for Poverty and Social Analysis in Urban Projects</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GLOSSARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>45</td>
</tr>
</tbody>
</table>
Tables, Figure, and Boxes

**TABLES**
1. Indicators of Urban Poverty 21
2. Transmission Channels 23
3. Different Approaches to Stakeholder Engagement 36

**FIGURE**
1. Characteristics of Good Governance 14

**BOXES**
1. What Is an Inclusive City?—Attempting a Definition 3
2. From an Exclusive to an Inclusive City 7
3. Increasing a Project’s Relevance to the Poor 17
4. Reducing Vulnerability in Coastal Towns, Bangladesh 19
5. Targeting Beneficiaries 19
6. Example of Framing Inclusive Outcomes 22
7. Inclusive Water Supply in Harbin, People’s Republic of China 25
8. Affordable Access to Water for the Urban Poor, Indonesia 26
9. Manila Water—Getting Water to the Poor, Philippines 27
10. Community-Managed Water Points in Urban Slums, Bangladesh 29
11. Social Acceptability Issues in Urban Development 29
12. Livelihood Support for Corridor Towns, Greater Mekong Subregion 31
14. Cultural Heritage and Urban Development in Quito, Ecuador 33
15. Building Social Inclusion through Urban Transport in Bogotá, Colombia 33
16. Gender-Responsive Approaches 34
17. Sustainable Urban Transport Project in Greater Dhaka, Bangladesh 35
18. Neighborhood Upgrading and Shelter Sector Project, Indonesia 38
19. Examples of Community-Driven Development for Urban Projects 40
20. The Urban Governance and Infrastructure Improvement Project, Bangladesh 40
Foreword

This Guidance Note on Poverty and Social Dimensions in Urban Projects aims to assist Asian Development Bank (ADB) staff, including practitioners and specialists working on their behalf, to effectively address the poverty and social dimensions of ADB’s urban operations aligned with Strategy 2020’s inclusive growth agenda. It provides practical guidance in strengthening the link between urban investments and poverty reduction, by making better use of poverty and social analysis as a resource for successful projects.

The purpose of this guidance note is to ensure that advice related to poverty and social dimension issues in urban projects is relevant and timely, addresses the key poverty and social concerns, maximizes opportunities for positive outcomes, reduces or mitigates risks of negative impacts, and is well integrated throughout the project cycle. It complements the Handbook on Poverty and Social Analysis (2012), which provides general guidance on incorporating poverty and social dimensions into ADB operations.

The guidance note consists of three parts: why poverty and social dimensions matter (section II), what the key poverty and social issues are (section III), and how to design inclusive urban projects (section IV).

I trust that readers will find this guidance note useful when considering how best to incorporate poverty and social dimensions in urban projects.

Ma. Carmela D. Locsin
Director General
Regional and Sustainable Development Department
Acknowledgments

This guidance note was written by Mats Jarnhammar, managing director of Living Cities, Sweden, and Sri Wening Handayani, principal social development specialist, Regional and Sustainable Development Department, Asian Development Bank (ADB).

Special thanks to Sonomi Tanaka for providing inputs on gender dimensions of urban projects. The following ADB colleagues advised on the content of and reviewed the guidance note: Bart W. Édes, Linda Adams, Jingmin Huang, Sushma Kotagiri, Amy Leung, Raikhan Sabirova, Ko Sakamoto, and Tomoo Ueda. Myla M. Sandoval provided formatting and publication support.
Abbreviations

ADB – Asian Development Bank
DMF – design and monitoring framework
NGO – nongovernment organization
Urban systems and functions have a fundamental impact on the quality of life of their citizens. Properly planned and managed cities offer enhanced opportunities for people to meet, work, access public services, and enjoy social and cultural activities. Investments in urban areas, and specifically in urban infrastructure, have strong potential to contribute to inclusive growth, reduce urban poverty, and strengthen social resilience.

Urban projects are characterized by a high degree of complexity, a large number of stakeholders with sometimes conflicting interests, and large differences in terms of the needs and capabilities of project beneficiaries. Inclusive projects must be sensitive to this complexity and make better use of poverty and social analysis to:

(i) **Increase project relevance** by designing projects to better address the needs and priorities of different groups.

(ii) **Maximize project benefits** by removing barriers to access and designing appropriate solutions.

(iii) **Contribute to poverty reduction** by actively targeting the urban poor. Considering alternative geographical targeting may make a big difference to the potential for poverty reduction.

(iv) **Ensure smooth implementation** by identifying and managing risks and mitigating negative impacts. Poverty and social analysis can identify ways of managing the conflicting interests of different stakeholders, and find appropriate compromises.

(v) **Support empowerment.** Consultation and participation with stakeholders is essential in understanding needs and capabilities and in finding appropriate solutions. Urban projects can empower people by addressing social exclusion through the project design and involving key stakeholders as partners in the process. Social and cultural assets, including cultural heritage, can also be an important resource for local empowerment.

(vi) **Contribute to good urban governance** by strengthening institutions involved in service delivery.

In the urban sector, almost every conceivable project has an impact on the urban poor. Almost every project has the potential to contribute to poverty reduction through inclusive project design. In addition, almost every project runs the risk of excluding the urban poor and other marginalized groups from enjoying the benefits
if it is not properly designed. Technical, financial, social, and institutional solutions can be adopted to make projects:

(i) **Affordable.** The cost of connection to and consumption of services must be affordable to the users. What is affordable or not varies between different groups and within different groups.

(ii) **Accessible.** Services must be accessible in the locations where the target groups live or work and must be physically accessible for different user groups.

(iii) **Available.** Services must be available in sufficient quantity and quality when they are needed. Different user groups have different needs on how and when to make use of services.

(iv) **Acceptable.** The design solutions must be socially acceptable by different target groups as the social acceptance for different solutions may prevent the use of the service.

(v) **Adaptable.** People are different, whether they are rich or poor, young or old, male or female, and regardless of ethnicity and physical capabilities. Successful project design finds ways of adapting to these differences.

Urban projects can contribute to cities that are dynamic and vibrant by applying a people-centered approach to urban development. Finding innovative solutions to the challenges of the urban era requires a concerted effort from all specialists involved in designing inclusive urban projects. It is not a task for the social development specialists alone.

This guidance note suggests ways of strengthening the link between urban investments and poverty reduction, by making better use of poverty and social analysis as a resource for successful projects. The purpose is to ensure that poverty and social analysis of urban projects is relevant and timely, addresses the key poverty and social concerns, maximizes opportunities for positive outcomes, reduces or mitigates risks of negative impacts, and is well integrated throughout the project cycle.
1. Urbanization is one of the defining trends of Asia’s transformation in the coming decades, as highlighted in the Asia 2050 study of the Asian Development Bank (ADB). The sustainability of the region is more than ever linked to the sustainability of cities. However, urban planning systems and the institutional arrangements for inclusive urban service delivery have not kept pace with the rapid growth. The urban infrastructure deficit in Asia is estimated to be over $60 billion per year.

2. An estimated 66% of the population in the Asia and Pacific region will live in cities by 2050, compared to 39% in 2000. With approximately 75% of gross domestic product today coming from urban areas, the quality and efficiency of Asian cities will determine the region’s long-term productivity and overall stability. While cities are now generally acknowledged as engines of economic growth, the rapid urbanization has also led to an urbanization of poverty and environmental problems. Approximately 700 million people in Asia and the Pacific live on less than $1 a day, 400 million of them in urban areas.

3. Urban systems and functions have a fundamental impact on the quality of life of the people. Properly planned and managed cities and towns offer enhanced opportunities for people to meet, work, access public services, enjoy social and cultural benefits, and fulfill their life dreams. Cities are the drivers of political, economic, and cultural development, and making them attractive, safe, healthy, and livable is crucial for a more sustainable future. Given the increasing social and environmental challenges, cities must be developed, governed, and managed in an integrated and sustainable way. Insufficient and ineffective urban systems and functions both cause and reinforce poverty. Investments in urban areas, and specifically in urban infrastructure, have strong potential to directly reduce poverty and improve access to markets, services, and resources.

4. The way cities are developed in the coming decades will have a fundamental impact on the region. Finding ways of incorporating the economic,

---

3 Footnote 1.
environmental, and social dimensions of urban development is critical. This guide provides support to promoting inclusive and livable cities across Asia and the Pacific by making poverty and social analysis useful during project design and implementation.

A. Urban Development in ADB

5. Poverty and social dimensions are integral aspects of existing ADB strategies and policies and the ADB vision of “an Asia and Pacific region free of poverty.” The mission of ADB is to help its developing member countries reduce poverty and improve living conditions and quality of life.

6. Under Strategy 2020, ADB’s support for inclusive growth indicates a commitment to address both poverty and inequality in the region, reflected in both income and nonincome dimensions of well-being. In this context, the inclusive development outcomes to which ADB seeks to contribute through its operations include:

- greater *inclusiveness and equity* in access to services, resources, and opportunities;
- greater *empowerment* of poor and marginalized groups to participate in social, economic, and political life; and
- greater *security* to cope with chronic or sudden risks, especially for poor and marginalized groups.5

7. Urban areas constitute a key focus in ADB’s Strategy 2020, specifically in terms of promoting livable cities that are competitive, socially inclusive, and environmentally attractive—and have a sound fiscal base.6

8. The ADB Urban Operational Plan 2012–2020 sets out the direction and approach for urban sector operations and focuses on three innovative approaches to guide such development: green, inclusive, and competitive cities (Box 1). It stresses the importance of planning processes that encompass all of these dimensions and identify required investments in each dimension. This integrated approach to urban investment is expected to have both systemic benefits and improve the quality of life in urban regions, particularly for the poor.7

---

7 Footnote 2, p. 11.
9. ADB support to inclusive livable cities includes (i) the urban shelter sector programs of slum upgrading, housing, land tenure and development, and housing finance; (ii) infrastructure, particularly local infrastructure, in the four core areas of water supply, sanitation, waste management, and urban transport; and (iii) community services, employment opportunities, and livelihood development.

10. In the rapidly changing Asian urban context, enormous socioeconomic changes are occurring, and governments will need to respond to growing demands for the provision of basic services for the urban poor and poor communities in the urban periphery. There is also a growing awareness that the poor are most vulnerable to climate change impacts and disasters, and that support is needed to improve urban management to deal with these issues in an integrated manner.8

---

Box 1: What Is an Inclusive City?—Attempting a Definition

A city is inclusive when there is equitable and affordable access to urban infrastructure, land, housing, social services, and livelihood opportunities. An inclusive city has available resources for providing cross-subsidies for the economically disadvantaged to ensure equal access to these services and facilities.

The inclusive city is built on joint strategic visions through a participatory planning and decision-making process shared between government, communities, civil society, and the private sector, driven by development built through its inherent assets—financial, human, physical, and social capital. It offers adequate social protection for its constituents, especially vulnerable groups (systems for upholding children and adolescents, women, and indigenous peoples’ rights); is resilient to environmental challenges brought about by climate change and disaster vulnerabilities; has a strong knowledge and skills human resources base; and is supported by enabling mechanisms to ensure the sustainable use of its resources—a benchmark for other cities to replicate.

Note: There is no universally embraced definition of what constitutes an “inclusive city.” This example draws on the discussions in the Asian Development Bank’s Urban Community of Practice’s Inclusive City Working Group.

Source: Authors.

An inclusive city offers adequate social protection for its constituents, especially vulnerable groups
Cities are for people, and urban projects are primarily aimed at benefiting the people who live in urban areas. To do that, it is necessary to understand the needs and capabilities of the people who will benefit from them, and the context in which the project takes place. The complex interaction of political, institutional, and social forces in urban projects must be understood, and design solutions must be developed accordingly. Poverty and social analysis encompasses several interrelated dimensions, which include:

- poverty, inequality, and exclusion;
- gender;
- stakeholders and participation;
- social risks and vulnerabilities; and
- institutions and capacity.

The way in which these are managed and incorporated into the project will critically affect its success and sustainability.

A. Improving Project Design

Poverty and social analysis is a resource in project preparation and design. It can enhance project relevance, maximize project benefits, and help strengthen the project’s contribution to poverty reduction. It is also a key factor in ensuring smooth implementation by identifying and managing risks and mitigating negative impacts. Proper understanding and incorporation of these aspects is a prerequisite for inclusive project design. Without it, project benefits may fail to reach the people for whom they were intended, particularly the poor and vulnerable, or produce unexpected negative effects for others.⁹

⁹ While important, this guidance note does not specifically cover social safeguard issues such as land acquisition, involuntary resettlement, and indigenous peoples.
14. Providing services for diverse social groups requires an understanding of their different needs and capabilities. Implementing projects in an urban setting requires management of the different stakeholders’ interests and careful navigation of the formal and informal institutional landscape.

15. Poverty and social analysis can improve project design by
- understanding people’s vulnerabilities;
- understanding needs and capabilities of stakeholders and beneficiaries;
- increasing project relevance to target group needs and to poverty reduction;
- defining inclusive objectives and solutions through improved project design;
- identifying economic and social assets that can be used as a resource in the project;
- minimizing and managing social risks to project implementation and vulnerable groups;
- designing appropriate institutional frameworks for implementation and operations; and
- empowering and increasing the capacity of a wide set of stakeholders, in particular poor and vulnerable groups, through consultation and participation.

16. Properly used, poverty and social analysis can provide ways of managing complexity and informing project development through more inclusive project design, sounder institutional arrangements, fewer social risks, and, ultimately, more sustainable project outcomes and impacts.

B. Reducing Poverty and Vulnerability through Urban Investments

17. Urban poverty has both income and nonincome dimensions. Urban upgrading through an integrated approach including land, housing, basic services, and livelihood remains the most comprehensive strategy for directly benefiting the urban poor. However, most investments in urban areas have great potential to contribute to poverty reduction along several dimensions of poverty through
- improved access to urban infrastructure services (such as water and sanitation, waste management, and flood control), which reduces poverty and vulnerability and improves health and productivity;
- improved access to markets, education and health facilities through investments in urban mobility (public and nonmotorized transport);
- improved access to assets (both physical, natural, human, social and financial);
- increased direct employment in the construction, operation, and maintenance of urban infrastructure;
increased indirect employment through inclusive growth triggered by urban investments;

• empowerment of poor and vulnerable groups through participation in planning and implementation and through being partners in development; and

• improved social resilience of the city, such as through initiatives in safety and crime prevention.

18. Without actively targeting poor and vulnerable groups and without an inclusive design for urban projects, the benefits may, however, fail to reach those intended. The rising tide does not necessarily lift all boats in urban areas, and general improvements in urban areas will not automatically benefit the poor unless they are actively targeted. Poverty and social analysis plays a key role in guiding project development toward these goals.

19. Furthermore, the root causes of urban poverty and inequality are often structural and partly a result of weak governance systems and low capacity of urban institutions. Inclusive urban governance is a prerequisite for long-term sustainability, and project design can support this by strengthening the capacity of institutions to promote inclusiveness, equity, empowerment, and social security.

C. Contributing to Social Inclusion

20. Understanding the needs, capabilities, and preferences of project stakeholders is an important part of poverty and social analysis. Social dimensions such as gender, ethnicity, race, caste, age, and others influence decision making, access to services, resources, opportunities, and ability to cope with risks.

21. The way cities are developed has a fundamental impact on the social fabric. The land-use pattern, transport system, physical barriers, functional mix, cultural and recreational facilities, and location of residential areas all contribute to the level of social resilience. Social assets like culture, heritage, history, creativity, and innovation can be leveraged for improved project outcomes, not least through their potential to contribute to local economic development. Social infrastructure provision is integral to the creation of sustainable communities as it contributes much of the glue that holds communities together, providing services and facilities that meet the needs of residents, promote social interaction, and enhance the overall quality of life within a community (Box 2).10

Box 2: From an Exclusive to an Inclusive City

Public officials and urban planners in Asia are working to beautify cities and make them more attractive to visitors and investors.

This entails (i) building flyovers and elevated expressways, as opposed to much-needed traffic management and planning; (ii) building high-rise apartments as opposed to upgrading informal settlements; (iii) building shopping malls as opposed to traditional markets (which are gradually eliminated); (iv) removing the poor from city centers to the periphery to improve the city's image and attract foreign direct investment, instead of eradicating poverty; and (v) catering to tourism rather than supporting local commerce.

If the present trend continues, then the rich–poor divide, evictions, informal settlements, and exclusion will increase, with the poor living in slums surrounded by rich “ghettos” behind armed guards and security systems. As a result, governance issues will increasingly have to do with law and order rather than justice or equity.

An inclusive and environmentally friendly urban environment can be deployed if some principles are adhered to: (i) planning should preserve the ecology of the areas where urban centers are located; (ii) land use should be determined on the basis of social and environmental considerations, rather than effective or potential land values; (iii) planning should give priority to the needs of the majority of the population, which in the case of Asia is low- and lower-middle-income communities, including street vendors, informal businesses, pedestrians, and commuters; and (iv) planning must preserve and promote the tangible and intangible cultural heritage of the communities that live in the city. Zoning bylaws should be developed on the basis of these principles to make them pedestrian- and street-friendly on top of favoring mixed (i.e., residential and commercial) land use.


22. Urban investments can contribute to building social resilience to better cope with external shocks and to reduce vulnerability. They thereby offer an opportunity to address the problem of exclusion. Social analysis can contribute to understanding these issues and develop ways to manage and address them in project design and implementation.
Urban infrastructure investments play a key role in addressing poverty and social inclusion. Understanding the interests, perceptions, and needs of target groups and other key stakeholders is paramount in the design of projects and programs aimed at inclusive growth. This section highlights the key poverty and social dimensions of urban projects, and their implications for project conceptualization and design.

### A. Urban Poverty, Inequality, and Exclusion

24. Urban poverty is a multidimensional phenomenon with both income and nonincome dimensions. Poverty is defined by a lack of access to essential goods, services, assets, and opportunities. In the urban context, poverty is often a combination of income and nonincome dimensions, with a focus on the latter. Common features of urban poverty include:

- **Reliance on a cash economy.** The poor living in cities face a high cost of living, including the cost of housing, transport, and food. This makes the urban poor more vulnerable to fluctuations in income.

- **Overcrowded living conditions and insecurity of tenure.** In informal settlements, insufficient space, low-quality housing, and unsanitary living conditions increase health problems for the poor. The insecurity of tenure makes the urban poor vulnerable to eviction or the destruction of their dwellings and creates a vulnerable situation. It makes formal access to services difficult and excludes the poor from political processes.

- **Poor access to basic services.** Water, sanitation, waste services, transport, education, and health facilities are provided at high cost and low quality by the informal sector.

- **Poor health and exposure to environmental hazards and risks.** The poor are often located in areas exposed to environmental pollution and natural hazards such as landslides, earthquakes, and floods. Due to the higher population density of poor urban communities, the poor become more vulnerable to communicable diseases.
Social fragmentation. The social security of the urban poor may be affected by a lack of community and interhousehold protection mechanisms, increasing their vulnerability to sudden external shocks.

Higher risk of crime and violence. This is partially due to the low social cohesion of some poor urban communities, as well as to perceived inequality and associated grievances coupled with resources available for quick gains.

Lower mobility. Being less mobile, the poor experience a spatial disconnect from the opportunities available in a city, which also translates into lower education and employment opportunities.

Informality. Being excluded from many parts of the formal systems, the poor rely on informally provided services (e.g., informal transport, waste collection, and housing). The informal sector is also an important source of employment for the poor, but with concerns for labor conditions and where the poor are easily exploited.

Urban areas are furthermore characterized by high—and rising—levels of inequality, and large parts of the population are excluded from participation in social and economic activities. Segregation between social groups is an increasing challenge for cities and is caused both by actual (physical) and perceived (psychological) barriers within a city. The urban poor are especially exposed to social and institutional exclusion and are thus disempowered due to:

- **Illegitimacy of their residence and work.** Many urban poor live in informal settlements and are likely to be engaged in casual and informal sector work. They are not addressed by the policy and regulatory frameworks regarding service provision, housing, land, labor rights, and safety nets. That is, they are institutionally and socially excluded in two of the most important areas of their life: work and residence.

- **Poor channels of information.** The urban poor do not have sufficient access to information about many essential matters, such as jobs or their legal right to services.

- **Exclusion from being treated as citizens.** The urban poor are not given the rights and responsibilities that go with being citizens. They are often assumed to be passive consumers rather than active participants with something to contribute. Simply asking the poor to express their needs and demands is insufficient to empower them. They must also assume the responsibilities that go with being citizens.

- **Negative contact with authorities.** Government policies can have an important positive impact on poverty alleviation, but for many poor, their experience with the state is negative—to many, it is a complex bureaucracy that attempts to regulate their activities without understanding their needs. Due to the illegitimacy of their residence and work, the urban poor are

---

vulnerable to corruption. They may have to bribe police and other public officials to be allowed to continue their income-generating activities or to maintain their illegal connections to services.

- **Geographic isolation.** There is a trade-off for the urban poor between the costs of housing and long distances from city centers. Communities at the outskirts of cities are disconnected from job opportunities and urban services.12

### B. Gender Equity

26. Cities can offer significant opportunities for economic growth, service delivery, and social mobility, with women being key contributors to the economic vibrancy of cities. Girls and women, however, often have less access to health, education, infrastructure, and other services. They often lack ownership of assets and resources due to inherent social and structural constraints.

27. The lack of basic services and infrastructure affects women more than men in cities, because women are the primary collectors, transporters, and managers of domestic water and fuel, as well as the promoters of home and community sanitation activities. Women in cities also play a primary role in waste disposal and environmental management. They depend more heavily on public transport than men and use transport in different ways, such as off-peak travel and trip changing to multiple destinations. Thus, male and female priorities are often not the same for basic services such as urban housing, water and sanitation, solid waste management, and public transport.

28. Women and men experience cities differently due to their gender-based roles and responsibilities, including the nature of their participation in the labor market and domestic tasks. Despite the important differences between women’s and men’s needs and priorities in urban development, women’s priorities are rarely taken into account in urban policy, settlement planning, or the design of urban programs. In most countries, women are not well represented in local government.13

---


C. Social Risks, Vulnerability, and Resilience

29. In the urban context, a variety of shocks and risks can push people into poverty or exacerbate their exclusion. Projects and interventions may yield negative outcomes to different groups in society, which must be identified and addressed. Social risks may include:

- resettlement (e.g., informal settlements in disaster-prone areas);
- disruption of social fabric (e.g., through relocation of informal settlers);
- loss of income (e.g., loss of jobs in the informal transport sector due to investments in formal public transport);
- poor labor conditions (e.g., no health and safety standards for street sweepers);
- loss of assets (e.g., lost opportunities for street vendors); and
- risk of communicable diseases, HIV/AIDS transmission, or human trafficking.

30. The urban poor experience several forms of vulnerability that make them more susceptible to social risks, and that impact the way urban projects should be prioritized and designed:

- **Environmental vulnerability.** The urban poor are particularly vulnerable to natural disasters, environmental hazards, and the impacts of climate change. Informal settlements are often located in areas prone to flooding, landslides, and environmental degradation. The impacts of natural disasters are exacerbated by the high concentration of people and the low quality of structures and infrastructure. Vulnerability to environmental problems (e.g., pollution, hazardous chemicals, and poor sanitation) has large health impacts, which in turn affect well-being and productivity.

- **Social vulnerability.** Crime, violence, and conflicts in urban areas contribute to social vulnerability, especially of women and marginalized groups. The level of urban safety impacts participation in public life and limits access in a city. Instead, marginalized communities that are outside of formal social safety nets often develop their own, based on mutual agreements. These are important, but fragile, and can easily be disrupted in cases of urban redevelopment and upgrading.

- **Economic vulnerability.** The reliance on a cash economy makes the urban poor vulnerable to fluctuations in income. Contrary to the rural poor, the urban poor spend significant parts of their income on housing and basic services. If that income is disrupted, it has far-reaching implications on the situation of the poor.

31. Urban resilience is the capability to prepare for, respond to, and recover from external threats and shocks. Cities and communities can have varying degrees of resilience to environmental, social, and economic shocks. By analyzing and supporting the resilience strategies adopted by urban poor communities, inclusive urban projects can contribute to reducing vulnerability across all dimensions.
32. The benefits of a project may fail to reach the intended target group because of a number of barriers experienced by the urban poor. Conceptually, these can be grouped around four issues:

(i) **Affordability.** The cost of connection to or consumption of services must be affordable to users. What is affordable varies between different groups and within different groups.

(ii) **Accessibility.** Services must be accessible in the locations where the target groups live or work and must be physically accessible for different user groups.

(iii) **Availability.** Services must be available in sufficient quantity and quality when they are needed. Different user groups have different needs regarding how and when to make use of services.

(iv) **Acceptability.** The design solutions must be socially acceptable by different target groups, as the social acceptance for different solutions may prevent the use of the service. Urban safety and security are factors that critically determine the acceptability of different solutions, especially for women and youth.

33. Different groups experience different types of barriers that prevent their access to services and opportunities. They are, moreover, different within groups and not least within households. An acknowledgment of the types of barriers experienced by different groups is necessary to develop appropriate measures to overcome them.

**D. Stakeholder Participation**

34. Urban areas are characterized by high levels of competition for limited resources, thus bringing into conflict the interests of different stakeholders. Inadequate stakeholder engagement from the early stages of planning may lead to tensions, disputes, and project delays. Involving stakeholders in the planning, design, implementation, and monitoring of a project is therefore critical in finding appropriate solutions and compromises. Stakeholder participation supports good governance, citizenship, and accountability, and also promotes innovation, responsiveness, and sustainability, linked directly to development effectiveness. Public participation improves the performance of urban projects and increases their impact and sustainability. Yet, the significance of involving the urban poor, especially women, children, and the elderly, is often overlooked.

---

35. In urban projects, stakeholders typically include

- those who influence the intervention, such as politicians, policy and decision makers, and staff at local, regional, and national levels of government; project financiers; labor unions; and nongovernment organizations (NGOs) and community-based organizations;
- those who are influenced by the intervention, such as (informal) workers in transport or waste management, land owners, and local businesses;
- target groups for the intervention, such as urban poor groups, residents of affected areas, and the population affected by service deficiencies; and
- intermediary target groups, such as urban service providers, community-based organizations, and NGOs.

36. Divergent or overlapping interests of different stakeholders may influence the project. Understanding where this may occur is important to ensure that some stakeholders’ interests do not distort project objectives. Special attention may therefore be needed to reach vulnerable stakeholder groups for their active participation. Target groups are seldom a homogenous group, and their active participation will need to consider the different interests of target groups and obtain a full spectrum of stakeholder views.

37. Stakeholder participation is a process that (i) begins early in the project preparation stage and is carried out on an ongoing basis throughout the project cycle; (ii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible to affected people; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender-inclusive and -responsive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making, such as project design, mitigation measures, the sharing of development benefits and opportunities, and implementation issues.\footnote{ADB. 2009. \textit{Safeguard Policy Statement}. Manila; ADB. 2012. \textit{Strengthening Participation for Development Results: An Asian Development Bank Guide to Participation}. Manila.}

38. Many cities have an active civil society, which can be used as a resource in project development. Stakeholder analysis should therefore also identify and engage stakeholders such as NGOs or community-based organizations that have the potential to play a role in supporting the project.

Involving stakeholders in the planning, design, and implementation of a project is critical to find appropriate solutions and compromises.
E. Urban Governance, Institutions, and Capacity

39. Urban governance can be defined as the sum of the many ways individuals and institutions, public and private, plan and manage the common affairs of the city. It is the process by which decisions are made and the process by which decisions are implemented (or not). It is, moreover, the landscape in which urban infrastructure investments are conceived, planned, and implemented.

40. Many of the challenges facing cities today are the result of weak governance and insufficient capacity of the institutions responsible. This is particularly evident in the delivery of urban services to the urban poor and to marginalized groups. Weak institutional structures for managing cities, along with a low level of horizontal coordination, result in sector projects that often fail to address the multidimensional nature of urban poverty.

Figure 1: Characteristics of Good Governance

Source: Authors.

41. Figure 1 illustrates the characteristics of good governance, to which urban projects can contribute by building capacity in the affected institutions:

- **Participation.** Participation by both men and women, and vulnerable and marginalized groups is a cornerstone of good governance. Participation could be either direct or through legitimate intermediate institutions or representatives.
- **Rule of law.** Legal frameworks should be fair and enforced impartially. It also requires the full protection of human rights, particularly those of
minorities, and vulnerable and marginalized groups. Impartial enforcement of laws requires an independent judiciary and an impartial and incorruptible police force.

- **Transparency.** Processes, institutions, and information are directly accessible to stakeholders, and sufficient information is provided to understand and monitor them.

- **Responsiveness.** Institutions and processes try to serve all stakeholders within a reasonable time frame.

- **Consensus oriented.** Different interests are mediated to reach a broad consensus on what is in the best interest of the whole community and how this can be achieved.

- **Equity and inclusiveness.** All groups, but particularly the most vulnerable, have opportunities to improve or maintain their well-being.

- **Effectiveness and efficiency.** Processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal.

- **Accountability.** Accountability is a key requirement of good governance. Not only government institutions but also the private sector and civil society organizations must be accountable to the public and to their institutional stakeholders.

42. The core capacities required from urban institutions typically fall into three interdependent groups: (i) planning and policy formulation, (ii) program and project formulation, and (iii) management of service delivery. Identifying and addressing governance constraints in project design, along the dimensions illustrated in Figure 1, are prerequisites for sustainable project outcomes.
Inclusive projects promote equitable and affordable access for all. Understanding the social dimensions of urban projects therefore includes understanding not only the needs of the poor and other vulnerable groups, but also of all urban residents. In addition, inclusive project design means providing solutions adapted to a variety of users.

Poverty and social analysis plays a role in understanding the needs and capabilities of beneficiaries and project stakeholders; in defining inclusive objectives for the project; in developing inclusive design options; and in maximizing positive impacts, while minimizing and managing the negative ones. It guides the public participation process; supports empowerment of the poor and other vulnerable groups; and addresses governance, institutions, and capacity issues.

If projects are conceptualized, designed, and implemented based on an understanding of the poverty and social dimensions of the urban context, projects are likely to be inclusive. A re-active use of poverty and social analysis, however—putting it as an afterthought or add-on—will severely limit its use.

Poverty and social analysis is a mandatory requirement for all ADB projects. The results of the poverty and social analysis are summarized in two required forms: (i) the initial poverty and social analysis (IPSA) during the predesign stage to identify poverty and social issues as well as resources required during the design stage; and (ii) the summary poverty reduction and social strategy (SPRSS) as an action plan that will address the needs of poor and vulnerable groups at the implementation stage (detailed requirements in preparing the IPSA and SPRSS are available in ADB’s Handbook on Poverty and Social Analysis).

A. Increase Project Relevance

Living in urban poverty affects all aspects of life, and urban projects need to consider the interconnected, multidimensional nature of the challenges faced by the poor. Designing inclusive projects requires an understanding of
the needs and capabilities of the intended target groups, and making use of the opportunities and assets that already exist. Based on this, the relevance of proposed projects can be increased, barriers to access can be removed, and project benefits maximized.

48. A poverty and social analysis identifies key poverty and social issues, and the root causes behind them. By understanding the social, economic, and environmental issues affecting the poor early on in the project design, more relevant measures and strategies can be adopted (Box 3).

**Box 3: Increasing a Project’s Relevance to the Poor**

A *water supply project can be made more relevant to the poor if...*

... it targets areas where piped water is currently unavailable.
... it addresses issues of affordability for water connection.
... it considers security of tenure as part of project design.

A *bus rapid transit project can be made more relevant to the poor if...*

... it also addresses urban safety.
... it provides improvements to pedestrian footpaths and sidewalks.
... it makes provision for para-transit operators to provide last-mile transport.

A *flood protection project can be made more relevant to the poor if...*

... it also improves access to safe drinking water and improved sanitation during floods.
... it also reduces the social and economic vulnerability of target groups.

*Source: Authors.*

49. Achieving project outcomes (e.g., improved health, mobility, and productivity) as opposed to project outputs (e.g., improved water supply, a bus rapid transport system, or a drainage system) requires a holistic approach, looking beyond the project sector and project area. The initial analysis should therefore consider the project area as well as the whole city and the urban–rural linkages. The analysis should have an initial multisector focus, identifying challenges and opportunities beyond the project sector. During the project design stage, it should focus on the project area, while being sensitive to the links between the project area and the surrounding city.
What to Do?\(^{17}\)

- **Identify key poverty and social issues.** This should be done in relation to the project focus.
- **Analyze the nature of poverty and identify problems experienced.** Consider income and nonincome dimensions of poverty and what kind of issues and vulnerabilities arise as a result, but also the capabilities and assets that exist.
- **Increase project relevance.** Identify potential complementary project components by asking: What additional measures can be taken to address the root causes of the problem and maximize benefits for the poor?
- **Consider project classification.** Think about how the project is designed to strengthen the poverty targeting.

### B. Target Beneficiaries

50. The extent to which a project benefits the poor and other vulnerable groups will depend on the way these groups are identified and targeted by the project. Urban areas are characterized by large spatial differences and inequalities. Considering ways of targeting intended beneficiaries within a city district or project area is therefore critical. Poverty and social analysis (Appendix 1) will have provided the overview for prioritizing the selection of target groups.

51. Based on the targeting, a detailed evaluation of the needs, demands, opportunities, and capacities of the beneficiaries is prepared. This analysis provides a direct input to the development of inclusive design features (Box 4).

What to Do?\(^{18}\)

- Within the context of the project, define the target group:
  - Prepare a poverty map showing the nature and magnitude of poverty in relation to the project.
  - Consider the geographic targeting of the project in relation to where the poor and vulnerable groups live or work. An alternative geographic targeting may make a big difference to the potential for reducing poverty and vulnerability (Box 5).
- Develop appropriate targeting mechanisms for reaching the intended beneficiaries.
- Include the focus on target beneficiaries in the design and monitoring framework (DMF) (Table 1).
- Prepare a socioeconomic profile of primary (direct) and secondary (indirect) beneficiaries.\(^{19}\)


\(^{19}\) Requirement for projects classified as TI-H (targeted intervention for households).
**Box 4: Reducing Vulnerability in Coastal Towns, Bangladesh**

In Bangladesh coastal towns, the poor and the socially vulnerable are disproportionately affected by climate hazards as they have the lowest capacity to cope with losses and they live in slums with less permanent structures (tin or thatch houses) in high-risk areas (outside protective embankments) of the towns. They are directly dependent on climate-sensitive sectors of the economy such as agriculture and fisheries.

Poor urban dwellers face particularly few options for livelihood diversification and are typically not competitive in the job market due to lack of education. Housing and health conditions remain poor. They have poor access to services, especially cyclone shelters, water supply, and sanitation and suffer from high rates of waterborne diseases due to arsenic, salinity, and biological contamination, particularly after disasters.

The Bangladesh Coastal Towns Infrastructure Improvement Project mobilized community-based organizations to improve access to safe drinking water and improved sanitation in poor communities, including stand-posts and community toilets. New cyclone shelters were located in vulnerable areas to benefit poor communities. The poor benefited from targeted livelihood training programs and employment opportunities generated in construction activities. Targeted public awareness campaigns have been implemented. Town and ward-level committees formed under the project improved the participation of the poor to address their needs.

*Source: ADB. 2013. Report and Recommendation of the President to the Board of Directors: Bangladesh Coastal Towns Infrastructure Improvement Project. Manila.*

**Box 5: Targeting Beneficiaries**

Target groups can be defined by

- **geographic area** based on poverty, service deficiencies, environmental vulnerabilities, and community interest;
- **lack of one or more basic services**;
- **income group** and/or geographic area based on housing, environmental conditions, and tenure insecurity;
- **resident status** of particular areas subject to upgrading; or
- **labor force** of a specific sector or industry, such as informal service providers.

*Source: Authors.*

C. **Develop Inclusive Targets and Indicators**

52. Integrating poverty reduction and social development objectives into the DMF provides greater assurance that activities supporting inclusiveness are included in the project design for implementation and that the poverty and social impacts of the project will be monitored.
53. General improvements in urban services will not necessarily benefit the poor and disadvantaged groups unless specific targets and indicators for poverty reduction and inclusive social development are included. Possible areas for incorporating poverty and social dimensions into the DMF include:

- Impact. Include any long-term social development impacts to which the project aims to contribute (e.g., improved health, safety, productivity, or reduced poverty).
- Outcome. Incorporate inclusive development outcomes of the project (e.g., increased access to safe water, waste collection services, mobility, reduced flooding, improved quality of housing, or access to resources).
- Outputs, activities, and inputs. Indicate key design measures related to inclusive development or mitigation of negative social impacts of the project (e.g., key outputs, activities, and inputs derived from the gender, participation, or mitigation plan for the project).
- Performance targets and indicators. Identify appropriate targets and indicators for each inclusive development impact, outcome, output, activity, and input included in the DMF.
- Data sources and reporting mechanisms. Include relevant primary or secondary data sources (including government statistics and project-specific data collected through the project performance management system for each inclusive development target and indicator).
- Assumptions and risks. Include any assumptions about the social context in which the project will be implemented, or significant social risks associated with the project, which could influence its success (based on the analysis of social risks and vulnerabilities included in the social analysis).

54. The selection of indicators is essential in diagnosing poverty and social dimensions and monitoring results against expected targets. The chosen indicators should be used to assess the depth of problems over time and in relation to external benchmarks. Given the large intra-urban inequalities, indicators that can be disaggregated by city district, neighborhood, or even at the household level may be necessary. Aggregation of data often masks important differences among the different types of urban areas. Differences between the residents of slum-type settlements and better-serviced neighborhoods in the same city can be dramatic. Identifying such differences by mapping key indicators by location within cities can help target interventions to pockets of greatest deprivation. Disaggregation of data by sex also often shows important differences between the needs of men and women for urban projects (Box 17).

55. Table 1 suggests a menu of indicators to assess and monitor both the visible causes and the policy-related causes of the various dimensions of poverty.

---

Footnote 5. pp. 45–46.
### Table 1: Indicators of Urban Poverty

<table>
<thead>
<tr>
<th>Poverty Dimensions</th>
<th>Intermediate Indicators</th>
<th>Impact/Outcome Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td>• Shares of informal employment</td>
<td>• Poverty headcount</td>
</tr>
<tr>
<td></td>
<td>• Share of household expenditures on housing (lowest two quintiles)</td>
<td>• Poverty gap</td>
</tr>
<tr>
<td></td>
<td>• Modal shares of transport for work trips</td>
<td>• Extreme poverty incidence</td>
</tr>
<tr>
<td></td>
<td>• Share of household expenditures on transport (lowest two quintiles)</td>
<td>• Female-headed households in poverty</td>
</tr>
<tr>
<td></td>
<td>• Mean travel time to work</td>
<td>• Income inequality (Gini coefficient)</td>
</tr>
<tr>
<td></td>
<td>• Access to electricity</td>
<td>• Quintile ratio of inequality</td>
</tr>
<tr>
<td></td>
<td>• Regulatory delays (such as licensing burdens on small and microenterprises)</td>
<td>• Unemployment rate</td>
</tr>
<tr>
<td></td>
<td>• Land development controls</td>
<td>• Housing price–income ratio</td>
</tr>
<tr>
<td></td>
<td>• Coverage of social assistance, access to credit</td>
<td></td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td>• Share of household expenditures on potable water and sanitation</td>
<td>• Infant and under-5 mortality</td>
</tr>
<tr>
<td></td>
<td>• Percentage of households connected to water/sewerage</td>
<td>• Maternal mortality rate</td>
</tr>
<tr>
<td></td>
<td>• Per capita consumption of water</td>
<td>• Life expectancy at birth</td>
</tr>
<tr>
<td></td>
<td>• Percentage of wastewater treated</td>
<td>• Female–male gap in health (under-5 mortality rate by sex)</td>
</tr>
<tr>
<td></td>
<td>• Percentage of households with regular solid waste collection</td>
<td>• Malnutrition rate of children</td>
</tr>
<tr>
<td></td>
<td>• Percentage of solid waste safely disposed of</td>
<td>• Morbidity and mortality rates from public health/environment-related diseases (e.g., diarrhea, respiratory, malaria)</td>
</tr>
<tr>
<td></td>
<td>• Crowding (housing floor space per person)</td>
<td>• Death rates by violence</td>
</tr>
<tr>
<td></td>
<td>• Air pollution concentrations</td>
<td>• Injury/death rates by transport accidents</td>
</tr>
<tr>
<td></td>
<td>• Shares of sources of household energy</td>
<td>• Mortality rates by disaster</td>
</tr>
<tr>
<td></td>
<td>• Access to primary health services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Access to nutritional safety net</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Share of household expenditures on health care (lowest two quintiles)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Share of household expenditures on food (lowest two quintiles)</td>
<td></td>
</tr>
<tr>
<td><strong>Security of tenure</strong></td>
<td>• Population in unauthorized housing</td>
<td>• Percentage of households with secure tenure</td>
</tr>
<tr>
<td></td>
<td>• Population living in precarious zones</td>
<td>• Accidents from industrial or environmental disasters</td>
</tr>
<tr>
<td></td>
<td>• Scope of disaster prevention/mitigation measures</td>
<td>• Crime rates such as domestic violence, child abuse, robbery, etc.</td>
</tr>
<tr>
<td></td>
<td>• Access to police and legal system protections</td>
<td></td>
</tr>
<tr>
<td><strong>Empowerment</strong></td>
<td>• Extent of public participation in local government budget decisions</td>
<td>• Citizen involvement in major planning decisions</td>
</tr>
<tr>
<td></td>
<td>• Participation of residents in social and political or community organizations</td>
<td>• Public access to information about local government decisions, services, and performance</td>
</tr>
<tr>
<td></td>
<td>• Discrimination in access to services/jobs</td>
<td>• Satisfaction with city services</td>
</tr>
<tr>
<td></td>
<td>• Access to telephones and internet, and other media</td>
<td></td>
</tr>
</tbody>
</table>

What to Do?

- Include poverty reduction and social development objectives into the design and monitoring framework. Frame inclusive targets, indicators, and outcomes (Box 6) in the following way:
  - **Address the desired result from the project, rather than the expected output.** Too narrowly defined outcomes will limit flexibility in project design.
  - **Ensure that the poor are included among the beneficiaries.** Unless a specific focus on poverty reduction is included in the outcomes, the poor are likely to be excluded from many of the project benefits.

<table>
<thead>
<tr>
<th>Box 6: Example of Framing Inclusive Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>General outcomes.</strong> Households with new or improved water supply (number of households)</td>
</tr>
<tr>
<td>• <strong>Inclusive outcomes.</strong> Households with access to improved water supply increased from 60% to 90%.</td>
</tr>
<tr>
<td>• <strong>Pro-poor outcomes.</strong> Percentage of urban poor and vulnerable households with access to improved water supply increased from 20% to 60%.</td>
</tr>
</tbody>
</table>

*Source: Authors.*

**D. Activate Impact Channels**

56. A project may contribute to poverty reduction at different levels and time horizons. *Transmission channels* depict the pathway by which the intervention triggers results. Results can be triggered through *primary channels*, i.e., directly activated by the project, or through *secondary channels*, i.e., activated as a result of behavioral changes by stakeholders. Most urban projects will address more than one transmission channel (Table 2).

57. The concept of transmission channels is useful in analyzing how a project may contribute to poverty reduction, which channels are activated through the project, and who captures the benefits. Based on the key poverty and social issues identified, complementary project components and design options can be developed to further strengthen the project’s contribution to inclusive growth (Box 6).
### Table 2: Transmission Channels

**Prices.** Changes in consumption and production prices, as well as wages, salaries, and interest rates.

*Example: Reduced costs for water subsidized water connection charges, lifeline tariffs for poor and vulnerable households.*

**Employment.** All aspects of formal and informal employment (including self-employment and employment in household enterprises). Gender issues will often be of considerable importance.

*Example: Local employment opportunities in service delivery or formalized employment opportunities in solid waste management through targeted training/hiring of informal waste pickers.*

**Taxes and transfers.** Public and private transfers, and taxation. A primary concern includes an examination of the impact of targeted transfers to poor households, either by means of subsidies or direct payments in cash, in vouchers, or in kind.

*Example: Access to housing credits.*

**Access to goods and services.** People’s access to private and public goods and services, such as water, sanitation, waste management, and public transport. This may involve the removal of barriers, such as physical (building a road) or financial (improving affordability), or improvements to the quality of the goods and services available.

*Example: Extending the water supply network to underserved settlements.*

**Authority.** Issues relating to formal and informal institutions, organizations, relationships, and power structures. It includes, for example, laws governing land rights and behavioral norms in specific population groups. This channel examines the effects on people of changes in political, legal, social, or cultural factors. It is seen as particularly important in addressing issues of empowerment, equity, and inclusion. Implications for changes in the behavior of economic agents may also have considerable consequences for growth and distribution.

*Example: Establishment of community development committees.*

**Assets.** The ability either to cope with adversity or take advantage of opportunities is highly correlated with the extent to which individuals or households are in possession of (or have access to) assets. Assets fall under five categories:

(i) Physical (buildings, tools, equipment, livestock, access to infrastructure)

(ii) Natural (land, water, forest, natural resources)

(iii) Human (labor supply, education, skills, knowledge, health, nutritional status)

(iv) Social (networks, groups, and relationships)

(v) Financial (savings, access to credit, pension or similar guaranteed income flow).

Interventions that tend to increase or decrease the value of, and return to, any of these assets will change the livelihood options of poor households in ways that may impact their welfare. Changes in asset holdings will also have consequences in terms of the vulnerability of households to external shocks.

*Example: Land titling, providing access to water connections, skills training.*

What to Do?  
- Identify the various transmission channels through which poor and vulnerable groups will benefit from the project. Consider differences between social groups and within social groups.
- Consider how alternative design and/or complementary project components can activate or strengthen additional transmission channels.

E. Ensure Affordability

58. Project design must include ways of ensuring affordability of services, particularly for poor people. This does not mean, however, that all urban services should be cheap and subsidized, but rather that different ways of making services affordable to different groups should be found. Affordability poses a barrier to inclusive development in different ways:

- **Affordability of consumption.** The price of consumption may be unaffordable to some income groups such as the poor.
  - **Possible solution:** Consider alternative ways of structuring tariffs, alternative ways of providing the service, or ways of cross-subsidizing the service.

- **Affordability of connection.** The price of consumption may be affordable, but the connection fee may not be.
  - **Possible solution:** Consider financing options for connection fees, including access to credit, installments, or waiving them. Recovering connection costs by raising consumption costs over time may be an option.

- **Ability to pay.** The price of connection and consumption may be affordable, but payment retroactively on a monthly basis may be difficult because of irregular and fluctuating income.
  - **Possible solution:** Consider prepaid systems, or collecting payments on a weekly basis.

- **Willingness to pay.** The service may be affordable but residents are unwilling to pay for it due to economic, social, or cultural reasons, or because they have access to other alternatives (e.g., waste collection or water supply, see Box 7).
  - **Possible solution:** Raise awareness of the impacts of waste on the environment through local schools. Include the waste collection fee as part of other public utility bills.

---

Box 7: Inclusive Water Supply in Harbin, People’s Republic of China

The social impacts of the Harbin Water Supply Project aimed at improving the health and living conditions of the urban population in Harbin City. Based on the social assessment and poverty impact analysis, the project design was adjusted to give significant poverty reduction effects by

• increasing water supply in poor areas where supply is now limited;
• adopting and maintaining lifeline tariffs for poor consumers;
• connecting the poorest households to tap water in five districts in Harbin (under the poverty intervention program, pipeline connection fees will not be charged to poor households); and
• generating employment during project implementation and operation.

As of the end of 2007, more than 2.6 million people in 907,000 households had been connected to the water supply, a connection rate of 87%. Of these, the 42,000 poorest households were provided with water meters and free connection charges.


What to Do?22

- Prepare an affordability profile for different social groups.
- Analyze the current costs for obtaining services.
- Identify key social concerns associated with payment for different utilities (e.g., ability to pay and willingness to pay).
- Develop a strategy to ensure the affordability and willingness to pay of different social groups (Box 8).
- Develop project design features to overcome barriers of affordability, by offering appropriate financing, including flexible down payment, repayment, and collateral requirements.

---

Box 8: Affordable Access to Water for the Urban Poor, Indonesia

In Surabaya, the second-largest city in Indonesia, the urban poor can afford access to piped water through two alternative schemes. For individual connections, households can contract standard 2-year loans from Bank Rakyat Indonesia (People’s Bank of Indonesia), the country’s largest microfinance institution. The second approach involves a subsidized output-based aid scheme, which is to extend piped water connections to 15,500 eligible households (or a total 77,500 end users). The subsidized scheme entails three alternative types of service:

(i) infill connections to existing mains;
(ii) expansion connections to previously unserved areas; and
(iii) bulk supply or “master meter” connections for particularly poor, dense, or informal communities not otherwise eligible for individual connections.

Under the master meter approach, no land title is required, which is of special interest to the poorer communities. Thanks to subsidization, households are to meet only about 40% of the total cost of infill connections (i.e., 12% for the expansion scheme).


F. Secure Accessibility

59. Different groups have different capacities to access services, depending on where they live, how they move, and their legal status. There are several barriers to accessibility:

- **Geographical barriers.** Services may not be accessible in the geographic area where poor and other vulnerable groups live, for example, the public bus is affordable, but not accessible since it covers a different geographic area.
  - **Possible solution:** Consider a different geographic targeting for the project, such as consider if the catchment area for the bus network has been designed in an appropriate way.

- **Physical barriers.** The service may not be accessible because of physical barriers to reach or make use of it, for example, the metro may not be accessible for people with disabilities, parents with strollers, or vendors traveling with goods.
  - **Possible solution:** Consider universal design options to make the service accessible for different groups and ensuring the service can be reached, such as providing safe pedestrian crossings to the metro and including a handicap access route to the platform.
Legal barriers. There may be legal barriers preventing different groups from accessing the service, for example, connection to the city water supply network requires a street address, which in turn requires a land title that the poor in informal settlements may not have.

Possible solution: Identify legal barriers to access, and develop solutions to overcome them, such as consider including security of tenure and formalization of land in the project design. Alternatively, provide community water supply to the area rather than individual households.

Capacity and institutional barriers. Accessing project benefits may require a permit, registration, or title, which, due to inefficient bureaucracy and low capacity, is difficult or impossible to obtain, for example, opening a business in the new market, applying for a construction permit, or securing a permit for public transport operations.

Possible solution: Include governance and capacity-building components in project design. Provide facilitation for beneficiaries to overcome institutional barriers (Box 9).

Box 9: Manila Water—Getting Water to the Poor, Philippines

The Manila Water Company’s “Tubig para sa Barangay” (Water for the Community) program has three different schemes. Under the first, each household or family pays for an individual metered connection using nonconventional materials and supplies through small diameter pipes laid along the ground and along walls. Under the second, one metered connection serves four or five households that are responsible as a group for paying the connection charge and monthly bills. Under the third, an entire community is served with one metered connection. As part of this approach, “alternative providers” have been purchasing bulk water and using plastic hoses and small pipes to provide services to households at a unit price significantly higher than the lifeline tariff levied by the Manila Water Company.

In 2000, one provider was serving more than 20,000 households through this system. By allowing another firm to serve this market, the Manila Water Company overcomes the pricing constraint placed on it by the official tariff structure and helps achieve its service coverage targets.

What is it about the transactions that have led to this outcome? First, targets are disaggregated by municipality, requiring progress not only in high-demand, high-paying areas but also across the entire metropolitan area. Second, input standards are absent, or at least ambiguous, so that targets can be met in innovative and cost-saving ways. Third, targets can be met directly by the concessionaires or indirectly when a third party provides a piped service.

What to Do?
- Analyze how different groups currently access these services.
- Analyze current barriers to access for different groups, and their coping strategies to overcome these.
- Assess potential barriers to access in the proposed project.
- Develop project design features to overcome these (geographical, physical, legal, institutional).

G. Confirm Availability

60. With limited resources available in many cities, services may not be available for all people at all times. Water and electricity supply may not be available at all hours of the day. Public transport is limited to certain hours, and garbage collection is carried out during specific days. Similarly, the quality of services varies over time and location. An understanding of the demand for services (quality and quantity) over time is necessary to respond to the needs of the different user groups (Box 10).

What to Do?
- Assess current availability of services, in terms of quality and quantity over time.
- Assess the demand for services with specific emphasis on intra-household and gender differences.
- Develop a strategy for prioritizing the provision of services, such as operating hours for public transport.

H. Assess Acceptability

61. The social acceptance of different types of solutions can have a large impact on the usage of the planned project. Social and cultural norms, perceptions, and misconceptions determine the level of acceptance for different solutions. Urban safety and security are factors that critically determine the acceptability of different solutions, especially for women and youth.

62. Social analysis plays an important role in identifying and addressing concerns over acceptability. Issues of social acceptance can be overcome by choosing alternative project design options, through education and awareness raising or by finding incentives for changing behaviors.

What to Do?
- Assess acceptability issues in the current situation, and discuss the proposed design options with various social groups (Box 11).
- Suggest alternative project design features, or suggest ways of addressing social and cultural norms and perceptions.
**Box 10: Community-Managed Water Points in Urban Slums, Bangladesh**

In addressing the lack of legal tenure as a barrier to receiving water supply in Dhaka slums, the nongovernment organization Dushtha Shasthya Kendra (DSK) persuaded authorities to authorize several collective water points.

DSK helped build slum-dwellers’ capacity to manage and maintain the water points. This included user collection of charges on water consumption. By 2002, DSK had built nearly 100 water points benefiting about 6,000 slum households. To the authorities, the tangible benefits did not take long to accrue under the form of increased revenues and reduced losses from illegal connections.

As a result, the Dhaka Water Supply and Sewerage Authority (DWASA) launched its own Urban Water and Sanitation Initiative for Dhaka’s Urban Poor, and reduced the deposit requirements for water points. Under the initiative, replication of the water point scheme to an additional 110 community-managed systems is to improve the living conditions of as many as 60,000 slum dwellers, not to mention ongoing expansion to other large slums. The success of the scheme is such that DWASA has decided that, subject to local political approval, it will transfer the ownership of the water points to those communities that demonstrate a good track record for maintenance and payment of bills. With the help of WaterAid and other civil society partners, the community-managed water-point model is now replicated in the slums of Chittagong, the country’s second-largest city.


---

**Box 11: Social Acceptability Issues in Urban Development**

*Consider the acceptability of...*

... moving from a single-story house to multistory apartment building, or vice versa.

... separating recyclables from waste at the household level.

... walking to the bus stop.

... giving pedestrians priority over motorized transport.

... paying for wastewater treatment.

... female construction workers.

... preserving cultural heritage buildings.

*Source:* Authors.
I. Reduce Vulnerability and Build Social Resilience

63. Social resilience refers to people’s capacity to cope with and adapt to external shocks and vulnerabilities. It consists of:
- coping capacities—the ability of social actors to cope with and overcome all kinds of adversities;
- adaptive capacities—their ability to learn from past experiences and adjust themselves to future challenges in their everyday lives; and
- transformative capacities—their ability to craft sets of institutions that foster individual welfare and sustainable societal robustness toward future crises.

64. A vulnerability assessment examines the ability of livelihood systems and social structures to withstand multiple stresses caused by environmental, economic, or social shocks. In the project context, it identifies:
- vulnerabilities that may be caused and/or worsened by the project (e.g., loss of income, disruption of social fabric, and eviction);
- vulnerabilities that may be reduced as a result of the project (e.g., protection against floods, access to employment, and improved health); and
- resilience and coping strategies already adopted by communities that can be used as a resource for the project (e.g., informal organization and reduced reliance on formal infrastructure supply systems).

65. Projects can be designed to actively strengthen coping, adaptive, and transformative capacities, to further increase the resilience of urban areas. An adaptation and mitigation plan sets out strategies for improving resilience and minimizing the risk of vulnerabilities from the project.

What to Do?
- Assess the social risks and vulnerabilities of disadvantaged groups.
- Prepare an adaptation and mitigation plan (Box 12).
- Participatory processes involving affected stakeholders in defining challenges, opportunities, and solutions are necessary.

J. Support Social Inclusion

66. Social infrastructure (including schools, community centers, libraries, community health centers, and recreation facilities) is an essential feature of holistically planned communities and contributes to overall community well-being (Box 13). Social infrastructure provision is integral to the creation of sustainable
Studies suggest that the poor require targeted livelihood development assistance to allow them to more effectively explore economic opportunities associated with improved connectivity. Integrating micro and small vendors’ activities into larger urban infrastructure programs is an innovative approach to address the urban poor’s livelihood development needs.

The Livelihood Support for Corridor Towns project benefits the informal sector engaged in small trading businesses. Beneficiaries gain access to market facilities for trading, microfinance, and training on market management, where they are given the opportunity to comanage market operations as members of the market management committee. The project will address the needs of the target beneficiaries by providing trading facilities that are secure, have good hygienic conditions, access to customer flow, and access to affordable loan schemes that will provide additional capital to improve their products and goods.


---

**Box 13: How Can Cities Support Street Vendors?**

**Quezon City, Philippines.** In an effort to legitimize the informal sector, Quezon City has provided stalls and sites to vendors under the Integrated Hawkers Management Program. Vendors are assigned individual spots on sidewalks or open spaces under what is known as Mayor’s Permits and for a nominal fee, with priority given to members of the Hawkers’ Association. Credit is also made available to vendors through the Self-Employment Program of Manila Community Services, Inc.

**Kuala Lumpur, Malaysia.** Malaysia is another of the few countries in Asia that have given formal recognition to street vendors. The government’s 1990 national policy on hawkers included funding for the credit schemes and training programs that enable street vendors to improve their business practice and facilities. The policy was part of a broader one aimed at turning Kuala Lumpur into a clean, healthy, and beautiful city for local people and tourists.

**Bangkok, Thailand.** Street vendors can be found on almost every street peddling a wide range of wares—clothes, curios, electronic items, and a variety of cooked and raw food. For the local population, food stalls are an integral part of life, and particularly makeshift restaurants. Hundreds of people rely on them for low-cost meals. The Bangkok Metropolitan Administration has demarcated a total of 287 locations where street vendors can operate.

Social infrastructure and social assets constitute a key resource in urban projects as it contributes much of the glue that holds communities together, providing services and facilities that meet the needs of residents, promote social interaction, and enhance the overall quality of life within a community.²⁴

67. Social assets are resources that contribute to the urban setting and that are increasingly being acknowledged for their contribution to social cohesion and the urban economy. Social assets can include:
- cultural heritage, history, and local identity;
- public space;
- community organizations, networks, and activities;
- sports, arts, and culture;
- religious facilities and activities; and
- entrepreneurship, creativity, and innovation.

68. The cultural, historical, or monumental capital of a town is an element that contributes to the stability and resilience of an urban ecosystem and that, as such, has an intrinsic value as it will contribute to the production of social capital (Box 14).²⁵

69. Social infrastructure and social assets constitute a key resource in urban projects. They contribute values on which to build successful projects, and they offer entry points for successful project implementation (Box 15). Mapping of social assets is an important part of the social analysis during project preparation as they provide:
- an entry point for dialogue with communities,
- an agent for empowerment and community mobilization by contributing to community identity,
- a resource for economic development, and
- a stronger and more resilient city.

What to Do?
- Identify social assets that could be leveraged for improved project results, or that may be negatively affected by the project.
- Consider including components on provision of social infrastructure.

²⁴ Footnote 12, p. 6.
**Box 14: Cultural Heritage and Urban Development in Quito, Ecuador**

The Quito rehabilitation program financed by the Inter-American Development Bank (IDB) has achieved some success in retaining residents in rehabilitated buildings. A key factor in this project was the establishment of a mixed capital company. The Empresa del Centro Histórico de Quito (ECH) represents the first such public–private urban development entity in Latin America in the urban heritage rehabilitation field. ECH, while working together with the community and receiving financial support from the central government (in the form of subsidies under the IDB-financed National Housing Policy) succeeded in retaining 75% of the original occupants of a renovated building. The program has also been extended to several other buildings. In the framework of the rehabilitation of the historic center of Quito, a program for social action was also designed.

This program consisted of four main components. One was related to social sustainability and was planned with United Nations Educational, Scientific and Cultural Organization support, and the others targeted low-income groups living and working in the historical center, including residents and nonresidents. Specific components included social housing, formalization of informal vendors, and microenterprise promotion. In particular, the cooperative action undertaken for social housing was considered successful. The component was designed with the technical assistance of Pact Arim de Seine Saint-Denis, a French nongovernment organization with expertise in housing condition improvement, slum upgrading, and urban rehabilitation. Pact Arim is well known for its work on minimizing and containing social exclusion, considering that housing is the key issue in successful inclusion processes and in a sustainable social life for city dwellers.


**Box 15: Building Social Inclusion through Urban Transport in Bogotá, Colombia**

During the administration of Mayor Enrique Peñalosa, Bogotá’s visionary goal was centered on livability, social equity, and reclamation of public space. To achieve this, the administration established policies in seven areas: institutional strengthening, restraining private car use, public space, public transport, nonmotorized transport, road maintenance, and traffic management.

Large investment in infrastructure for nonmotorized and public transport was justified by its impact on equality. Inclusive investments for all, such as bicycle lanes, pedestrian highways, and the bus rapid transit system (TransMilenio), demonstrated a commitment to the public good over private ownership. Likewise, actions such as the removal of cars from sidewalks, car-free Sundays, and establishing a highway solely for TransMilenio exhibited consideration to those on low incomes who do not benefit from investment in motorized transport infrastructure.

The theme of equality was a key driver in the development of a 357-kilometer-long bicycle network. The bicycle network was deliberately designed to run through low-income and wealthy areas to promote integration and a sense that all citizens had an equal stake in city-wide development. These developments acted as “social equalizers,” providing the poor with better transport links and free leisure facilities. People supported the measures once they saw results, and Peñalosa left office with a record approval rating. Decisive leadership, political will, and strong institutions were the critical factors contributing to success.

K. Promote Gender Equity

70. Lack of access to urban infrastructure services, such as public transport or water supply, and lack of qualities like urban safety, impacts men and women very differently. Men and women thereby may have different priorities and require different solutions. Urban investments can have significant impacts on gender equality and women’s empowerment by reducing women’s time poverty and improving their capabilities through access to resources, economic opportunities, and decision-making powers (Box 16).

71. Gender analysis is vital to understand the nature of urban poverty and take into account men’s and women’s different perspectives, needs, and priorities in designing and implementing urban development policies and projects (Box 17).

Box 16: Gender-Responsive Approaches

- Strengthen gender-inclusive delivery of urban services by using technology appropriate to women’s and men’s needs and capabilities.
- Support the provision of the types of infrastructure that meets women’s needs as well as men’s needs.
- Consider gender-responsive physical design of urban infrastructure—vendor markets, bus and train terminals, municipal buildings, and separate male and female toilets in public spaces and buildings.
- Ensure accessibility and affordability of basic services such as water supply and sanitation, electricity, waste disposal, transport, and health care.
- Develop mechanisms (e.g., participatory consultations and mandatory quotas, as necessary) for involving women in the planning, design, management, operation, and maintenance of urban infrastructure and services.
- Closely involve women in site planning and design.
- Ensure women’s representation in decision-making structures.
- Make provision to facilitate women’s participation in the project, such as convenient hours, collective child care, and transport.
- Publicize the project through information channels accessible to women, such as community centers, trade unions, and women’s groups.
- Ensure that both women and men are offered training in project management, design, construction, and maintenance (skills transferable to the formal economy after project completion) and linked to institutional gaps to promote a sector pipeline of female professionals.
- Create mechanisms for ongoing monitoring and evaluation by female and male users, including communication channels with program planners so that the female users may continually articulate their concerns.

**Box 17: Sustainable Urban Transport Project in Greater Dhaka, Bangladesh**

ADB in collaboration with Agence Française de Développement, and the Global Environment Facility supports bus rapid transit (BRT) corridor construction and operations in Dhaka North City Corporation (DNCC) and Gazipur City Corporation (GCC) areas, which form part of north Greater Dhaka.

The project will support the DNCC–GCC corridor, which is near a garment hub that is home to 272 factories. The project will serve 1 million mostly female workers.

Gender analysis during project preparation identified multiple challenges women face in using public transport in Dhaka: the overcrowding of buses mostly occupied by men, resulting in discomfort and rampant sexual harassment; the frequent refusal of bus drivers to pick up female passengers; and the lack of street lights to provide security. The project’s female-friendly design features for the 20-kilometer BRT include a separate queuing system for men and women; reserved seating for women; and possibly exclusive bus service for women. A fare subsidy program by garment employers will be explored for poor workers, especially the young female workforce.

Most women travel on foot because of unsafe transport conditions. The project is improving travel safety for women by providing safe waiting areas, much-needed traffic lights, energy-saving street lamps, and training for traffic enforcement officers. Commercial spaces in BRT stations will be provided for female vendors and entrepreneurs.


**What to Do?**

- Conduct gender analysis as part of the poverty and social analysis for projects.
- Identify key gender issues relevant to the project.
- Involve women in identifying needs, priorities, and solutions and in the decision-making process.
- Develop gender-responsive design features.
- Identify project design features to promote gender equality and women’s empowerment.

---

L. Include Stakeholder Participation and Empowerment

72. Involving stakeholders in project planning, design, implementation, and monitoring is critical to making investments more effective. Achieving sustainable results largely depends on stakeholder involvement, cooperation, and consensus that strengthens the design, builds ownership, and improves governance.

73. Stakeholders are the full range of actors in public, private, and civil sectors that either have something to gain or lose from a proposed urban intervention, or are in a position to influence it. Four types of stakeholders can be distinguished:

- (i) Those who influence the intervention (e.g., the department of public works and transport in the local government);
- (ii) Those who are influenced by the intervention (e.g., the informal transport sector);
- (iii) Target group for the intervention (e.g., residents in mobility-deprived urban districts); and
- (iv) Intermediary target groups (e.g., transport providers or a bus operator).

74. The forms and levels of participation in the project will depend on the type of stakeholder and their role in the project. Engaging with stakeholders can be done through different approaches and depth of participation (Table 3).

<table>
<thead>
<tr>
<th>Approach</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information generation and sharing</td>
<td>Information is (i) generated by ADB/recipient/client and shared with stakeholders, (ii) independently generated by stakeholders and shared with ADB/recipient/client, or (iii) jointly produced.</td>
</tr>
<tr>
<td>Consultation</td>
<td>Stakeholder input is requested and considered as part of an inclusive policy, program, or project decision-making process.</td>
</tr>
<tr>
<td>Collaboration</td>
<td>Stakeholders and ADB/recipient/client work jointly, but stakeholders have limited control over decision making and resources.</td>
</tr>
<tr>
<td>Partnership</td>
<td>Stakeholders participate in decision-making process and/or exert control over resources, through a formal or informal agreement to work together toward common objectives.</td>
</tr>
</tbody>
</table>

The approach and depth of participation vary depending on the development context and activity, but several principles remain constant:\(^\text{27}\)

- **Promote accountability and transparency.** Participatory mechanisms hold decision makers accountable to their stakeholders. They promote communication and openness about activities, as well as transparency in the objectives of participation and degree of stakeholder influence.
- **Allow for participation at all levels.** People participate at any and all levels of decision making (policy, program, and project) through timely, flexible activities that suit their skills, abilities, and interests.
- **Make participation accessible to all.** All people are valued equally, opportunities for participation are adequately communicated and offered fairly, and barriers that stop particular groups getting involved are challenged.
- **Value diversity.** The diversity of people’s experiences, backgrounds, beliefs, and skills offers a unique resource for society. Celebrating and capitalizing on this is key to participation.
- **Ensure participation is voluntary.** People involve themselves in decision making because they believe in the importance of issues at stake and that their participation will make a difference. Coercion should be avoided.
- **Encourage stakeholders to create their own ideas and solutions.** In community-led participatory approaches, people take action themselves in ways that they choose.

Urban projects can contribute to the empowerment of disadvantaged groups by strengthening their rights, entitlements, and capabilities. Active participation in project planning and implementation will support this. Beyond public participation, however, urban projects can also strengthen the empowerment of the poor and other vulnerable groups in a more systemic way by

- providing land titles that will facilitate access to credit markets;
- providing security of tenure that will allow the poor to register as residents in the city and participate in local elections;
- providing permits for informal service providers or vendors that will reduce their vulnerability;
- providing formal channels of communication with the local government that will improve citizens’ abilities to voice concerns; and
- supporting multistakeholder training (community, local government, government service delivery agency) in integrated planning exercises culminating in local community action plans.

To achieve this, a participatory approach is necessary, and the project should tap the significant base of NGOs and community-based organizations that understand and have the capacity to engage with communities (Box 18).

---

Box 18: Neighborhood Upgrading and Shelter Sector Project, Indonesia

In 2005, with the support of ADB, the Government of Indonesia launched the Neighborhood Upgrading and Shelter Sector Project. The aim of the project was to improve urban slum neighborhoods and access to appropriate housing by low-income households in urban areas. It included four components:

(i) improving planning and management for upgrading existing neighborhoods and establishing new housing sites for the urban poor,
(ii) improving access by the poor to shelter financing through central and local financial institutions or their branches,
(iii) upgrading low-income neighborhoods and developing new housing sites for the urban poor, and
(iv) strengthening the institutional capacity of local government agencies in implementing subprojects.

Three of the components employed a community-driven development approach. This implied a focus on participation by the local community in planning and designing development initiatives, as well as community control of resources, community involvement in implementation, and use of community-based monitoring and evaluation techniques.


What to Do?28

**Employ stakeholder analysis and consultation.** Identify the different stakeholders and institutions influencing and influenced by the project. Assess the capacity of relevant project agencies to participate in the project in a socially inclusive way, or, alternatively, consider the potential constraints or resistance to their participation. Ensure inclusion of views from all affected stakeholders in developing and reviewing the project. It helps resolve complex issues, gain consensus and support from stakeholders, reduce problems in implementation, and increase impact.

**Maximize participation in the design and monitoring framework.** Ensure a participatory approach to developing the DMF.

---

Apply participatory assessment. Enable stakeholders to examine their own problems. Use local knowledge, strengthen stakeholders’ influence on decision making, and encourage ownership by people whose lives the project will affect.

Develop a participation plan. Determine the type and level of participation from different stakeholders.

Develop a stakeholder communications strategy. Build on and expand participation plans and focus on information sharing and consultation. The strategy guides communications with stakeholders during project implementation.

Work with civil society organizations. Make use of the knowledge and expertise of local civil society organizations as partners in urban projects.

Consider ADB’s potential role. Examine how ADB can create enabling conditions that support the empowerment of stakeholders involved.

M. Strengthen Urban Governance, Institutions, and Capacity

78. Weak urban governance systems and low capacity of institutions to provide services are reasons behind the challenges facing urban areas today. Inclusive project design will most likely need to include components to strengthen the capacity of institutions to deliver services and can also include efforts to improve the overall urban governance system (Box 19).

79. Institutional analysis offers an opportunity to address structural governance constraints and include project components that contribute to good governance. It will also identify social and political risks to the project, so that appropriate mitigation measures may be taken. Failure to account for them can lead to an operational design that is unworkable or make a project susceptible to conflict or corruption (Box 20). Institutional and capacity analysis considers the following initial questions:

(i) What key laws, policies, institutional mechanisms, norms, and practices govern the relevant sector and are likely to influence the motivations and behavior of key actors in the project?
(ii) Are any changes needed in these formal or informal rules or mechanisms to ensure the inclusive development outcomes of the project?
(iii) What organizations, offices, and groups are intended or expected to play key roles in the proposed project?
(iv) Do they have the mandate, incentives, capacity, and resources to function effectively in the project and to contribute to its success?
(v) What constraints, disincentives, gaps, or other barriers can inhibit them from contributing to the project, and how can these be overcome?
Box 19: Examples of Community-Driven Development for Urban Projects

Community-Driven Urban Environmental Improvements in Pakse, Lao PDR

The Pakse Urban Environmental Improvement Project in the Lao People’s Democratic Republic supports investments aimed at improving the conditions of the urban poor and low-income households. It promotes community-driven urban development and community-led service delivery through village grants, which help support a balanced approach to urban land-use planning and reinforce the interlinkages between urban environmental improvements, health, and well-being.

Community-driven urban environmental improvements enhance community participation through (i) improved solid waste collection and management in villages of the greater Pakse urban area through village grants, and (ii) improved household sanitation through sanitation grants. The project supports each village development committee in local urban planning, prioritization, and selection of small-scale infrastructure investments, and identification of poor households for sanitation improvements.

Community-Driven Development for Urban Poor in Ger Areas, Mongolia

Community-driven development gives control of decisions and resources to community groups. These often informal groups partner with support organizations and service providers, such as local governments, the private sector, and nongovernment organizations, to develop social and infrastructure services, organize economic activity and resource management, and improve governance. For example, through resources from an ADB grant, communities in the ger (traditional tent housing) areas of Mongolia were able to build needed infrastructure (including waste water treatment and street lighting), undertake income-generating activities (dairy producing and beekeeping), and take control of developing their neighborhoods. Community subproject proposals were evaluated for community-wide benefits, community commitment, and pledged contributions (cash and in-kind) from the local government.


Box 20: The Urban Governance and Infrastructure Improvement Project, Bangladesh

The Urban Governance and Infrastructure Improvement Project seeks to improve urban governance and infrastructure in a select group of pourashavas (secondary towns) in Bangladesh by increasing the participation of the community and enhancing the capacity of the pourashava local governments to deliver desired municipal services to the people. Components include

- Citizen participation and accountability improvements, including (i) preparing and issuing a citizens’ charter; (ii) initiating the conduct of “citizens’ report card” surveys and publishing the results; (iii) establishing a customer and grievance redress cell; (iv) organizing regular town- and ward-level coordination committee meetings for the implementation of the pourashava development plan process and other input and decisions; (v) opening up the budget proposal to the public and the town-level coordination committee; and (vi) establishing a mass communication cell.
- Integration of the urban poor, including (i) implementing the poverty reduction action plan, (ii) forming slum improvement committees in slums targeted by the project, and (iii) allocating a budget for the poverty reduction plan activities.

Source: ADB. 2012. The Urban Governance and Infrastructure Improvement Project in Bangladesh: Sharing Knowledge on Community-Driven Development. Manila.
What to Do?  

- Conduct an institutional and capacity analysis.
- Analyze the political economy, the decision-making process, and in particular the extent to which decisions are made and implemented in relation to the needs of marginalized groups.
- Assess the capacity of relevant project agencies, local governments, private sector firms, NGOs, and other community-based organizations to participate in the project in a socially inclusive way, or, alternatively, consider the potential constraints or resistance to their participation.
- Develop a strategy for overcoming governance constraints in the project.
- Develop a strategy for building capacity in relevant stakeholders and institutions.
- Consider project components that would contribute to strengthening good governance.

N. Address Issues Outside of the Project

80. During project preparation, many issues that are critical to sustainable urban development but outside the scope of the specific project will invariably arise. While these may be outside of the ADB mandate, it is important to document them and include them in dialogue with government and other development partners who may be better placed to address them.

81. ADB’s Urban Operational Plan 2014–2020 states,

To implement its inclusiveness agenda, ADB should seek to partner more strongly with the local governments, with civil society organizations, and with the local private sector, including financial institutions, as these stakeholders have a strong interest in developing their communities. In this agenda, diversity of donor interest increases the scope for sector wide approaches where different donor partners focus on specific tasks or geographic areas.

What to Do?

- Document urban challenges and sustainability constraints even beyond the ADB project focus, as they are identified.
- Assess existing government programs, other development partner activities, and national and local policy and planning frameworks to assess whether social inclusion has been addressed.

---

Engage in dialogue with government and other development partners who might be able and willing to address them.

Explore the potential for partnerships within the project.

Consider Planning, Input, and Timing

Carefully planning poverty and social analysis will ensure that advice is timely and the type of information provided is relevant. Success factors for making poverty and social analysis useful in the project cycle include:

- **Resources.** Allocate sufficient resources for poverty and social analysis. It will save time and money further on.

- **Qualifications.** Draw on the experiences of social development specialists with specific experience in urban development and urban infrastructure. Social development and social safeguards are two different skills with different applications in the project.

- **Relevance.** Clearly identify the type of poverty and social analysis/input that is needed and how it will be used to guide project design.

- **Timing.** Advice must be timely. Adjust the level of detail to the reality of project processing schedule. Fundamental decisions about project location, focus, and design are often already made during the project concept stage. Investing time and resources in poverty and social analysis here is money well spent (not least to identify potential risks to the project and ways of managing these). A systematic and upstream approach is efficient and potentially offers cost savings to the client.

- **Integration.** Make sure poverty and social analysis is integrated into project design by other team members. Put poverty and social issues in the terms of reference for the various project team members. Cross-reference team members to let the social development specialist comment on, for example, the design of the surveys and studies done by other team members.

- **Proactive use of social analysis.** Identify solutions and alternative ways of maximizing project impacts.
## APPENDIX 1

The Role of Poverty and Social Analysis in the Project Cycle

<table>
<thead>
<tr>
<th>Operational Stage</th>
<th>Poverty and Social Analysis Outputs</th>
<th>Purpose of Poverty and Social Analysis</th>
</tr>
</thead>
</table>
| Project concept   | Initial poverty and social analysis (IPSA) | • Identify targeting classification (direct or indirect poverty impact)  
• Identify specific poverty and social constraints and inclusive development opportunities, including gender-related opportunities  
• Identify social risks related to the project  
• Identify the need for detailed poverty and/or social analysis of selected issues during the design phase, as well as related methodologies and resource requirements  
• Identify relevant civil society organizations and other key stakeholders, and establish prospects for a participation plan to enhance local ownership |
| Project design and approval |  | • Collect poverty and/or social information necessary to inform project design  
• Identify inclusive development objectives, outcomes, and indicators  
• Cost out and schedule inclusive development measures  
• Prepare time-bound and costed gender, social action measures, and/or mitigation plans  
• Confirm and consolidate the participation plan to review and decide on options and enhance local ownership  
• Define social and institutional arrangements  
• Arrange the monitoring and evaluation of inclusive development objectives and social impacts  
• Confirm and validate the design measures and any social action and mitigation plans that may have been prepared (such as plans for resettlement, labor retrenchment, or indigenous peoples), as well as related targets and indicators |
| Project implementation | Project performance management system:  
• Project administration memorandum and eOperations (including reporting on social targets/indicators)  
Monitoring of inclusive development outcomes and impacts through  
• project progress reports, including gender action plan progress report;  
• project performance reporting;  
• midterm review; and  
• project completion report. | • Monitor achievement and distribution of project benefits  
• Identify issues and opportunities for improvement during implementation and development of corrective action plans as needed  
• Monitor implementation of any social action or mitigation plans, and social impacts of project implementation  
• Review achievements and failures as well as lessons learned for future application |
APPENDIX 2
Further ADB Resources for Poverty and Social Analysis in Urban Projects

- **Poverty Reduction**
  Operations Manual C1: Poverty Reduction

- **Social Analysis**
  Handbook on Poverty and Social Analysis (2012)
  Social Analysis in Private Sector Projects (2009)
  Technical Note on Social Analysis for Transport Projects (2008)

- **Poverty Analysis**

- **Gender**
  Operations Manual C2: Gender and Development in ADB Operations (Updated December 2010)
  Guidelines for Gender Mainstreaming Categories of ADB Projects
  Gender checklists in water supply and sanitation, urban development, transport, and other sectors
  Gender-Inclusive Approaches in Urban Development: Tip Sheet (2013)

- **Participation and Collaboration with CSOs**

- **Governance**
  Operations Manual C4: Governance

- **Capacity Development**
<table>
<thead>
<tr>
<th>Glossary Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil society organizations</td>
<td>A diverse range of organizations, including nongovernment organizations; development partners; labor unions; community-based organizations; consumer, user, and self-help groups; news organizations; and academic and research institutions</td>
</tr>
<tr>
<td>Empowerment</td>
<td>Authority attained by an institution, organization, or individual to determine policy and make decisions</td>
</tr>
<tr>
<td>Inclusive development</td>
<td>Equitable and sustainable improvements in the physical, social, and economic well-being of individuals and social groups, especially those who are socially or economically disadvantaged</td>
</tr>
<tr>
<td>Inclusive growth</td>
<td>High and sustainable growth that creates and expands economic opportunities, while also providing broader access to these opportunities by expanding human capabilities, improving access to markets and productive assets, and strengthening social safety nets, especially for the poor and other excluded groups</td>
</tr>
<tr>
<td>Inclusive projects</td>
<td>Projects resulting in equitable and sustainable improvements in the physical, social, and economic well-being of individuals and social groups, especially those who are socially or economically disadvantaged, and where marginalized and excluded groups of people have been included in the development process</td>
</tr>
<tr>
<td>Marginalized groups</td>
<td>Population or communities of people systematically deprived of access to rights, opportunities, and resources that are available to the majority</td>
</tr>
<tr>
<td>Participation</td>
<td>Process through which stakeholders influence or contribute to designing, implementing, and/or monitoring a development activity; encompasses four main approaches, including (i) information generation and sharing, (ii) consultation, (iii) collaboration, and (iv) partnership</td>
</tr>
<tr>
<td>Poverty and social analysis</td>
<td>Analysis undertaken to (i) understand the nature and severity of poverty, inequality, and exclusion within a population likely to be affected by a program or project, including the status of and relationships between social groups and institutions; (ii) consider the appropriateness and feasibility of the program or project, given the poverty and social context; (iii) assess the potential poverty and social impacts—positive and negative—of the program or project; and (iv) identify possible actions to maximize the positive impacts of the program or project, and minimize or mitigate any negative impacts</td>
</tr>
</tbody>
</table>
Social capital – Trust-based networks among people reinforced by norms of behavior (like other forms of capital, social capital is an asset that can help individuals and groups cope with risks and uncertainty)

Social development – Greater inclusiveness and equity in access to services, resources, and opportunities; greater empowerment, sense of security for the poor, and increased capabilities of people (including the poor, excluded, and vulnerable groups) to participate in social, economic, and political activities and manage risks

Social dimensions – Include (i) participation; (ii) gender and development; (iii) social safeguards; and (iv) management of social risks, especially among vulnerable groups

Social inclusion/exclusion – Attention to the social processes, institutions, and mechanisms that can enhance or restrict the equitable access of individuals and groups to services, markets, public decision making, and community activities and support

Social protection – Policies and programs to reduce people’s vulnerabilities by promoting efficient labor markets, reducing people’s exposure to risks, and enhancing their capacity to protect themselves from hazards and interruption or loss of income

Social risks and vulnerabilities – Impacts of interventions and projects that may yield negative outcomes to society, such as increased incidence of communicable diseases and HIV/AIDS, adherence to core labor standards, adverse pricing, displacement and loss of assets, loss of livelihood or employment, and undue political influence and power given to elite groups

Social safeguards – Policies introduced to protect individuals and groups from adverse impacts of certain development activities (such as involuntary resettlement or disruption of indigenous peoples’ traditional land use and livelihoods)

Stakeholder analysis – Process of identifying individuals or groups that have an interest in a proposed project and understand how they will affect or be affected by the project; this information should help improve the overall design of the project

Vulnerable groups – Population or communities of people living under $2–$4 per day; also includes population or communities of people at risk of asset or income loss as a result of conflict, political and economic instability, or natural disasters
Guidance Note
Poverty and Social Dimensions in Urban Projects

Urbanization will become one of the defining trends of Asia’s transformation in the coming decades. Investments in urban areas have a strong potential to contribute to inclusive growth, reduce urban poverty, and strengthen social resilience. The Guidance Note on Poverty and Social Dimensions in Urban Projects aims to assist Asian Development Bank (ADB) staff, including practitioners and specialists working on their behalf, to effectively address the poverty and social dimensions of ADB’s urban operations. It provides practical guidance in strengthening the link between urban investments and poverty reduction by making better use of poverty and social analysis as a resource for successful projects. The guide complements the Handbook on Poverty and Social Analysis (2012) which provides general guidance on incorporating poverty and social dimensions in ADB operations.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to approximately two-thirds of the world’s poor: 1.6 billion people who live on less than $2 a day, with 733 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.