

Handbook on Poverty and Social Analysis

A Working Document



Handbook on
Poverty and Social Analysis
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Foreword

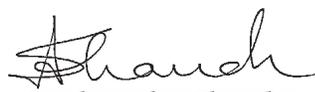
The *Handbook on Poverty and Social Analysis: A Working Document* is designed to be a valuable resource to help staff of the Asian Development Bank (ADB), government officers, consultants, project sponsors/borrowers, and other stakeholders to effectively address the poverty and social dimensions of ADB's operations. Ultimately, the handbook aims to contribute to positive development outcomes in the Asia and Pacific region that are inclusive, equitable, and sustainable.

The handbook provides an update on poverty and social analysis aligned with the inclusive growth agenda of ADB's Strategy 2020 as well as its streamlined business processes and increased emphasis on results, and changes in policies and staff guidelines related to gender, participation, social safeguards, other social risks, and public communications. It does not introduce any new policies or procedural requirements. The five sections in the handbook are organized according to ADB's operational cycle and business practices. Appendixes provide selected tools, links to other handbooks, and guidelines on social development topics.

The handbook was a product of collaboration among staff from across ADB, including inputs from a peer review team, whose support is gratefully acknowledged. This endeavor was initiated by the Poverty Reduction, Gender and Social Development Division of the Regional and Sustainable Development Department led by Sri Wening Handayani, and Eugenia McGill (staff consultant), supervised by Bart W. Édes and supported by Michelle Domingo-Palacpac, Princess Lubag, and Myla Sandoval. Valuable comments and suggestions were received from the peer review team comprised by staff from across ADB's regional departments, the Private Sector Operations Department, and the Regional and Sustainable Development Department including Linda Adams, Armin Bauer, Shanny Campbell, Scott Ferguson, Yukiko Ito, Sunhwa Lee, Christopher Morris, Joyce Munsayac, Bui Ngoc Quang, Jeremy Stickings, Susann Roth, Indira Simbolon, Sonomi Tanaka, Francesco Tornieri, and Wendy Walker.

The handbook will need updating from time to time to remain relevant in a changing business environment. It is, like its predecessors, a working document. We welcome your feedback so we can continue to improve future editions.

We hope users of this handbook will find it a useful guide in integrating poverty and social dimensions into ADB-financed operations, thereby contributing to inclusive growth in the region.



Seethapathy Chander

Director General

Regional and Sustainable Development Department

Abbreviations

ADB	– Asian Development Bank
ADF	– Asian Development Fund
CAPE	– country assistance program evaluation
CBO	– community-based organization
CGA	– country gender assessment
CLS	– core labor standards
COBP	– country operations business plan
CPA	– country performance assessment
CPIA	– country policy and institutional assessment
CPS	– country partnership strategy
CSO	– civil society organization
CSP	– Country Strategy and Program
DAC	– Development Assistance Committee
DHS	– demographic and health survey
DMC	– developing member country
DMF	– design and monitoring framework
DVA	– direct value added
EGM	– effective gender mainstreaming
EPRS	– Enhanced Poverty Reduction Strategy
ESMS	– environmental and social management system
ETSW	– economic, thematic, and sector work
GACAP II	– Second Governance and Anticorruption Action Plan
GAD	– gender and development
GAP	– gender action plan
GEN	– gender equity as a theme
GI	– general intervention
IEC	– information, education, and communication
IED	– Independent Evaluation Department
ILO	– International Labour Organization
IMF	– International Monetary Fund
IPP	– Indigenous Peoples Plan
IPSA	– initial poverty and social analysis

JFPR	– Japan Fund for Poverty Reduction
LSMS	– living standard measurement survey
MDG	– Millennium Development Goal
MFF	– multitranches financing facility
MRM	– management review meeting
NGE	– no gender element
NGO	– nongovernment organization
NPRS	– national poverty reduction strategy
OECD	– Organisation for Economic Co-operation and Development
OM	– Operations Manual
PAM	– project administration manual
PBA	– performance-based allocation
PCR	– project completion report
PDS	– project data sheet
PIA	– poverty impact analysis
PLSA	– participatory living standard assessment
PPER	– project (or program) performance evaluation report
PPMS	– project performance management system
PPN	– project preparatory note
PPR	– project performance report
PPTA	– project preparatory technical assistance
PRA	– participatory rapid assessment
PRS	– Poverty Reduction Strategy
PSA	– poverty and social analysis
RCI	– regional cooperation and integration
RCS	– regional cooperation strategy
RRA	– rapid rural appraisal
RRP	– report and recommendation of the President
RSES	– ADB’s Environment and Safeguards Division
SGE	– some gender elements
SPRSS	– summary poverty reduction and social strategy
TA	– technical assistance
TI	– targeted intervention
TI-G	– targeted intervention for geographic areas
TI-H	– targeted intervention for households
TI-M	– targeted intervention for supporting achievement of MDGs
TOR	– terms of reference
UN	– United Nations
UNDP	– United Nations Development Programme
XARR	– extended annual review report

Executive Summary

Overview

This handbook is intended to help professionals involved in programming, preparing, and implementing activities financed by the Asian Development Bank (ADB) to effectively address the poverty and social dimensions of ADB's operations aligned with Strategy 2020's inclusive growth agenda, thereby enhancing ADB's efforts to reduce poverty in Asia and the Pacific. Guidance is provided in three main areas of ADB operations, namely, (i) regional and country programming, (ii) project conceptualization and design, and (iii) project implementation. The handbook does not introduce any new or additional policy or procedural requirements. Rather, it provides a road map to specific ADB policies, strategies, and procedures related to poverty reduction and inclusive development. This handbook complements other ADB sourcebooks and guides on participation, involuntary resettlement and indigenous peoples, and sector-specific gender checklists.

Poverty and Social Analysis in Country and Regional Programming

Through its main country and regional planning documents—country partnership strategies (CPSs) and regional cooperation strategies (RCSs)—ADB seeks to align its development assistance with national and regional priorities and to harmonize its approach with that of other development institutions. Poverty and social analysis (PSA) is an important ingredient in the CPS, RCS, and country performance assessment (CPA) processes.

In the CPS process, poverty and social considerations are integrated into the country diagnostic studies and should be included in key sections of the CPS, that is, in the (i) main text, (ii) results framework, (iii) some link documents such as thematic and sector analyses, and (iv) indicative rolling country operations business plan. The handbook identifies key poverty and social issues to consider in these assessments and provides guidance on organizing consultations with representatives of civil society, the poor, marginalized, and excluded groups to ensure that their concerns are taken into account in the formulation, monitoring, and evaluation of the CPS.

The handbook also identifies entry points for monitoring national developments related to poverty and social issues, analyzing changes in key poverty and social development indicators at the national and project levels, and making recommendations to improve the inclusive development outcomes of ADB's interventions. In addition, for preparing CPA, country teams should draw on the PSA in country diagnostics prepared for the CPS.

ADB prioritizes its support for regional cooperation and integration (RCI) in each subregion through RCSs that are linked to the CPS process. In general, the principles for integrating poverty and social dimensions into the CPS should be followed for RCSs. In developing RCSs, it is important to recognize that most RCI initiatives entail both opportunities and risks. The PSA can play an important role in identifying the likely impact of RCI initiatives on poor and vulnerable communities, and on micro and small businesses and workers in sectors that are opening to regional trade and competition.

Poverty and Social Analysis in Project Preparation

Sovereign and nonsovereign projects that are financed and administered by ADB are prepared in two distinct phases—concept and design—which span the project cycle from project identification through project approval. These include projects funded by loans, grants, or other means such as equity investment or provision of guarantees. The purpose of assessing the poverty impact and social dimensions during project preparation is to provide information on the (i) links of the project to the national poverty reduction strategy and the CPS; (ii) poverty targeting classification and its justification; (iii) key poverty and social issues of the potential beneficiaries, including impact channels and expected systemic changes; (iv) opportunities and constraints for clients/beneficiaries, particularly poor and marginalized groups to benefit from project activities; and (v) prepare design measures to achieve inclusive development outcomes during implementation. The preparation of the PSA should also address issues on gender, participation, social safeguards, and other social risks.

The PSA carried out in the preparation of a project can vary substantially, depending on the sector, type of project, financing modality, and country and local contexts. In all projects, however, the results of the PSA are summarized in two required forms: (i) the initial poverty and social analysis (IPSA), completed during the concept phase; and (ii) the summary poverty reduction and social strategy (SPRSS), completed during the design phase. The IPSA is a mandatory appendix of project concept papers and project preparatory technical assistance reports for sovereign and nonsovereign projects, and the Japan Fund for Poverty Reduction grant assistance reports. The SPRSS is a mandatory requirement for all reports and recommendations of the President.

Findings of the respective PSA should be reflected in the design and monitoring framework. Key design features and action/mitigation plans addressing inclusive development and social risk and vulnerability issues should be supported by specific assurances (and related covenants or other provisions in the financing documents, including private sector financing documents). These assurances and related covenants provide an additional basis for monitoring the implementation of poverty reduction, inclusive development activities and mitigation plans under the project performance management system (PPMS), or the equivalent monitoring system in private sector operations.



The handbook identifies approaches to PSA that may be applied by project teams, depending on the classification of the project and the type of financing modality involved. Specific guidance is provided on multitranches financing facilities, sector projects, and policy-based programs. Sample terms of reference are included for preparing the IPSA and SPRSS.

Poverty and Social Analysis in Project Implementation

Building on the design and monitoring framework, the PPMS includes several mechanisms for monitoring and managing the implementation of a sovereign project. These comprise (i) the project administration manual (PAM), which is confirmed at least by the time of loan negotiations for the project; (ii) periodic progress reports prepared by the executing agency for the project; (iii) project performance reporting (PPR), which is done through periodic updates to the project site in eOperations based on progress reports of the executing agency and project review missions; (iv) the midterm review of the project; and (v) the project completion reports (PCRs) prepared by the executing agency and ADB. For nonsovereign projects, after ADB signs detailed financing agreements with a private sector client, mechanisms to monitor and manage the private sector project include (i) regular review of environmental and social progress reports; (ii) annual site visits for projects with significant social and gender dimensions, and social safeguards impacts or risks; and (iii) preparation of extended annual review reports upon the project's technical completion. Monitoring and supervision of a private sector project often continue through the repayment phase, although less frequently than before. The project (or program) performance evaluation report—the final element of PPMS (or equivalent monitoring system for private sector operations)—is prepared by ADB's Independent Evaluation Department usually within 3–5 years after project completion, when development impacts are becoming evident.

In view of ADB's increasing focus on managing for results, it is important to ensure that the poverty reduction and social dimensions of ADB projects are monitored through PPMS, which should be linked to the relevant country monitoring systems. This increases the likelihood that inclusive development and social mitigation measures included in the project design will be implemented as planned and that the poverty and social impacts of the project, both positive and negative, will be monitored effectively. PPMS is also intended to be a highly participatory process, involving both government and nongovernment stakeholders. Participatory approaches to project monitoring, involving clients/beneficiaries and other project-affected groups, can enhance the quality of the PPMS and the project as a whole. The handbook provides guidance on monitoring and evaluating inclusive development activities, social mitigation measures, and poverty and social impacts through the various phases of the PPMS.

I

Overview of Poverty Reduction and Inclusive Development in ADB Operations

A. Introduction

1. Purpose of the Handbook

1. The handbook aims to provide an integrated set of guidelines to professionals involved in programming, preparing, and implementing activities financed by the Asian Development Bank (ADB), and to effectively address the poverty and social dimensions of ADB's operations, thereby enhancing ADB's efforts to reduce poverty and achieve and sustain the Millennium Development Goals (MDGs), and promote inclusive growth in Asia and the Pacific.

2. The handbook does not introduce any new or additional policy or procedural requirements. Rather, it provides a road map to specific ADB policies, strategies, and procedures related to poverty reduction and inclusive development that are relevant to country analysis and programming, and to project preparation and management. It also identifies practical tools for incorporating poverty and social analysis (PSA) into program planning and project preparation.¹

3. This document complements other ADB handbooks, sourcebooks, and guides on participation, involuntary resettlement, Indigenous Peoples, labor, HIV/AIDS, human trafficking, public communications, and sector-specific gender checklists, as well as ADB's general operational guidelines, including those related to procurement and use of consultants.²

¹ Unless otherwise indicated, the term "projects" refers to investment loans and grants, policy-based loans and grants (which are also referred to as "programs"), equity investments, guarantees, and technical assistance (ADB. 2010. *Incorporation of Social Dimensions into ADB Operations. Operations Manual. OM C3/BP*). The handbook refers generally to the business processes applicable to sovereign loans and grants. Although ADB's private sector operations follow different business processes, they are also expected to contribute to ADB's poverty reduction mission and inclusive growth agenda. Therefore, the handbook should provide useful guidance for addressing the poverty and social dimensions of ADB's private sector operations.

² ADB. 2012. *Strengthening Participation for Development Results: An Asian Development Bank Guide to Participation*. Manila; ADB. 2012. *Involuntary Resettlement Safeguards: A Planning and Implementation Good Practice Sourcebook – Draft Working Document*. Manila; ADB. 2012. *Indigenous Peoples Safeguards Sourcebook*. Manila; ADB/ILO. 2006. *Core Labor Standards Handbook*. Manila; ADB. 2011. *Strategic Directions Paper on HIV/AIDS 2011–2015*. Manila; ADB. 2003. *Combating Trafficking in Women and Children in South Asia: Guide for Integrating Trafficking Concerns in ADB Operations*. Manila; ADB. Sector Gender Checklists and Toolkits. <http://adb.org/themes/gender/checklists-toolkits>; ADB. 2011. *Public Communications Policy 2011: Disclosure and Exchange of Information*. Manila; ADB's general operational requirements are set forth in its *Operations Manual, Project Administration Instructions, Procurement Guidelines* (2010), and *Guidelines on The Use of Consultants by Asian Development Bank and Its Borrowers* (2010); FIDIC. 2010. *Conditions of Contract for Construction: Multilateral Development Bank Harmonised Edition (General Conditions)*. International Federation of Consulting Engineers.

2. Structure of the Handbook

4. Section I of this handbook provides an overview of pertinent ADB policies, strategies, and procedures related to poverty reduction and inclusive development, together with a general framework for analyzing poverty and social issues in country programs and projects. The subsequent sections of the handbook are structured to reflect ADB's operational cycle and business practices, providing guidelines to identify and address poverty and inclusive development issues in country programming (Section II), project preparation up to predesign stage (Section III), project design (Section IV), and project implementation (Section V). Supporting documentation and related tools and templates are presented in appendixes at the back of the handbook.

B. Relevant ADB Policies and Strategies

5. The adoption of the Poverty Reduction Strategy (PRS) in 1999 and the enhanced PRS in 2004 further strengthened ADB's fight against poverty. Since the mid-1990s, ADB has adopted social development policies and strategies to better address gender and development, social protection, and cooperation with nongovernment organizations (NGOs); social safeguard policies on involuntary resettlement and Indigenous Peoples; and general procedures for addressing social dimensions in its operations.³

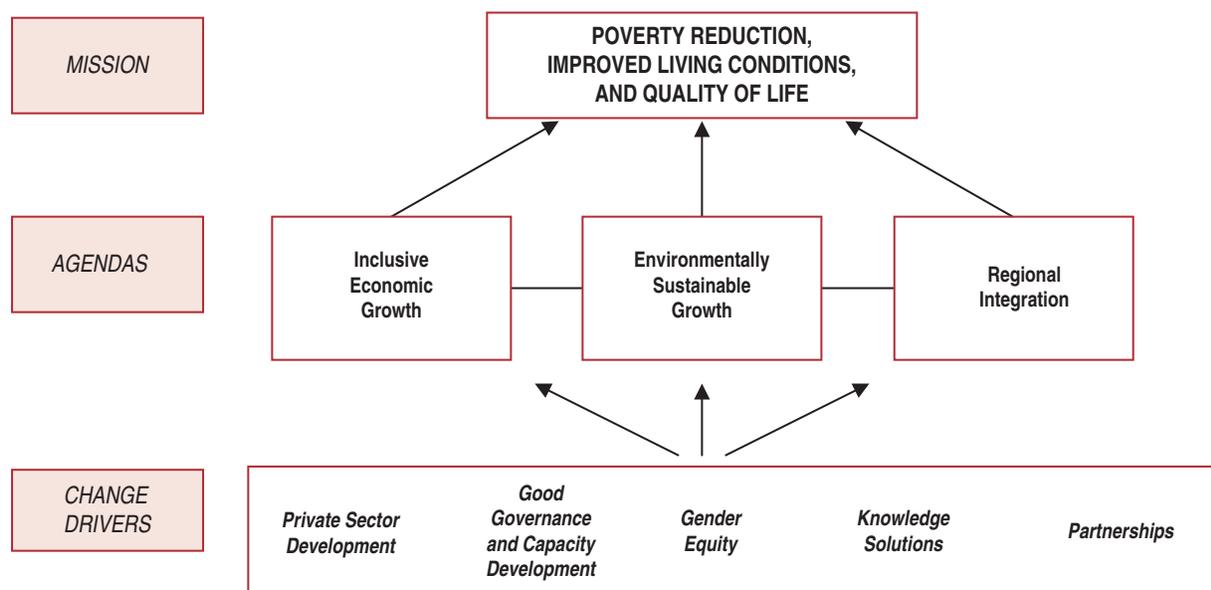
6. In 2008, ADB, in its long-term strategic framework, Strategy 2020, promoted inclusive economic growth, environmentally sustainable growth, and regional integration to better respond to the changing development priorities in many developing member countries (DMCs), and the rising inequality and poverty amidst rapid economic growth in the Asia and Pacific region (Figure 1).⁴ The drivers of change for these agendas include private sector development, good governance and capacity development, gender equity, knowledge solutions, and partnerships. Strategy 2020 also commits ADB to better measure and monitor the outputs, outcomes, and impacts of its operations through its results framework and monitoring and reporting systems, and to carry out its operations more effectively and efficiently through streamlined business processes.

7. ADB recognizes that poverty and social aspects and institutional factors critically affect project success and sustainability. Without a comprehensive analysis of these aspects, project benefits might fail to reach the people for whom they were intended, be captured by those with money and power, or produce unexpected negative effects for others.

³ Appendix 1.1 provides a list of key ADB policies and strategies relating to poverty reduction and inclusive development, corresponding sections of ADB *Operations Manual*.

⁴ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

Figure 1 Strategy 2020



Source: ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

C. Poverty and Social Analysis in ADB Operations

3. Inclusive Growth and Development

8. 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 non-income dimensions of well-being. At an operational level, this translates into (i) investments in infrastructure, education, health, and essential public services; and (ii) social protection schemes and policy changes that improve economic opportunities, expand human capabilities, and reduce vulnerabilities, especially for the poor and other disadvantaged groups.

9. In this context, the inclusive development outcomes to which ADB seeks to contribute through its operations include

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

4. Key Poverty and Social Dimensions

10. ADB's operations need to take into account the complex interaction of political, institutional, and social forces in its DMCs to contribute to inclusive development outcomes. PSA provides a framework for better understanding this complex context, anticipating the potential impacts of ADB operations on different social groups, and using this information to design more inclusive country strategies and projects. It can also provide valuable insights into thematic studies, ex ante policy analysis, research, and other analytical work carried out by ADB's operational and other departments. PSA includes several interrelated dimensions, all of which support Strategy 2020 and other ADB policies and strategies. These dimensions include

- (i) poverty, inequality, and exclusion;
- (ii) gender;
- (iii) stakeholders and participation;
- (iv) social risks and vulnerabilities; and
- (v) institutions and capacity.

11. Each dimension supports one or more of ADB's inclusive development outcomes. For example, participatory approaches are essential for poor and marginalized groups to express their interests and contribute to development planning and activities. Social norms and practices often disadvantage women and girls in terms of their access to services, resources, opportunities, and decision making; therefore, gender analysis is a fundamental tool to ensure that development interventions are inclusive, equitable, and empowering for both women and men. Adherence to social safeguards and attention to social risks and vulnerabilities are both intended to bolster the security of poor and vulnerable individuals, households, and communities against various shocks.

12. These dimensions are interrelated and crosscutting. While they capture the main types of poverty and social issues that arise in ADB operations, they are not exclusive. They can also take on different attributes and significance depending on the country and local contexts.

13. **Poverty, Inequality, and Exclusion.** Given ADB's commitment to help its DMCs reduce poverty and inequality, ADB operations also need to be informed by a thorough understanding of the nature and extent of poverty and inequality in each DMC, both in income and non-income terms. Under the Enhanced Poverty Reduction Strategy, this analysis is typically carried out at the country level as an input to the country partnership strategy (CPS), and considers various indicators of both income and non-income poverty and inequality, as well as geographical, political, and social factors that explain variations in both poverty and inequality. This analysis also considers the effectiveness of the government's national poverty reduction strategy (NPRS), social protection system, and other measures to reduce poverty and inequality. Country analysis of poverty and inequality also informs the design of specific projects. However, the country-level analysis may need to be supplemented by more in-depth analysis of poverty and inequality among likely affected groups, for example, where poverty reduction is a specific project outcome, or in the case of a policy-based loan or grant for which an ex ante poverty impact assessment is required.



14. **Gender.** Gender is a pervasive social category, reflected in gender disparities across a range of economic, social, and political indicators. These disparities are often exacerbated by other forms of exclusion such as poverty, ethnicity, or disability.⁵ At the same time, reducing gender inequalities and empowering women and girls to participate more fully in social, economic, and political life are recognized as essential to reducing poverty and achieving and sustaining the MDGs and other development goals. Gender equity is, therefore, one of the five drivers of change under Strategy 2020. Under its policy on gender and development (1998), ADB has committed to mainstream gender considerations in all its operations and to support gender-specific activities, especially in DMCs where gender disparities are most severe. Sound gender analysis—which also considers the ways in which gender intersects with poverty and other forms of exclusion—is an essential element of any gender mainstreaming strategy or project.

15. **Stakeholders and Participation.** ADB's operations in a particular DMC need to be informed by an understanding of the various stakeholders who have an interest or stake in the operations, including government, civil society, and private sector actors. Relevant civil society stakeholders include civil society organizations (CSOs), key social groups, and affected people. Stakeholder analysis, therefore, is an essential step in designing a country strategy or a project. This analysis also provides a basis for determining how ADB can engage most effectively with various stakeholders, and what constructive roles these stakeholders can play in the process. ADB recognizes the importance of disseminating information and involving a wide range of stakeholders in the development of its country strategies and in the preparation and implementation of specific projects. These factors can improve the effectiveness, relevance, and sustainability of development activities, and can contribute to good governance and the inclusion and empowerment of disadvantaged groups.⁶ Strategy 2020 highlights the importance of stakeholders in identifying partnerships as one of its five drivers of change.

16. **Social Risks and Vulnerabilities.** To reduce poverty and ensure that the benefits of economic development are widely shared, it is important to identify and address the variety of shocks and other risks that can push people into poverty, and the social characteristics that can increase people's vulnerability to these risks. ADB *Operations Manual* section on Incorporation of Social Dimensions into ADB Operations (OM C3/BP) and the ADB *Social Protection Strategy* (2001) provide a general framework for analyzing social risks and vulnerabilities and supporting appropriate policy responses and project-level interventions to help governments, communities, and households minimize and manage these risks and vulnerabilities. Some risk/vulnerability issues that are particularly relevant to ADB's operations include (i) poor or unsafe labor conditions and retrenchment issues; (ii) affordability issues, especially those related to the provision of basic services; (iii) risks of HIV/AIDS transmission and/or human trafficking in large infrastructure projects; (iv) social impacts of natural disasters and conflicts; (v) caste-based vulnerabilities; and (vi) vulnerabilities related to disability. The lack of access to relevant

⁵ Current approaches to gender and development increasingly recognize the complex ways in which gender inequality intersects with other forms of social exclusion.

⁶ ADB. 2012. *Strengthening Participation for Development Results: An ADB Guide to Participation*. Manila. pp. 5–6.

information can further exacerbate these risks and require policy or project-level responses to overcome these information gaps.

17. **Social Safeguards.** ADB's social safeguard policies seek to avoid adverse impacts on affected people wherever possible, and to minimize, mitigate, and/or compensate for potential adverse impacts that may result from development projects that ADB finances.⁷ Issues related to working conditions and environmental health and safety of workers and communities are also addressed under environmental safeguards in the *Safeguard Policy Statement*.

18. **Institutions and Capacity.** ADB's operations also need to take account of the various formal and informal institutions—including laws, policies, norms, and practices—that govern the interactions among key stakeholders and also the behaviors within organizations and groups. Development outcomes are all mediated through formal and informal institutions. For example, changes in laws, policies, and incentives are often needed to ensure that poor and marginalized groups have access to basic services and productive resources. However, complementary activities, such as public awareness campaigns and social mobilization, are often needed to change discriminatory norms and attitudes, and to ensure that citizens are aware of their rights and recourse mechanisms. Institutional analysis is, therefore, critical to understanding and addressing gaps or biases in laws, policies, and practices so that development interventions can actually achieve the desired results. Institutional analysis also provides a basis for assessing the capacity of project agencies and other key organizations and groups to participate in the development activities that ADB seeks to support, and for identifying related needs for capacity development. This analysis also underpins ADB's support for good governance and the building of development capacities,⁸ one of the five drivers of change under Strategy 2020.

5. Main Entry Points for Poverty and Social Analysis in Sovereign Operations

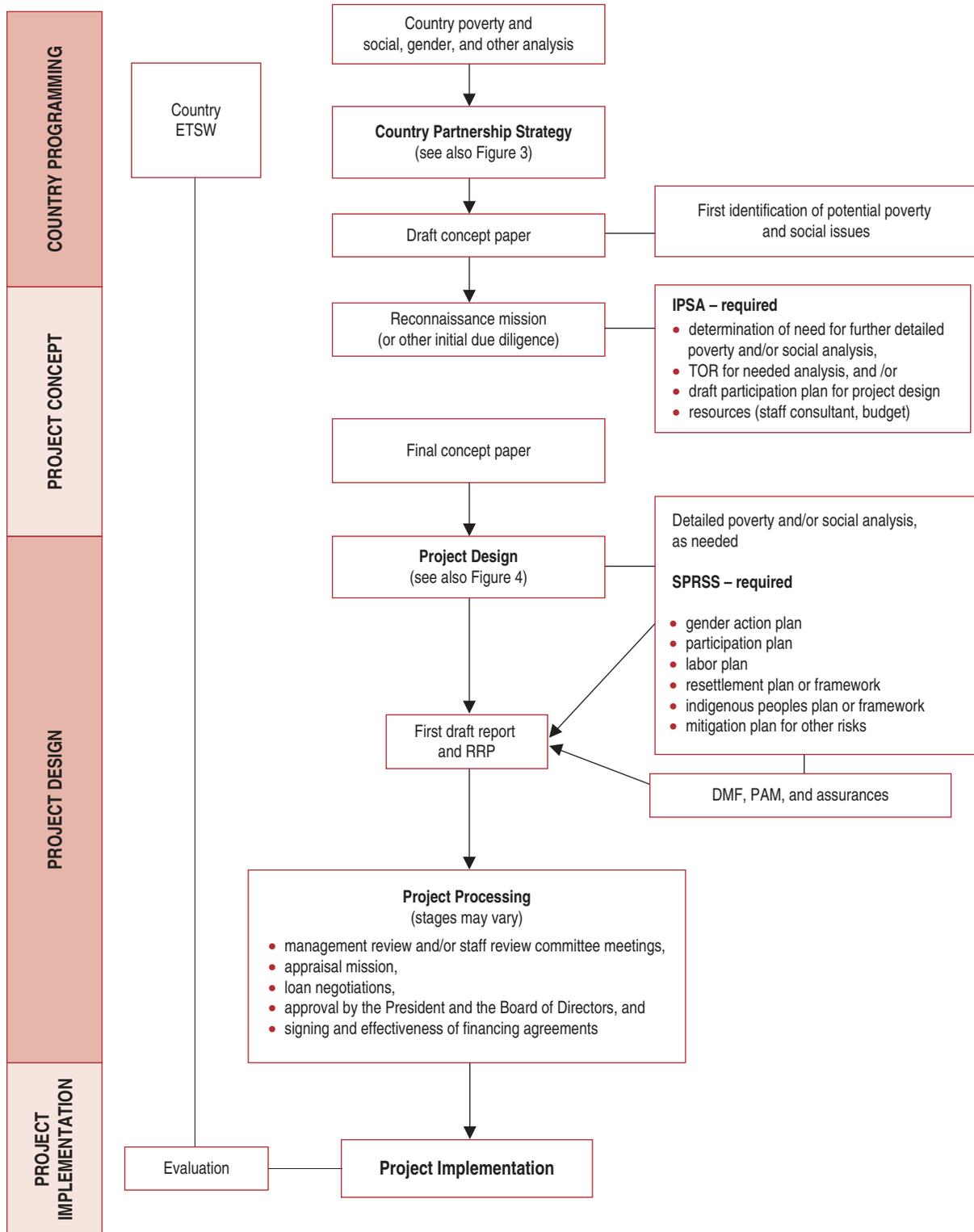
19. ADB's sovereign operations consist of three major processes: country programming, project design, and project implementation (including monitoring and evaluation). Figure 2 provides an overview of the processing cycle for sovereign operations. ADB's emphasis on managing for development results underscores the importance of using ex ante analysis in country strategies and development projects to identify the main obstacles to inclusive and equitable development, and the types of interventions that can address the structural causes of social exclusion, disempowerment, and insecurity. PSA employs a range of qualitative and quantitative tools to help in this identification of issues and approaches. These tools may be used throughout program planning and project design (Table 1 and Appendix 2.5).

20. **Country Partnership Strategies.** The main entry points for identifying and addressing poverty and social development issues in the CPS process are (i) the country poverty assessment, (ii) thematic assessments, (iii) sector assessments and road maps, (iv) consultations with CSOs

⁷ ADB. 2009. *Safeguard Policy Statement*. Manila.

⁸ ADB. 1995. *Governance: Sound Development Management*. Manila.

Figure 2 ADB Operational Cycle (Sovereign Operations)



DMF = design and monitoring framework; ETSW = economic, thematic, and sector work; IPSA = initial poverty and social analysis; PAM = project administration manual; RRP = report and recommendation of the President; SPRSS = summary poverty reduction and social strategy; TOR = terms of reference.

Table 1 Poverty and Social Analysis in ADB's Sovereign Operations

Operational Stage	Poverty and Social Analysis Outputs	Purpose of Poverty and Social Analysis
Country partnership strategy (CPS) and country operations business plan (COBP)	Country poverty and social assessment and summary (CPS linked document);	<ul style="list-style-type: none"> Identify the structural causes of poverty and inequality (including gender inequality), social exclusion, disempowerment and insecurity, and other obstacles to inclusive growth and development; Determine the effectiveness of existing laws, policies, and institutional mechanisms to promote inclusive growth and development and enable stakeholder participation; Identify inclusive development outcomes linked to the developing member country's own development goals and relevant to the priority sectors supported by ADB; Identify appropriate targets and indicators to monitor the effectiveness of ADB's assistance in contributing to these outcomes; and Ensure that the pipeline of projects in the COBP supports the inclusive development outcomes stated in the CPS and that poverty, gender, and other thematic classifications of the projects are appropriate.
	Country gender assessment and summary (CPS linked document);	
Project concept	Sector assessments and summary (CPS linked document, including social analysis and targets/indicators); and	<ul style="list-style-type: none"> 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; and Identify relevant CSOs and other key stakeholders and establish prospects for a participation plan to enhance local ownership.
	Results framework (including social targets/indicators)	
Project design and approval	Initial poverty and social analysis	<ul style="list-style-type: none"> 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/evaluation of inclusive development objectives and social impacts; and Confirm and validate the design measures and any social action/mitigation plans that may have been prepared (such as plans for resettlement, labor retrenchment, or Indigenous Peoples), as well as related targets and indicators.
	More detailed poverty and/or social analysis, as needed;	
	Gender, social action and/or social mitigation plans (or frameworks), as needed (RRP linked documents);	
	Summary poverty reduction and social strategy (RRP linked document);	
Project implementation	Design and monitoring framework (including social targets and indicators – RRP linked document); and	<ul style="list-style-type: none"> Monitor achievement and distribution of project benefits; Identify issues and opportunities for improvement during implementation; Monitor implementation of any social action or mitigation plans, and social impacts of project implementation; and Review achievements and failures as well as learn lessons for future application.
	Project administration manual (including inclusive design features, social action or mitigation plans, and social targets and indicators – RRP linked document)	
	Project performance management system: <ul style="list-style-type: none"> Project administration memorandum; and eOperations (including reporting on social targets/indicators) 	
	Monitoring of inclusive development outcomes and impacts through <ul style="list-style-type: none"> project progress reports, project performance reporting, midterm review, and project completion report 	

ADB = Asian Development Bank, CSO = civil society organization, RRP = report and recommendation of the President.

and other representatives of key social groups, and (v) the CPS document itself. Section II provides further guidelines on these.

21. **Project Concept.** The project concept phase involves the preparation of a concept paper, which provides the basis for a reconnaissance mission and subsequent concept clearance. The concept phase is essential to conceptualize a good project, including the identification of key social groups, institutions, and poverty and/or social issues requiring further study, and consideration of alternative design options. The concept phase sets the basis for the detailed project design, and identifies the resources required for social and gender development and/or social safeguard specialists (e.g., labor or resettlement specialists) to conduct further PSA and participate in project preparation. The reconnaissance mission is a key opportunity to identify inclusive development opportunities in a proposed project. The initial poverty and social analysis (IPSA), which is a mandatory requirement at the concept stage, is an important scoping tool to flag poverty and/or social issues that should be addressed in more detail during project preparation.⁹ Section III elaborates on PSA in project concept (pre-design) stage.

22. **Project Design.** The design of projects involving individual or household targeting must include in-depth PSA, while policy-based projects require a separate poverty impact analysis. The design of socially sensitive projects necessarily involves comprehensive social analysis. Both poverty and social analyses build on the issues identified in the IPSA, and provide a basis to strengthen the project's rationale and assess the project's potential to contribute directly or indirectly to inclusive growth and development. It examines alternative project components or activities to enhance inclusive development opportunities and develops measures to overcome social barriers, constraints, and risks, and to address institutional weaknesses. The PSA also forms the basis for preparing any necessary mitigation measures or plans, which should be reflected in the components, activities, inputs, budget, time frame, design and monitoring framework (DMF), project administration manual (PAM), and assurances in the final report and recommendation of the President (RRP). The findings of the PSA are synthesized in the summary poverty reduction and social strategy (SPRSS), which is a mandatory linked document to the RRP.¹⁰ Section IV discusses PSA in project design.

23. **Project Implementation.** The main entry points for monitoring the inclusive development outcomes and poverty and social impacts of a project are (i) the social development targets and indicators included in the DMF and PAM, and (ii) the ongoing analysis of data collected for these targets and indicators, as well as other socially disaggregated data. Section V supplements this discussion.

⁹ Sample terms of reference (TOR) for the initial poverty and social analysis (IPSA) are provided in Appendix 2.5. The IPSA report form is in Appendix 3.1.

¹⁰ Sample TOR for poverty and social analysis (PSA) in project design are provided in Appendix 2.6. The SPRSS report form is in Appendix 4.1.

6. Main Entry Points for Poverty and Social Analysis in Private Sector Operations

24. ADB's private sector operations generally focus on (i) infrastructure, and (ii) capital markets and finance (including financial intermediaries [FIs], securities firms, and investment funds). Private sector operations follow a different credit approval process compared with sovereign operations. The major stages in the credit approval process for private sector projects are as follows: (i) concept review, (ii) transaction review, (iii) final review, (iv) Board approval, and (v) closing.

25. **Concept Review.** During concept review, the ADB project team obtains preliminary information on project design and determines whether a proposed transaction complies with ADB policies and principles before negotiating with a client on general terms and conditions. The team then describes the potential social issues of the proposed project in a concept review paper for approval by the Investment Committee. If information provided by the borrower/client is sufficient, the project team prepares an IPSA. If not, the project team waits until the concept review paper is approved by the Investment Committee and a mandate letter is signed. This signals the start of the due diligence process, and the transaction is further developed. In this case, the IPSA is usually carried out as part of the due diligence process during transaction review.

26. **Transaction Review.** The private sector client may have started or completed the feasibility studies and related environmental and social assessments for the proposed project. Key social issues in private sector projects may pertain to (i) adding social value and helping create broader social support (e.g., through community outreach programs to promote sustainability, based on international standards of corporate social responsibility); and (ii) managing social safeguards, including issues on involuntary resettlement and indigenous peoples issues, as well as social risks related to labor issues, public health, and gender equity. During early stages of transaction review, an IPSA is prepared and the borrower/client is advised on further studies required to address social impacts and risks.

27. ADB reviews social plans, including Involuntary Resettlement (IR) and/or Indigenous Peoples Plan (IPP) and, if applicable, gender action plans and labor management plans, and verifies that participation activities have taken place during project design and that arrangements for future participation, including grievance redress mechanisms, are in place. During the course of due diligence for projects with significant environmental and social safeguards impacts, the ADB project team will participate in consultation activities to understand the concerns of affected people and ensure that such concerns are addressed in the project design and in the social, gender, and safeguard plans.

28. **Final Review, Board Approval, and Financial Closure.** The findings of ADB's due diligence are synthesized in a Safeguards and Social Dimensions Summary and SPRSS, which are submitted for interdepartmental review prior to the Final Investment Committee Meeting and circulated to the Board for approval. The borrower reviews the terms of the financing agreements and conditions precedent to disbursement prepared by the ADB project team, including social provisions. The team will discuss and negotiate the terms and conditions for ADB assistance with



advice of legal counsel. Social provisions will be incorporated into covenants in the financing agreements through specific conditions or through reference to the social plans and measures.

29. **Project Implementation.** The main entry points for monitoring the inclusive development outcomes and poverty and social impacts of a private sector project are (i) the poverty and social development targets and indicators included in the DMF; and (ii) the ongoing analysis of data collected for these targets and indicators, as well as other socially and sex-disaggregated data. Summary findings from this analysis should be included in (a) monitoring reports by the borrower/client, (b) back-to-office reports of annual project review missions for projects with significant social safeguards impacts, (c) reports by any independent monitors, and (d) the extended annual review report. The poverty, gender, and social dimensions of the project should also be considered in any project performance evaluation conducted by the Independent Evaluation Department after the project is completed.

II

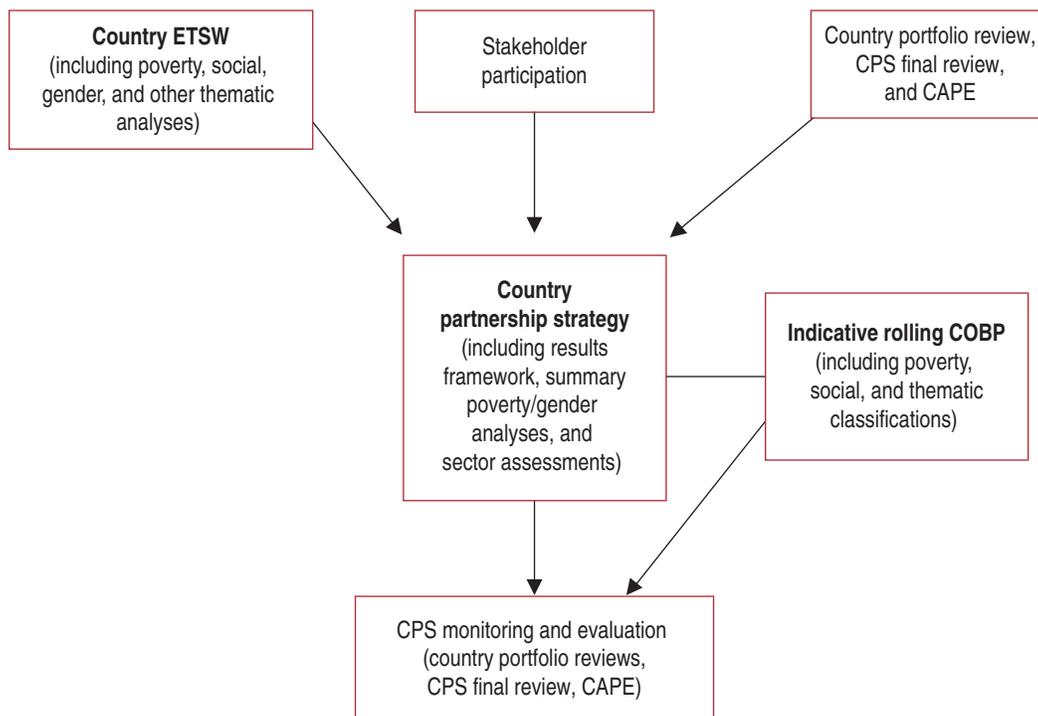
Poverty and Social Analysis in Country Partnership Strategies

A. Introduction

30. As illustrated in Figure 3, ADB’s strategy in each developing member country (DMC) is informed by economic, thematic, and sector work (ETSW) and ADB’s past experience in the country, and is developed in a participatory manner through a series of consultations with the DMC government and other stakeholders. The end result of this process is a country partnership strategy (CPS) document, including a results framework and summary poverty, social, and gender analyses and sector assessments. The CPS provides the framework for an indicative rolling country operations business plan, which includes proposed ADB interventions in the DMC, linked to priority sectors and themes.

31. Poverty and social analysis (PSA) is an important ingredient in the CPS process and in the formation of regional cooperation strategies (RCSs). It helps ensure that ADB’s country operations

Figure 3 Country Partnership Strategy Process Flow



CAPE = country assistance program evaluation; COBP = country operations business plan; CPS = country partnership strategy; ETSW = economic, thematic, and sector work.



promote inclusive growth and support Strategy 2020 change drivers such as gender equity, good governance and capacity development, and partnerships. Through its main country and regional planning documents—the CPS and RCS—ADB seeks to align its development assistance with national and regional priorities and to harmonize its approach with that of other development institutions. Therefore, it is important for these key documents to recognize and support DMCs’ aspirations for more equitable and inclusive development, reflected in their national poverty reduction strategies (NPRSs) and medium-term development plans, Millennium Development Goals (MDGs), and social development policies and laws.¹¹ Through joint diagnostics and country programming exercises, ADB and its development partners can improve the consistency and effectiveness of their support for DMCs’ inclusive development goals. Attention to poverty and social dimensions in country-level analysis can also help identify capacity weaknesses or gaps in sector institutions that could affect the inclusive development impact of ADB’s interventions in the sector, as well as reforms or other measures that could be introduced to address these issues.

32. Policy and advisory technical assistance can provide important supplemental resources to support thematic assessments and other country diagnostics, as well as special consultations on the CPS with particular social groups (such as women, ethnic minorities, or disadvantaged castes) or in rural or remote regions of the country. Commissioning country poverty, gender, and other social assessments to inform the CPS process can also be extremely cost-effective, since these assessments can also provide valuable background data and analysis for subsequent projects in the country (Box 1).

Box 1 Sector Assessments – Key Questions

In conducting sector assessments to inform a country partnership strategy process, country teams should consider the following questions as they relate to likely Asian Development Bank (ADB) investments in the sector:

- (i) How do poverty and social factors, such as gender, ethnicity/race/caste, age, marital status, citizenship, urban/rural location, or disability, affect people’s access to goods and services, resources, economic opportunities, information, and/or decision making in the sector?
- (ii) How do these factors affect people’s vulnerability to chronic or sudden risks in the sector?
- (iii) How effective are formal and informal institutions (including laws and policies, local norms and practices, and markets) in promoting inclusion and equitable treatment of women, disabled people, indigenous peoples, and other social groups in the sector?
- (iv) What are the formal and informal mechanisms that enable poor, disadvantaged, and marginalized groups to participate in the sector?
- (v) What is the capacity of national and local government bodies (including executing and implementing agencies) to promote inclusion and manage the social risks associated with development projects in the sector?
- (vi) To what extent do social networks, self-help groups, and other mechanisms enable poor and marginalized groups to benefit from development initiatives and manage social and economic risks in the sector?
- (vii) In light of the foregoing, how can the Asian Development Bank’s operations in the country support more inclusive growth?

¹¹ Examples of national social development policies and laws include those related to community participation in development planning and activities, gender equality, fair labor conditions, social protection, rights of indigenous peoples or disadvantaged ethnic or caste groups, rights of migrants and involuntarily displaced persons, rights of disabled persons, and protection against human trafficking.

33. The following subsections discuss entry points for PSA in the CPS, RCS, and country performance assessment (CPA) processes, including (i) background studies and assessments; (ii) the CPS, RCS, and CPA documents; and (iii) the related pipelines of loan, grant, and technical assistance activities.¹²

B. Poverty and Social Analysis in the Country Partnership Strategy Process

1. Poverty and Social Dimensions of Country Programming

34. Through its commitment to inclusive growth, ADB aims to support the efforts of DMCs to improve (i) inclusiveness and equity in access to services, resources, and opportunities; (ii) empowerment of poor and marginalized groups to participate in social, economic, and political life; and (iii) security to cope with risks, especially among poor and marginalized groups. In undertaking country-level analysis and country programming, ADB country teams should ensure that these broad concerns are examined and addressed through background analyses and assessments, in-country consultations, and preparation of the CPS itself (Box 2).

Box 2 Country Partnership Strategies – Key Questions

Key questions that should be considered in undertaking country-level analysis to prepare a country partnership strategy include

- (i) What is the extent of poverty and inequality in the country (both income and non-income); what are the structural causes; and what geographic, social, or other characteristics are associated with the highest incidences of poverty and inequality?
- (ii) How do social factors, such as gender, ethnicity/race/caste, age, marital status, citizenship, urban/rural location, or disability, affect people's access to basic services, resources, economic opportunities, information, and public decision making?
- (iii) How do these factors affect people's general vulnerability to chronic risks (such as illness) or sudden shocks (such as natural disasters or economic crises)?
- (iv) How effective are formal and informal institutions (including formal laws and policies, local norms and practices, and formal and informal markets) in promoting inclusion and equitable treatment of women and other social groups, and what are the main weaknesses or gaps in these institutions?
- (v) What formal and informal mechanisms exist to enable poor and marginalized groups to participate in public decision making at the community, district, and national levels; and what are the main barriers to their participation?
- (vi) In light of the foregoing, how can the Asian Development Bank's operations in the country support more inclusive growth?

35. Under ADB's streamlined business processes for preparing CPSs, country teams will need to make effective use of relevant secondary sources on poverty and social issues, and supplement these sources with interviews, focus groups, and/or surveys, as needed, to fill any significant gaps.

¹² Further details on the preparation of results-based CPSs can be found in ADB *Operations Manual* section on country partnership strategy (OM A2/BP).



2. Background Analysis and Assessments

36. The preparation of the CPS begins with a review of existing country diagnostics and assessments prepared by the DMC, national institutes, civil society organizations (CSOs), ADB, and other development partners. Based on this review, the country team identifies the need for updated or expanded analyses, including country assessments of the economy, poverty and social, gender, other thematic issues, and key sectors. While certain diagnostics, such as country gender assessments (CGAs), address social issues directly, there is increasing recognition that key themes, such as gender, civil society participation, and other social dimensions, need to be integrated in all country diagnostics, particularly the country poverty analysis and sector diagnostics. This is highlighted in the streamlined CPS template. ADB's revised Public Communications Policy requires that these country diagnostics and assessments be made publicly available on completion.¹³ Some key diagnostics are next discussed.

37. **Country Poverty Assessment.** There are several entry points for addressing both poverty and social dimensions in preparing a country poverty assessment.¹⁴ These include

- (i) formation of the country poverty assessment team, which should include a gender or social development specialist;
- (ii) consultations and knowledge sharing with researchers, CSOs, and other informants on poverty and social issues in the DMC;
 - What is the capacity of national and local government bodies (including executing agencies for ADB-supported projects) to manage the social risks associated with development projects, such as poor labor conditions, disability issues, human trafficking, land acquisition, and indigenous peoples' issues; and are there relevant laws and policies consistent with ADB's policies?
 - To what extent do social networks, self-help groups, and other mechanisms enable poor, disadvantaged, and marginalized groups to benefit from development initiatives and manage social and economic risks; and how can these mechanisms be strengthened?
- (iii) disaggregation of poverty data by sex and other social factors, and inclusion of information on non-income indicators of poverty, gender inequalities, and marginalized groups, in the poverty profile;
- (iv) preparation of a risk and vulnerability profile (Appendix 6.1);
- (v) consideration of gender inequalities and social exclusion in the analysis of the causes of poverty;
- (vi) attention to social factors in assessing the government's institutional capacity to address poverty, and the effectiveness of the labor market to generate pro-poor employment (Appendix 5.1);

¹³ ADB. 2011. *Review of the Public Communications Policy of the Asian Development Bank: Disclosure and Exchange of Information*. Manila; ADB. Public Communications. *Operations Manual*. OM L3/BP. Manila. (para. 5).

¹⁴ Sample terms of reference (TOR) for country poverty assessment is provided in Appendix 2.4.

- (vii) analysis of non-income indicators of DMC's progress in implementing its NPRS and pursuing the MDGs; and
- (viii) attention to inclusive development objectives in identifying strategic options and ADB assistance.

38. **Country Gender Assessment.** ADB's policy on gender and development (1998) requires the preparation of a CGA as an input to the CPS. The CGA provides the basis for a country gender strategy to be included in the CPS. In line with its commitments to align operations more closely with DMC priorities, and to harmonize country diagnostics and strategies with other development partners, ADB is increasingly conducting joint CGAs with other development partners and in close consultation with the national bodies in charge of promoting gender equality. To inform other country diagnostics and the CPS itself, a CGA should analyze (i) the gender dimensions of poverty and inequality; (ii) gender-related challenges to achieving and sustaining the MDGs; (iii) intersections between gender and other social factors such as ethnicity/caste, age, or marital status; (iv) gender biases and gaps in governance institutions; and (v) strategies for promoting women's and men's participation, and sharing of benefits, in the key sectors that ADB supports.¹⁵

39. **Sector Assessments.** ADB *Operations Manual* section on country partnership strategy (OM A2/BP) emphasizes the need to conduct in-depth assessments of priority sectors, as a basis for developing the sector road maps to be included in the CPS. Sector diagnostics and road maps have become increasingly important because they serve not only as key inputs to the CPS, but also as the core sector analyses for future ADB interventions. The CPS template provides that the summary sector assessments linked to the CPS should also discuss the importance of the sector for poverty reduction and inclusiveness, as well as other relevant social issues (Box 1).

3. Stakeholder Participation

40. The CPS process is intended to be participatory, involving close consultations with key DMC officials, other development partners, representatives of civil society, and the private sector. Consultation with a wide range of stakeholders ensures that the ADB country team has a more complete understanding of the DMC's development challenges and local perspectives on how to address them, and that the CPS is aligned with DMC priorities and harmonized with other donor approaches. The CPS guidelines provide for stakeholder consultations during the CPS formulation mission.

41. To organize and conduct these consultations effectively, country teams are encouraged to map and cluster stakeholders (e.g., through a stakeholder analysis and development of a participation plan) and to use a consultation matrix to summarize the results of the consultations (including stakeholders involved, topics discussed, and main outputs/results). Some tips for effective consultations during CPS formulation include (i) building on existing participatory processes, such as those developed for the national development strategy; (ii) inviting civil society

¹⁵ Further guidance on preparing a CGA and country gender strategy is provided in ADB *Operations Manual* section on gender and development in ADB operations (OM C2/BP).

representatives from credible civil society networks; (iii) holding separate workshops or focus groups outside the capital city to reach poor, marginalized, and isolated groups (and, possibly, separate consultations with women); and (iv) providing stakeholders with information on the process, timeline, and results of the consultations.¹⁶

42. In addition to the CPS formulation mission(s), stakeholder participation can also improve the quality of the country poverty assessment and other country diagnostics, as well as the monitoring and evaluation of the CPS, discussed further in para. 50.

4. The Country Partnership Strategy and Linked Documents

43. The PSA in the country poverty assessment, CGA, and other country diagnostics, and consultations with civil society and other stakeholders should help to inform the strategic focus of the CPS, including the selection of priority sectors that ADB will support, consistent with Strategy 2020. The country team should incorporate these poverty and social dimensions into key sections of the CPS document and relevant linked documents.

44. **Main Country Partnership Strategy Text.** The main text of the CPS document should identify the key poverty and social development challenges in the country and propose strategies to address these challenges in the key sectors that ADB intends to support (see Box 3).

Box 3 Entry Points for Addressing Poverty and Social Issues in a Country Partnership Strategy

Entry points for addressing poverty and social issues in the country partnership strategy (CPS) document include

Country Background

- Summarize poverty and social analysis findings from the country poverty assessment and other country diagnostics.
- Discuss progress in addressing poverty, inequality, and social issues under the national poverty reduction strategy and the Millennium Development Goals, including gender issues.
- Summarize other significant social risks and vulnerabilities (e.g., discrimination against certain ethnic or caste groups, people with disability, vulnerabilities of migrant workers, and negative social impact of HIV/AIDS), based on country gender assessment (CGA) and any other social assessments.

Government National Strategy

- Note the government's inclusive development goals and policies, including those related to gender equality, inclusion of marginalized groups, labor conditions, and social safety nets.

ADB Country Strategy and Program Overview

- Identify the country's key inclusive development challenges that the Asian Development Bank (ADB) can help address through its operations, based on the country poverty assessment (Appendix 7), CGA, and other country diagnostics.
- Identify strategies for promoting inclusion, equity, empowerment, and security in the priority sectors that ADB aims to support (e.g., to improve access to basic services and resources in the sector, to ensure the participation of women and disadvantaged ethnic/caste groups in sector activities, or to protect poor and vulnerable groups from the negative impacts of policy changes or project activities in the sector).

The CPS appendixes, including the results framework, summary thematic analyses, and summary sector assessments, should also incorporate inclusive development outcomes, targets, and indicators.

¹⁶ *Strengthening Participation for Development Results: An Asian Development Bank Guide to Participation* (2012) and *Civil Society Organization Sourcebook: A Staff Guide to Cooperation with CSOs* (2009) provide further guidance.

45. **Results Framework.** The results framework, a core appendix to the CPS, is the fundamental tool for managing, monitoring, and evaluating the implementation of the CPS. The key elements of the results framework, which form a results chain, include (i) the DMC's strategic development goals that ADB aims to support (including poverty reduction, inclusive growth, and gender equity); (ii) government objectives in each sector that ADB supports; (iii) key sector outcomes that ADB will seek to contribute to, together with performance indicators; (iv) areas of proposed sector interventions; and (v) ADB's indicative resource allocation and thematic priorities (including gender equity) in the next pipeline of assistance. Country teams, with input from social development specialists, should ensure that the results framework incorporates key inclusive development goals of the DMC, and that it links these goals to realistic inclusive development outcomes, indicators, and proposed activities. ADB's *Framework of Inclusive Growth Indicators* (2011) provides guidance on relevant indicators for monitoring progress toward more inclusive growth, including indicators of poverty and inequality, productive and decent work, access to basic infrastructure and services, gender equality and opportunity, social protection, and good governance and institutions (including voice and accountability).

46. **Summary Thematic Analyses and Sector Assessments.** Based on the detailed country diagnostics, the CPS includes summary analyses and assessments to guide ADB's operations in key thematic areas and sectors. These road maps, which are linked documents, identify key areas where ADB can provide the most effective support for the DMC's own thematic/sector strategies and national development goals. The thematic analyses include summary economic, poverty, social, and gender analyses. Depending on the country diagnostics, summary analyses may be appropriate for other inclusive development issues, such as the inclusion/exclusion of ethnic minorities or disadvantaged castes, people with disability, or the social consequences of conflict. The summary sector assessments should each discuss the importance of the sector for poverty reduction and inclusiveness, as well as any other social issues (including social safeguard issues) in the sector.

47. **Country Operations Business Plan.** Based on the strategic directions provided in the CPS, the country team prepares an indicative rolling country operations business plan, which includes proposed ADB interventions over a 3-year period and is updated each year. The country team should ensure that the loan, grant, and technical assistance pipelines included in the business plan reflect the inclusive growth priorities in the CPS, as indicated by the initial thematic and sector classification of the proposed interventions. For example, if the CPS or its results framework provides for promoting targeted poverty reduction in ADB projects supporting urban development, this should be reflected in a targeted poverty classification.

48. **CPS Formulation.** This linked document should briefly describe the nature and extent of participation of civil society representatives, government officials, private sector actors, local academics, and others on poverty and social issues.

49. **Public Disclosure.** Under ADB's revised Public Communications Policy, there is a requirement in favor of disclosure to stakeholders and, therefore, drafts of the CPS must be made available to in-country stakeholders for comment in the course of their preparation. The final

CPS will be posted on the ADB website at the same time that it is circulated to the ADB Board of Directors for endorsement, subject to the concurrence of the member country concerned (if the country does not consent to early disclosure, then the CPS will be posted on the ADB website upon endorsement by the Board). Key supporting documents linked electronically to the CPS will be posted on the ADB website at the same time as the CPS. Other thematic and sector analyses and assessments are posted on the website as they become available.¹⁷

5. CPS Implementation, Monitoring, and Evaluation

50. The main mechanisms for monitoring and evaluating ADB's progress in implementing a CPS include (i) the CPS results framework, (ii) annual country portfolio reviews, (iii) country strategy final review, and (iv) independent country assistance program evaluation conducted by the Independent Evaluation Department. Country teams should endeavor to conduct these annual and final reviews in consultation with a broad range of stakeholders, including representatives of beneficiaries and other groups affected by ADB-supported projects. Key questions that should be considered in annual country portfolio reviews are provided in Box 4.

Box 4 Annual Country Portfolio Review – Key Questions

- (i) How have national economic and political developments over the previous year affected poverty, inequality, and social issues in the country?
- (ii) What changes have taken place in key poverty and social indicators at the national and project levels?
- (iii) What adjustments should be made in the implementation of ADB-supported programs and projects to improve their inclusive development outcomes?

C. Poverty and Social Analysis in Regional Programming

6. Overview

51. Under Strategy 2020, regional integration is one of ADB's strategic agendas. Through its regional cooperation and integration strategy (2006), ADB supports regional cooperation and integration (RCI) in four areas: (i) cross-border infrastructure and related "software" (such as social mobilization, information campaigns, and training); (ii) trade and investment cooperation and integration; (iii) monetary and financial cooperation and integration; and (iv) production and dissemination of regional public goods. ADB prioritizes its support for RCI in each subregion through regional cooperation strategies (RCSs), which are linked to the CPS process and generally follow a similar format.

¹⁷ Footnote 14, p. 14 (paras. 37–41); ADB. 2012. Public Communications. *Operations Manual*. OM L3/BP. Manila. (paras. 2–7).

7. Poverty and Social Dimensions of Regional Programming

52. The fourth pillar of ADB's RCI strategy—cooperation in regional public goods—recognizes that regional integration brings both benefits and costs. Some negative social costs associated with increased regional connectivity include greater risk of spreading communicable diseases, such as HIV/AIDS, severe acute respiratory syndrome (SARS), or avian flu, and the facilitation of trafficking in human beings and drugs. Regional initiatives, such as regional research, policy dialogue, law and policy reform, capacity development of government agencies and CSOs, and mitigation measures in regional projects (particularly transport projects) can facilitate the sharing of expertise and resources and collective action to address these risks.

53. In developing RCSs, it is important to recognize that most RCI initiatives entail social opportunities and risks. The RCI strategy acknowledges that regional integration can involve adjustment costs, particularly for low-income countries and regions; for certain sectors, firms, and communities; and the poor. For example, increased regional trade can cause economic dislocation and hardship, particularly for small farmers, handicraft makers, and other micro and small businesses that are unable to compete with cheaper imports of agricultural products and manufactured goods. Economic growth in the more prosperous countries of the region can expand employment opportunities for low-skilled workers, but migrant workers from neighboring countries are also vulnerable to exploitation and abuse, and usually have limited access to basic services and legal protection. PSA can play an important role in identifying the likely impact of RCI initiatives on poor and vulnerable communities, and on micro and small businesses and workers in sectors that are opening to regional trade and competition. This regional diagnostic work can also be cost-effective, since it can also provide useful data and analyses to inform subsequent regional projects.

8. The Regional Cooperation Strategy Document

54. The process for preparing RCSs, including consultation and consensus building among countries and other stakeholders, and the format for the RCS document are generally similar to those for the CPS.¹⁸ In general, the principles for integrating poverty and social dimensions into the CPS process and CPS document should be followed for RCSs.

D. Poverty and Social Analysis in Country Performance Assessments

55. ADB's performance-based allocation policy guides the allocation of Asian Development Fund (ADF) resources to eligible DMCs.¹⁹ Under the policy, ADF resources are allocated based on

¹⁸ ADB. 2010. Regional Cooperation and Integration. *Operations Manual*. OM B1/BP. Manila.

¹⁹ ADB. 2008. Performance-Based Allocation of Asian Development Fund Resources. *Operations Manual*. OM A3/BP. Manila.



CPA and considerations of country needs.²⁰ The assessment examines the strength of a country's policy and institutional framework, measured against indicators of (i) coherence in macroeconomic and structural policies, (ii) promotion of equity and inclusion, (iii) quality of governance and public sector management, and (iv) portfolio quality. CPAs are conducted annually (biannually for DMCs with populations of less than 1 million). In the interest of harmonization, the assessment is currently conducted using the World Bank's country policy and institutional assessment (CPIA) questionnaire.²¹

56. Under the category of policies for social inclusion/equity, the CPIA questionnaire includes criteria and rating guidelines on (i) gender equality, (ii) equity of public resource use, (iii) building human resources, and (iv) social protection and labor.²² These sections of the questionnaire focus on how well a country's laws, policies, and institutional arrangements support key inclusive development outcomes. For example:

- (i) The gender equality criterion assesses the extent to which the country has established laws, policies, and institutional mechanisms to (a) promote equal access for men and women to human capital development, (b) promote equal access for men and women to productive and economic resources, (c) give men and women equal status and protection under the law, and (d) develop a universal design to address the need for people with disability.
- (ii) The criterion on equity in public resource use considers the extent to which the patterns of public expenditures and revenue collection affect poor, vulnerable, and marginalized groups and are consistent with national priorities for poverty reduction.
- (iii) The criterion on building human resources assesses national policies and service delivery mechanisms affecting access to (a) health and nutrition services; (b) education, training, and literacy programs; (c) prevention and treatment of HIV/AIDS and other communicable diseases; and (d) universal design to address the need for people with disability.
- (iv) The social protection and labor criterion assesses five policy areas: (a) social safety net programs; (b) protection of basic labor standards; (c) labor market regulations; (d) community-driven initiatives; and (e) social insurance, including pension and old-age savings programs.

57. These criteria on social inclusion and equity dovetail closely with the inclusive development themes that are relevant to the CPS process. Therefore, country teams carrying out the CPA should be able to draw on the PSA in country diagnostics, such as the country poverty assessment²³ and CGA, as well as relevant sections of the NPRS (and any progress reports), MDG progress reports, and country studies by United Nations agencies, the World Bank, national research institutes, and other development partners.

²⁰ Some ADF are also allocated for specific purposes.

²¹ World Bank. 2010. *Country Policy and Institutional Assessments: 2010 Assessment Questionnaire*. Washington, DC.

²² The category also includes a criterion on environmental sustainability.

²³ Sample TOR for country poverty assessment is provided in Appendix 2.4.

A. Introduction

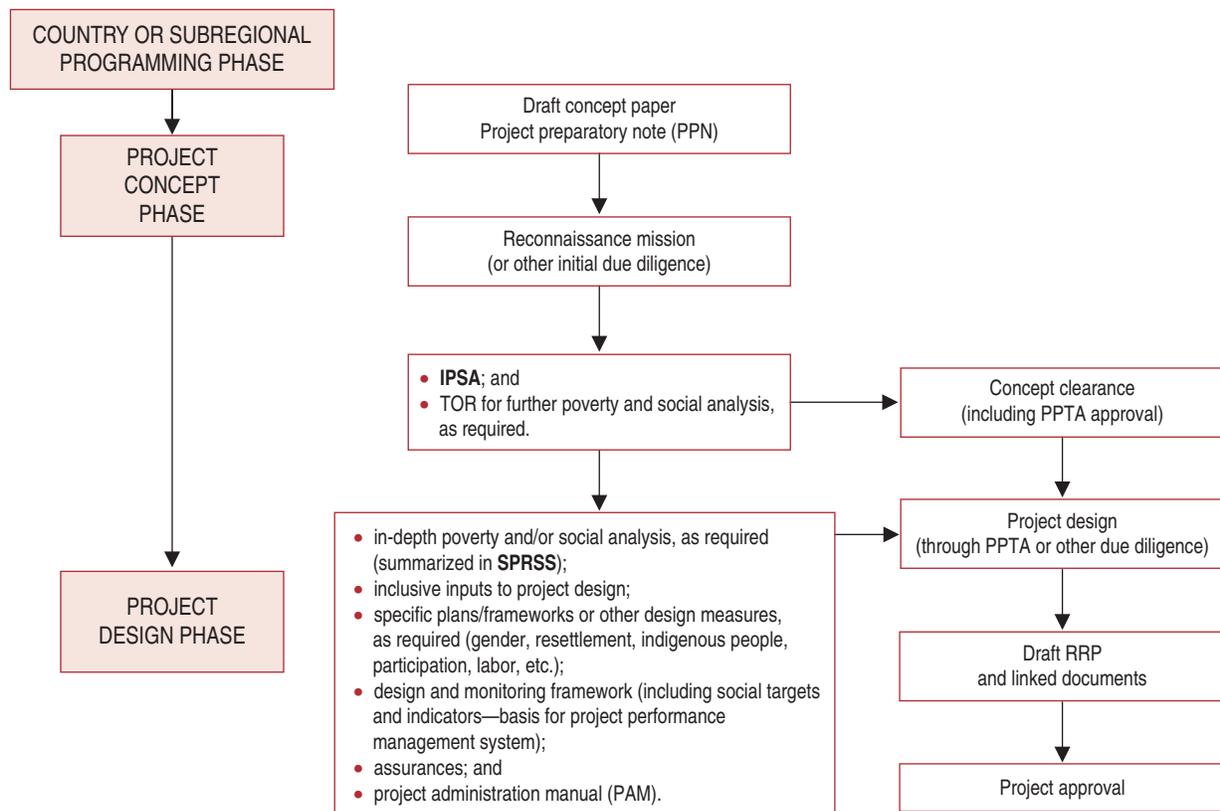
58. This section provides guidance for integrating poverty and social analysis (PSA) in project preparation based on the priorities established in the country partnership strategy (CPS) or regional cooperation strategy (RCS), as discussed in Section II (also illustrated in Figure 3). PSA is an essential part of project preparation because it helps to ensure that the project contributes to ADB's poverty reduction mission and inclusive growth agenda, both in terms of its design (quality at entry) and outcomes (quality at completion). The section first outlines the different approaches to PSA that may apply, depending on the classification of the project or the type of financing modality that is involved. The next two sections discuss the conduct of PSA in the concept and design phases, and the documentation of this analysis and related outputs. The PSA carried out in preparing a project can vary substantially, depending on the sector, type of project, and country and local contexts. In all projects, however, the results of the PSA are summarized in two required forms: Initial Poverty and Social Analysis (IPSA), completed during the concept phase (discussed in this section); and the Summary Poverty Reduction and Social Strategy (SPRSS), completed during the design phase and included as a core appendix linked to the report and recommendation of the President (RRP) (discussed in Section IV). Figure 4 gives an overview of the PSA during the project preparation stage.

59. More specifically, it helps the project team (i) understand the social context in which the project will be implemented, including the intended clients/beneficiaries, other affected groups, and relevant institutions; (ii) determine the appropriateness and feasibility of different design options, given the social context; (iii) estimate the poverty and social impacts of the project, both positive and negative; (iv) identify specific actions to maximize the positive impact of the project and minimize or mitigate any negative impacts, including addressing gender inequalities; and (v) select appropriate indicators and methods to measure these impacts. This section focuses on the integration of PSA into the concept and design²⁴ phases of project preparation.

60. IPSA is mandatory and must be carried out as early as possible in the project cycle (for sovereign operations, ordinarily by the end of the reconnaissance mission or other initial due diligence). For policy-based projects, a poverty impact analysis (PIA) is required as a separate section of the IPSA. The findings of the detailed PSA are then summarized in the SPRSS form during the project design stage as a linked document to the RRP.

²⁴ Transaction review for private sector operations.

Figure 4 Project Preparation



IPSA = initial poverty and social analysis, PPTA = project preparatory technical assistance, RRP = report and recommendation of the President, SPRSS = summary poverty reduction and social strategy, TOR = terms of reference.

B. Project Classification

61. The initial classification of a project can indicate the extent of PSA that needs to be undertaken in preparing the project. In turn, PSA can confirm the appropriateness of the classifications initially assigned to a project. ADB Project Classification System provides an overview of the sector, thematic, and poverty targeting contribution of a project, including information on the financing modality, location impact.²⁵

62. **Targeting Classification.** All projects financed by ADB require a targeting classification, which differentiates projects that contribute directly or indirectly to poverty reduction and inclusive development.²⁶ Figure 5 illustrates the rationale behind the targeting classifications.

²⁵ ADB. 2004. *Consolidated Staff Instructions on Project Classification*. Manila.

²⁶ ADB. 2009. Staff Instructions for the Revised Project Classification System. *Compendium of Staff Instructions*. Manila. More detailed information on ADB's project classification system is in Appendix 1.2, including a list of sector and thematic classifications.

A project can be classified either as general intervention (GI) that supports poverty reduction indirectly (e.g., infrastructure investments that improve the enabling environment for pro-poor growth), or as targeted intervention (TI). TIs fall under three groups:

- (i) Household (TI-H). The defining characteristic of such projects is their concern for beneficiaries: the proportion of the poor among project beneficiaries will be significantly larger than their proportion in the overall population of the country, and in no case less than 20%. The proportion of the poor defined to be benefiting from the project should be made using the national, urban, or rural poverty line as agreed with the DMC.
- (ii) Geographic (TI-G). Projects located in geographic areas with a significantly higher poverty incidence than the national average and in line with the geographic emphasis in the national development plan or national poverty reduction strategy or CPS will qualify for this TI-G classification, irrespective of whether their impact on poverty is direct or indirect. The project must, however, significantly address constraints that are responsible for poverty in the area. Mere location of the project in the geographical area is not sufficient for the TI (G) classification.
- (iii) MDG TI (M1–M7). Projects with a direct impact on the non-income dimensions of poverty, as represented in the Millennium Development Goal (MDG) 1 (hunger target) and MDGs 2 through 7 will qualify under this classification when it is clearly demonstrated that the project is directly contributing to one of the non-income MDG goals and targets. The main intended project results should clearly specify the MDG goal, targets, and indicators to be used. The project must address the binding constraints to the relevant MDG. Projects with M1–M7 classification that support MDGs in the short to medium term should include the intended achievements in the outcome level of the project's design and monitoring framework (DMF), specifying the MDG to be addressed, as well as targets and indicators.

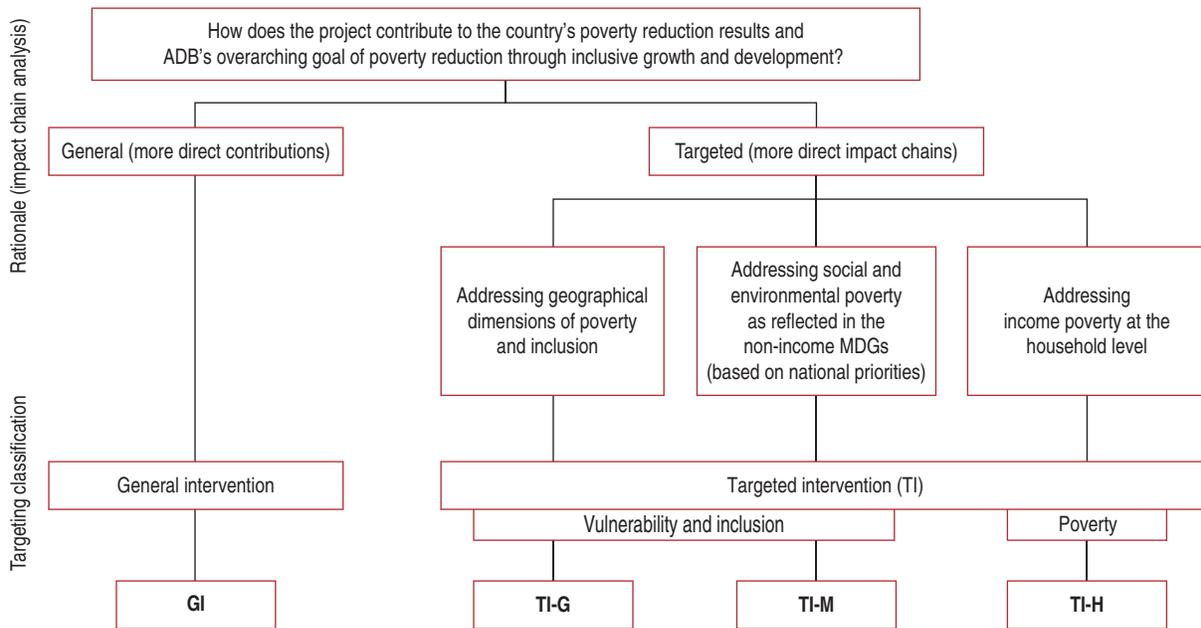
63. The targeting classification specifies the main beneficiaries and poverty impact channels of the project. If the project aims to target particular individuals or groups, full PSA is required during the project design phase. Similarly, if the project is policy-based (i.e., a program loan/grant or sector development program), the project design must include an analysis of the impacts of the proposed policy reforms on poor and vulnerable groups.²⁷ In either case, the IPISA will identify the poverty impact analysis (PIA) to be done during project design, and the project team will prepare appropriate terms of reference (TOR).²⁸

64. **Sector Classification.** The sector designation of a project can help identify the types of poverty and social issues likely to be raised by the project. For example, water, sanitation, and energy distribution projects that involve tariff changes are likely to raise affordability issues. Infrastructure

²⁷ ADB. 2011. Policy-Based Lending. *Operations Manual*. OM D4/BP. Manila. (para. 22); ADB. 2003. Sector Development Programs. *Operations Manual*. OM D5/BP. Manila. (para. 8). In a sector development program, social analysis may also be required to address gender, social safeguard, or other social issues in the investment components of the program.

²⁸ See Staff Instructions of 28 March 1995: *Assessment of the Impact of Program Loans on Poverty*.

Figure 5 Targeting Classification Links to Poverty Reduction and Inclusive Development



GI = general intervention, MDG = Millennium Development Goal, TI-G = targeted intervention for geographic areas, TI-H = targeted intervention for households, TI-M = targeted intervention supporting the achievement of MDGs.

projects generally require consideration of labor issues related to civil works, as well as social safeguards in the case of any displacement of households or communities. Agriculture, education, health, and water supply projects are likely to raise gender issues because of the relevance of gender roles and the importance of equal access to services and/or resources in these sectors. However, each project is unique and needs to be assessed at an early stage through the IPISA to confirm which social issues it presents.

65. **Theme classification:** ADB projects can identify up to four themes with at least one theme directly supporting Strategy 2020’s agenda of inclusive growth (economic growth), environmental sustainability, or regional integration. The themes—social development and gender equity—expressly refer to social issues and indicate the need for social analysis in preparing a project. However, classification of a project by other themes does not imply an absence of social issues. For example, economic growth projects may raise social safeguard, labor, or gender issues. Governance projects may also raise participation or gender issues. An initial assessment early in the project cycle through the IPISA is especially important to ensure that the social dimensions of these types of projects are identified and addressed.

C. Financing Modalities

66. In recent years, ADB has expanded the range of financial products through which it can provide development assistance to its DMCs and to public and private sector entities in

the DMCs. These financial products include (i) investment loans and grants; (ii) sector loans and grants; (iii) policy-based loans and grants (also referred to as program loans/grants); (iv) sector development programs, which include both investment and policy components; (v) financial intermediation loans; (vi) disaster and emergency assistance loans and grants; (vii) technical assistance, loans, and grants; (viii) guarantees; (ix) private sector loans, equity investment, and other types of financing; and (x) multitranche financing facilities (MFFs).

67. ADB's general requirements for PSA apply to all projects, regardless of the financing modality: (i) at the concept stage, an initial scoping of potential social issues summarized in the IPSA report form; and (ii) at the design stage, further PSA, as needed, on issues identified in the IPSA, to be summarized in the SPRSS report form. These core PSA requirements, as well as some variations for particular financing modalities, are discussed further in the following subsections. This section of the handbook applies to all ADB projects assisting DMC governments and public sector institutions, including local governments and state-owned enterprises. It may also provide useful guidance to ADB staff who are processing private sector projects, or to third parties conducting due diligence on these projects.

68. The financing modality of a project can influence the type of poverty and social issues presented, the procedure for addressing these issues through the project processing cycle, and the types of interventions that are appropriate and feasible to address the issues through project implementation. Following are examples:

- An MFF will need to be approached differently from a traditional investment project because many or most investment activities contemplated under the facility—except for tranche 1—will not be identified until after the facility has been approved. To ensure that poverty and social issues are adequately addressed, the MFF road map must consider the relevant sector's importance to poverty reduction, gender and development, and inclusiveness, as well as the social dimensions of the proposed investment program. Further, the due diligence for the overall MFF and for each tranche must include PSA, and the poverty and social dimensions of the MFF must be addressed in the DMF and the SPRSS for the MFF and each tranche. This would entail updating the SPRSS for each tranche, as required.²⁹
- **Sector projects** raise similar concerns, since the PSA undertaken during preparation of a sector project is typically limited to a sample of likely subprojects. Therefore, the criteria established for selecting and developing future subprojects should provide for carrying out further social analysis and developing more specific plans to address significant social issues in those subprojects.³⁰
- A **policy-based project** is more likely to raise poverty or social issues related to national or subnational laws or policies or their implementation. Appropriate interventions to address these issues may include changes in relevant laws or policies, or assistance to improve their implementation. The relevant tools for addressing poverty and

²⁹ ADB. 2010. Multitranchise Financing Facility. *Operations Manual*. OM D14/BP. Manila.

³⁰ ADB. 2003. Sector Lending. *Operations Manual*. OM D3/BP. Manila.



social issues in a policy-based project include the matrix summarizing the PIA of the proposed policy measures, the DMF, and the policy matrix. The PIA should also include consideration of the potential social impacts of proposed policy changes (particularly impacts on poor and vulnerable groups).³¹

- **Private sector projects.** The timing and arrangements for PSA of private sector operations differ somewhat because the due diligence process for private sector process does not typically begin until after concept review and signing of a mandate letter. The IPSA is conducted during the early stages of the due diligence process, which involves consideration of social and environmental aspects of the proposed transaction. Based on the IPSA, the project team may request additional social studies or assessments from the client, which would be summarized in the SPRSS prepared as a linked document to the Board paper for the transaction. For private sector projects involving financial intermediaries and those processed as corporate finance, borrowers/clients are required to establish an environmental and social management system (ESMS) to manage social issues of subprojects identified during project implementation.³²

D. Project Concept

1. Concept Paper and Reconnaissance Mission

69. The processing of a project begins with the preparation of a concept paper, which generally follows on the inclusion of the project in the CPS and country operations business plan for the relevant DMC. The concept paper also identifies key areas for due diligence, including thematic and safeguard issues, and characterizes the project in terms of its complexity and risk. Due diligence can involve ADB staff, consultants, and/or project preparatory technical assistance (PPTA). The implementation arrangements for due diligence, including the TOR for PPTA consultants, are attached to the final concept paper along with an initial draft DMF and IPSA, which are mandatory requirements prior to concept paper approval.

70. For private sector operations, an IPSA is prepared if sufficient information is provided by the borrower/client. If not, the project team waits until the concept review paper is approved by the Investment Committee and a mandate letter is signed. This signals the start of the due diligence process during which the transaction is further developed. In this case, the IPSA is carried out as part of the due diligence process during transaction review. Private sector project teams are encouraged to use the guidance and tools described in the following section.³³

³¹ ADB. 2011. Policy-Based Lending. *Operations Manual*. OM D4/BP. Manila.

³² ADB. 2012. Nonsovereign Operations. *Operations Manual*. OM D10/BP. Manila.

³³ Footnote 31.

2. Initial Poverty and Social Analysis

a. Conduct of Initial Poverty and Social Analysis

71. An IPSA is conducted primarily to determine the scope of poverty and social issues that will need to be addressed during project design. The focus of IPSA, therefore, is on asking key questions and identifying related knowledge gaps. A general checklist of key IPSA questions is provided in Box 5. The summary output of this analysis is the completed IPSA report form (Appendix 3.1). The IPSA checklist and report form should be used as guides during the reconnaissance mission and preparation of the concept paper (or other initial due diligence). The completed form becomes an attachment to the final concept paper for sovereign projects. The IPSA process should also produce a TOR (Appendix 2.5) for poverty and/or social development specialists who will be needed on the PPTA (or other due diligence) team, including the areas of expertise, tasks, person-months, and resources required.

Box 5 Initial Poverty and Social Analysis – Key Questions

Questions that project teams should ask at the concept stage of a project include

- (i) Is the project a national priority, reflected in the national development strategy?
- (ii) Is the project a priority for the Asian Development Bank, reflected in its country poverty analysis and country partnership strategy?
- (iii) How is the relevant sector contributing to poverty reduction and inclusive growth in the country, and how would the proposed project further these goals?
- (iv) What are the likely consequences of the project, positive and negative?
- (v) Who is likely to benefit or to be adversely affected by the project? What are the broad characteristics of these groups and any relevant subgroups? What is likely to be needed in terms of public awareness raising, information dissemination, or social mobilization in order to work effectively with these groups?
- (vi) What poverty and/or social issues need to be examined further during project design (such as poverty/inequality, gender, resettlement, indigenous peoples, labor, affordability, HIV/AIDS, human trafficking, or other issues)?
- (vii) What level of stakeholder participation is contemplated for the project, including participation by civil society organizations, key social groups, or affected people; and is there need and scope for a participation plan at the design stage?
- (viii) What institutions are likely to be involved in the project, and what are their capacities?
- (ix) What type of poverty and/or social development expertise is needed on the project design team to address these dimensions during the project design phase?

72. The IPSA should be synchronized with other activities at the concept phase. For example, ADB's guidelines for preparing a DMF (2006) recommend that the project design process begin with a situation analysis, including stakeholder analysis and problem analysis. An initial stakeholder analysis is also a key element of the IPSA (see "Stakeholders and Participation" in Section III, para. 78). IPSA should also be coordinated with any initial due diligence on economic, sector, and environmental issues since there are likely to be overlaps in issues and findings. For example, poverty, inequality, and affordability issues will be relevant to both IPSA and economic analysis.

73. Some tools provided in this handbook or in other ADB publications to help in conducting the IPSA (and any subsequent PSA) are summarized in Table 2.

Table 2 Initial Poverty and Social Analysis Tools and Outputs

Stage	Purpose	Tool	Output
PROJECT CONCEPT PHASE	Confirm poverty focus and poverty targeting, if any	This handbook (Section III.B.) Project classification system (Appendix 1.2)	Poverty classification of project TOR for poverty and social analysis
	Identify opportunities to promote gender equity and social inclusion	Gender checklist for IPSA (OM Section C2/OP)	TOR for gender analysis and preparation of a gender plan, if needed
	Identify stakeholders and opportunities for their participation	Initial stakeholder analysis Checklist for participation plan for project design and processing (ADB Guide to Participation)	Stakeholder analysis matrix Participation plan for project design and processing TOR for communication and/or participation specialist/facilitator
	Identify relevant institutions and their capacity to support inclusive development	This handbook (Section III.D, para. 85 and Box 7)	TOR for further institutional analysis and/or preparation of capacity development plan, if needed
	Identify potential social safeguard risks of project	Screening checklists for involuntary resettlement and indigenous peoples' issues	TOR for further social analysis and preparation of mitigation plans, if needed
	Identify other social risks or vulnerabilities linked to the project	Guidelines for preparing a risk and vulnerability profile (Appendix 6)	TOR for further social analysis and/or preparation of mitigation plans or other measures (e.g., to address labor, affordability, HIV, or human trafficking risks), if needed

ADB = Asian Development Bank, IPSA = initial poverty and social analysis, OM = Operations Manual, TOR = terms of reference.

b. Poverty and Social Issues to be Identified through IPSA

74. **Poverty, Inequality, and Exclusion.** The IPSA identifies opportunities for the project to directly or indirectly address poverty and inequality issues in the relevant sector, or in the project area more specifically. The IPSA results should also be consistent with the classification of the project in terms of its likely contribution to the DMC's poverty reduction priorities.³⁴ The poverty impact and social dimensions section of the IPSA requires the identification of the (i) links of the project to the national poverty reduction strategy (NPRS) and the CPS; (ii) targeting classification and its justification; and (iii) key poverty and social issues of the potential beneficiaries, including impact channels and expected systemic changes.³⁵ This section should also identify the poverty and social issues that need to be reviewed during project design, including potential components and measures that should be considered.

³⁴ As discussed in Section III.B, a project is classified either as a general intervention (GI) that will address poverty reduction indirectly, or as a targeted intervention (TI) that will target particular individuals or groups, a particular geographical region, or a sector/subsector supporting one of the MDGs.

³⁵ Description of how the living situation of the poor and the excluded could change with the project, e.g., by (a) having more access to better and more affordable services; (b) having better opportunities to raise their income and improve their sustainable employment and decent work; (c) being better protected against social, life, economic, environmental, and climate-related risks; (d) gaining a more equitable distribution of benefits and transfers; and/or (e) having more voice and decision-making relevance.

75. **Gender.** Gender norms and disparities are especially pervasive, although they can vary significantly across regions, countries, and communities. Promoting gender equality and women’s empowerment is central to the achievement of the MDGs, and gender equity is also a driver of change of Strategy 2020. At the IPSA stage, the project team needs to assess whether the project (i) has the potential to correct gender disparities, (ii) has the potential to significantly mainstream gender equity concerns, or (iii) is likely to have an adverse impact on gender equality or women’s or girls’ empowerment.³⁶

76. In any of these cases, further gender analysis will need to be done during the project design phase.

- A project in category I or category II should be classified as having either a “gender equity as a theme” (GEN) or “effective gender mainstreaming” (EGM), in which case a gender action plan (GAP) should be prepared during the project design phase to maximize the gender benefits of the project.
- A project in category III “some gender elements” (SGE) should include appropriate measures to avoid or minimize the negative impacts or reduce social risks or vulnerabilities likely to be borne by women and girls.

77. In summary, projects are classified in one of four gender categories: gender equity as a theme (GEN), effective gender mainstreaming (EGM), some gender elements (SGE), and no gender elements (NGE). The first two categories together count toward the gender mainstreaming targets in ADB’s Results Framework.³⁷ For projects requiring further gender analysis and/or a GAP, the project team will need to identify the scope of these tasks and develop an appropriate TOR (including scope of gender analysis, methodology, expertise, time, and resources required). A gender checklist for the IPSA is provided in the ADB *Operations Manual* section on gender and development in ADB operations (OM C2/BP).³⁸

78. **Stakeholders and Participation.** The analysis of stakeholder interests, perceptions, capacities, and resources is an important initial step in designing a project, especially any project that relies on the participation of affected groups.³⁹ An initial stakeholder analysis identifies the following:

- (i) the main population groups that may be affected—positively or negatively—by the project and their social characteristics;

³⁶ Negative impacts could include women’s loss of traditional land rights or livelihood/employment opportunities as a result of project activities or related policy changes. Negative impacts on women related to resettlement, or negative impacts on indigenous women, would be addressed under the relevant social safeguard policy.

³⁷ In its Results Framework, ADB has committed to achieve at least 40% gender mainstreaming in all of its projects (and at least 50% gender mainstreaming in Asian Development Fund projects) by 2012.

³⁸ ADB. 2012. *Guidelines for Gender Mainstreaming Categories of ADB Projects*. <http://www.adb.org/documents/guidelines-gender-mainstreaming-categories-adb-projects>

³⁹ Stakeholder analysis is a recommended tool in both the ADB *Guidelines for Preparing a Design and Monitoring Framework* (2006) and *Strengthening Participation for Development Results: An Asian Development Bank Guide to Participation* (2012).



- (ii) relevant subgroups that may be affected differently (such as women or girls; indigenous, ethnic minority, or disadvantaged caste groups; youth or the elderly);
- (iii) key informants, such as community leaders, local government officials, or local researchers;
- (iv) staff of the borrower/client likely to be involved in the project;
- (v) civil society organizations working in the sector or project area; and
- (vi) private sector firms likely to be involved in or affected by the project.

79. For each stakeholder group, the initial stakeholder analysis should further identify their likely (i) interests related to the project, (ii) perception of the development problems that the project aims to address, and (iii) capacity and resources to participate in the project (or to oppose or undermine the project). Stakeholder analysis is dynamic and should be updated over the course of a project.⁴⁰

80. Identifying the main population groups likely to be affected by the project provides a basis for exploring other poverty and social dimensions of the project. Based on the initial stakeholder analysis, the project team can also begin to assess (i) what level of participation (e.g., information generation and sharing, consultation, collaboration or partnership) is appropriate for the project; (ii) which stakeholders should be most actively involved in preparing the project; (iii) what kinds of inputs or decisions are needed from them; (iv) their information needs; and (v) what communication strategies and participatory methods should be used.

81. The reconnaissance mission provides an opportunity to meet with some key stakeholders and representatives of stakeholder groups. This can also initiate the process of developing a project participation plan, which is recommended for most projects. A simple plan will be sufficient for relatively simple, low-risk project designs. A more elaborate plan will be needed for complex or high-risk projects, and for projects that depend on the participation of clients/beneficiaries to achieve their objectives. A project participation plan can stand alone, or be integrated into other project plans such as a GAP, labor retrenchment plan, prevention of HIV/AIDS plan, or Involuntary Resettlement and Indigenous Peoples Plan.

82. **Social Risks and Vulnerabilities.** At this initial stage, it is important to also flag any risks associated with the project, or vulnerabilities of particular individuals or groups, that could undermine the inclusive development impact of the project. ADB's involuntary resettlement and Indigenous Peoples safeguards are intended to avoid adverse impacts on affected people whenever possible, and to minimize, mitigate, and/or compensate for potential adverse impacts that may be introduced by an ADB-supported project.

83. During the IPSA process, the project team identifies or confirms the scope of these tasks and prepares an appropriate TOR (including scope of analysis and plans/measures, methodology, expertise, time, and resources required). It is important to identify other risks and

⁴⁰ Footnote 38, p. 30.

vulnerabilities that could undermine the project's objectives or affect the project's benefits to clients/beneficiaries. Box 6 identifies other social risks that may be directly linked to a project.

Box 6 Risks and Vulnerabilities to be Identified at Initial Poverty and Social Analysis Preparation

- (i) Poor labor conditions for workers involved in project activities;
- (ii) Policy reforms supported by the project that could lead to loss of jobs or benefits through restructuring;
- (iii) Policy reforms under the project that could reduce access to services (e.g., through increases in user fees or other charges), or increase prices of essential commodities through tariff increases;
- (iv) Risks of communicable diseases and HIV/AIDS transmission or human trafficking associated with large infrastructure projects;
- (v) Risks or vulnerabilities related to caste, age, disability, or a combination of these factors; or
- (vi) Risks related to inadequate information or participation opportunities for affected groups.

84. Depending on the severity of the risks and vulnerabilities, further social analysis and the development of inclusive growth measures or full mitigation plans may be required at the design stage. Guidelines for preparing a risk and vulnerability profile, which may be useful at the IPSA stage, are provided in Appendix 6.1. The social risks identified through the IPSA, as well as other risks for project/program delivery (e.g., limited coverage or institutional weaknesses), may also be presented in the risk column of the DMF matrix for the project.

85. **Institutions and Capacity.** Finally, the IPSA should also consider the key laws, policies, norms, and practices that govern the relevant sector and influence the motivations and behavior of key stakeholders, especially as they relate to the inclusive development outcomes of the project. Further, the IPSA should consider the capacity of relevant project agencies, local governments, private sector firms, nongovernment organizations (NGOs), and other community-based organizations (CBOs) to participate in the project in a socially inclusive way, or alternatively, consider the potential constraints or resistance to their participation (a checklist of possible questions is provided in Box 7). For example, in an urban development project, the IPSA could consider whether municipal laws, regulations, and practices authorize community input in the

Box 7 Institutional and Capacity Analysis – Key Questions

Project teams should consider the following initial questions related to institutions and capacity issues:

- (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 could inhibit them from contributing to the project, and how could these be overcome?



selection of infrastructure improvement sites; whether officials in the relevant municipal authority have the motivation and experience to conduct meaningful community consultations; and whether existing CBOs have the motivation, knowledge, and local support to represent diverse community interests in such a forum.

86. Information for this part of the IPSA could be gleaned from sector assessments, governance assessments, and other diagnostics prepared by ADB or others; ADB's experience in the sector or project area; and interviews with local experts and/or focus groups with community members. This aspect of the IPSA could identify (i) policy or other institutional issues; and (ii) resource, capacity, and other needs of potential project implementers, for further investigation during the design phase. Institutional or capacity issues could also arise from other parts of the IPSA, such as the initial identification of gender disparities, social safeguard issues, or other social risks.

c. IPSA Logistics

87. **Team Composition.** The objectives and social complexity of the project will determine the need for poverty and/or social development specialists to carry out the IPSA:

- (i) All proposed projects targeting individuals or households (TI-H classification) should involve a poverty or social development specialist in preparing the IPSA.
- (ii) Other projects likely to significantly impact gender, involuntary resettlement, indigenous and/or other vulnerable groups, workforce retrenchment, or social risks such as HIV/AIDS transmission should involve a social development and/or social safeguard specialist in preparing the IPSA, as appropriate.
- (iii) Projects likely to involve significant participation of stakeholders in implementation may require inputs from a communication and/or participation specialist.
- (iv) If ADB staff with relevant poverty and/or social development expertise is not available for the reconnaissance mission, these requirements can be met through engaging international or domestic consultants or experienced NGOs. In such cases, staff poverty or social development specialists should help the project team in drafting the TORs and supervise the work of the consultants during (and sometimes before)⁴¹ the reconnaissance mission. Where a social development or poverty specialist is not included in the project preparation team, the team leader will be expected to obtain and report on the required information for the IPSA.
- (v) In all cases, staff or consultants conducting the IPSA should coordinate closely with project team members who are conducting initial due diligence on economic, sector, and environmental issues in the project, since there are likely to be overlapping issues and findings.

⁴¹ In socially complex situations, a domestic consultant may be commissioned to undertake a preparatory study for presentation to the subsequent reconnaissance mission.

88. **Terms of Reference.** Appendix 2.5 provides a sample TOR for preparation of the IPSA during the reconnaissance mission (or other initial due diligence) and for the poverty and/or social development specialist to be included in the project preparation team.

89. **Time/Coverage Required.** The time needed to conduct the IPSA will depend on the sector, poverty, and thematic focus of the project; the complexity of the project (including multiple components or subproject areas); and the social context in which it will be implemented:

- (i) In some projects where there is no risk of negative social impact and no scope for increasing the project's direct impact on poverty and inclusive development, the IPSA needs only to confirm that this is the case.
- (ii) In all projects involving individual or household targeting intervention classification and in most other projects, a field visit to the proposed project area (or subproject areas) should be scheduled to confirm the poverty and/or social issues that need to be addressed during the project design phase.
- (iii) In complex cases such as in projects with multiple ethnic groups, multiple locations, or large-scale involuntary resettlement, labor retrenchment, affordability and accessibility for the poor, data collection and stakeholder participation activities may need to start before the reconnaissance mission.
- (iv) If only broad sectors or types of interventions have been identified at this stage, it may not be possible to identify specific groups likely to be affected. In this case, provision should be made for further analysis at later stages of project preparation, as more information becomes available.

90. **Data Collection Methods.** Information needed for the IPSA can be obtained from a range of primary and secondary sources, including CPS and country diagnostics; the DMC's national development plan and other government documents and data; reports from similar projects supported by ADB or other development agencies; and surveys and reports by implementing agencies, other development agencies, researchers, NGOs, and other interest groups.

- (i) The basic data sources for all IPSAs (including both GI and TI projects) should include relevant secondary data, selected site visits, and interviews with key informants.
- (ii) For projects intended to target households or individuals (TI-H classification) or to target basic services (TI-M classification), the IPSA should also rely on interviews or focus groups with representatives from the relevant population groups (including women as well as men), as well as consultations with community leaders, and representatives of CBOs or other NGOs in the project area.

Appendix 2 provides further information and guidelines on the different methods of data collection.

91. **Public Disclosure.** Under ADB's revised Public Communications Policy, there is a requirement in favor of disclosure to stakeholders, and therefore the IPSA for sovereign projects must be posted on the ADB website upon approval of the concept paper. For nonsovereign projects, the IPSA must be made available upon completion of the credit approval process. The project team is also required to post, on the ADB website, a project data sheet (PDS) containing summary



information, including information on social, safeguard, and stakeholder communication and participation issues. The initial PDS for a sovereign project is posted on the ADB website upon approval of the concept paper. The initial PDS for a nonsovereign project is posted not later than 30 days before Board consideration.⁴²

3. Summary Output: IPSA Form

92. The IPSA conducted during the reconnaissance mission (or other initial due diligence) is reported using a summary IPSA report form (Appendix 3.1). The project preparation budget and project timeline should be sufficient to cover any subsequent analysis and preparation of any necessary plans, frameworks, or other measures during the design phase. The IPSA should also inform the rationale and scope of the proposed project outlined in the final concept paper to which it will be attached.

⁴² Footnote 14, p. 14 (paras. 42–46 and 56); ADB. 2012. Public Communications. *Operations Manual*. OM L3/BP. Manila. (paras. 8–12 and 24).

IV

Poverty and Social Analysis in Project Design

A. Overview

93. Based on the issues identified through the initial poverty and social analysis (IPSA), more in-depth poverty and social analysis (PSA) is carried out during the design phase to assess the ways in which the eventual project could best promote inclusive growth and avoid or mitigate social risks and vulnerabilities, consistent with its technical and economic viability. This in-depth PSA should be focused, relevant, and action-oriented, with an emphasis on improving the quality of the project design (quality at entry) so as to maximize the inclusive growth outcomes of the project and minimize the project's social risks (quality at completion).

94. As for the IPSA, the scope and depth of PSA will vary, depending on the sector, the thematic focus and complexity of the project, and the social context in which it will be implemented. Depending on the issues flagged in the IPSA, the thematic areas that may be covered include (i) stakeholders and participation, (ii) institutions and capacity, (iii) poverty and inequality, (iv) gender and social diversity, (v) social safeguards, and (vi) management of other social risks and vulnerabilities.

95. The PSA is an integral part of the project design process and should be coordinated with the technical and economic analysis, stakeholder consultations, consideration of alternative design options, and preparation of the final design, including the design and monitoring framework (DMF), project assurances, and project administration manual (PAM). Therefore, it is extremely important for the PSA specialist(s) on the project design team to work closely with the other team members to ensure an integrated and coherent result.

96. Data collected for the PSA should provide a basis for setting appropriate targets and indicators in the DMF and in any social action or mitigation plans. The data may also provide a baseline for monitoring of poverty reduction and social impacts of the project during implementation.⁴³

⁴³ The appropriate time to collect baseline data will vary, depending on the nature of the project, the length of time between the project design phase and the start of implementation, the extent of changes in the final project scope and project areas (compared with the original feasibility study), and other factors. The time for collecting baseline data, therefore, should be decided on a case-to-case basis in consultation with the project agency. In any case, any socioeconomic data collected during the project design phase that could be used as baseline data for the project should be turned over to the project agency.



97. **Summary Output – The SPRSS Form:** The results of the PSA are synthesized in the summary poverty reduction and social strategy (SPRSS) (Appendix 4.1), which is a core appendix linked to the report and recommendation of the President (RRP) for the project. All RRP's must include an SPRSS report form as a linked appendix. The SPRSS describes the steps taken to address the issues identified in the original IPSA report, and summarizes the social action or mitigation plans, frameworks, or other measures included in the project design to address these issues. This includes discussion on key poverty and social issues, beneficiaries, impact channels, other social and poverty issues, gender, and participation. Reference to specific components of the project and linkages in the DMF are cited in the SPRSS. Social action or mitigation plans (or frameworks) identified in the SPRSS are included in core appendixes to the RRP.

B. Organization of Poverty and Social Analysis

98. The scope of the PSA to be conducted during the project design phase will be influenced primarily by the issues identified in the IPSA. Other factors may include the initial classification of the project, the financing modality, the sector, and complexity of the project. Sample terms of reference (TOR) for the PSA are provided in Appendix 2.5. The TOR need to be adapted and focused for each project. To make the most effective use of resources, it is important to revisit and refine the TOR and to develop a detailed work plan for the PSA at the outset of the project design phase. In all cases, the PSA should be organized and sequenced so as to (i) address the significant poverty and social issues identified in the IPSA; (ii) provide relevant inputs to the technical, economic, and other analyses; (iii) incorporate appropriate measures in the project design, including any social action or mitigation plans; and (iv) if possible, collect relevant baseline data for monitoring poverty and social impacts of the project during implementation. Depending on the nature of the project, the PSA may be organized differently.

99. The appropriate data collection methods for PSA will vary, depending on the issues to be examined, the nature and complexity of the project, the diversity of population groups likely to be affected by the project, the available data, and the time and resources allocated to collect primary data. For most projects, the data collection process will include both primary and secondary data, and a combination of qualitative and quantitative information.

- (i) The minimum data sources for any PSA should include relevant secondary data, site visits, and interviews with key informants.
- (ii) Secondary data could include recent census and household survey data, relevant sector and thematic studies by ADB or others, and reports from similar projects or projects implemented in the same project area.
- (iii) Primary data collection should be as focused as possible, and coordinated with other data needs of the project (e.g., affordability data needed for the economic analysis).
- (iv) All primary data collected should be disaggregated by sex and other relevant social categories, and organized to ensure a balanced representation of perspectives (e.g., through separate focus groups of women and men, and random or purposive sampling techniques in surveys).

C. Assessing Poverty Impacts, Targeting the Poor, and Promoting Inclusion

1. For Projects Classified as Targeting Poor Individuals or Groups

100. In the project design phase, detailed poverty analysis is required for two categories of projects: (i) projects targeting poor individuals or groups (TI-H);⁴⁴ and (ii) policy-based projects, such as program loans or grants and sector development programs.⁴⁵ In the case of targeted interventions, the poverty analysis is integrated with the social analysis. In the case of policy-based projects, the poverty analysis also incorporates social dimensions and is usually summarized in a matrix (Table 3).

101. For projects targeting poor individuals or households (TI-H classification), poverty analysis determines the magnitude and likely impact of the project on the target group. More specifically, it should (i) confirm the extent of poverty and vulnerability experienced by the target group, (ii) estimate the expected direct and indirect impacts of the project on this group (e.g., through benefit incidence analysis), and (iii) compare alternative design options in order to maximize the poverty reduction impact of the project. In terms of project design options, the project team should select and validate the appropriate targeting approach, which could include

- **Categorical targeting:** Provides benefits to a specific population group such as mothers, children, or communities in a specific geographic area (easiest targeting method, but leakage to nonpoor is typically large).
- **Means testing:** Provides benefits to individuals or households based on certain criteria such as an income ceiling (more accurate targeting method, but has larger transaction costs).
- **Proxy means testing:** Provides benefits to individuals, households, or communities based on proxy indicators of poverty that are easier to determine, such as landlessness, poor quality of housing, or ethnic/caste identity (less expensive—but less accurate—targeting method than means testing).⁴⁶

⁴⁴ For projects classified as household-targeting intervention, the purpose of the poverty analysis is to determine the impact of the project on the target group (i.e., proportion of the poor defined to be benefiting from the project which is estimated using the national, urban, or rural poverty line as agreed with the DMC).

⁴⁵ For policy-based lending, the purpose of the poverty analysis is to analyze the likely poverty and social impact of policy reforms supported by ADB program loans, screen out adverse effects as far as possible, and ensure that in those cases where such effects are unavoidable, appropriate mitigation measures are introduced.

⁴⁶ ADB. 2006. *Poverty Handbook: Analysis and Processes to Support ADB Operations – A Working Document*. Manila. (pp. 72–77).



102. Particularly where a project aims to improve access to basic services, productive resources, or economic opportunities for poor and marginalized groups, more in-depth social analysis is required to fully understand the needs and interests of the expected client/target groups, as well as the current barriers and constraints to access. Special attention should be paid to the social diversity and forms of social exclusion within these populations. The specific project design features should ensure that all members of the client/target group have meaningful access to project resources. Meaningful consultations and an action plan or other affirmative measures will also be required for vulnerable groups, indigenous or ethnic minority communities (Section IV.D).

2. For Policy-based Projects

103. For policy-based projects, ex ante poverty analysis enables the project design team to (i) anticipate the likely poverty and social impacts of the proposed policy reforms; (ii) screen out any expected adverse effects on poor and vulnerable groups; and (iii) design appropriate measures to mitigate any unavoidable adverse impacts. This poverty impact analysis (PIA) should be initiated as early as possible in the project design process and updated as the proposed policy reforms are further developed and refined, and as additional information becomes available. The PIA involves three steps:

- (1) Assessing the nature and magnitude of the impact of each reform on poor and vulnerable subgroups of the population (the population should be disaggregated to the extent possible, to avoid sweeping generalizations concerning “the poor”).
- (2) Clarifying the means and probable strength of the transmission of direct and indirect impacts of the policy reforms. The typical transmission channels that are considered include changes in the (i) demand for unskilled labor, (ii) prices of goods bought and sold by the poor, (iii) access by the poor to basic services, (iv) access by the poor to assets, (v) net public transfers to the poor, and (vi) authority and accountability mechanisms affecting the poor.
- (3) Identifying appropriate measures to mitigate possible adverse effects of the proposed policy reforms on poor and vulnerable groups.⁴⁷

104. Possible sources of information to carry out this analysis include (i) government statistics, household surveys, ADB’s latest country poverty analysis, and diagnostic reports of other development partners and local research institutes; (ii) consensus estimates from well-informed experts; and (iii) primary data collection through participatory rapid appraisals, focus groups, or beneficiary self-assessments. The PIA should be summarized in a matrix and attached to the SPRSS report form. Table 3 provides a suggested format for the matrix.

⁴⁷ Footnote 45, p. 38.

Table 3 Poverty Impact Assessment Matrix

Channel of Effect		Effect on the Poor and Other Vulnerable Stakeholders				
General	Specific	Direct Short-Run	Indirect Short-Run	Indirect Medium-Run	Major Groups Affected	Mitigation or Enhancements
Access to Labor Markets and Wages	Formal Informal					
Access to Markets and Prices	Output consumer Output supplier Input consumer Input supplier Others					
Access to Basic Services	Public services Other basic services					
Access to Assets and Resources	Physical Financial Human Social Natural					
Taxes and Access to Transfers	Taxes Transfers					
Changes in Authority/Accountability/Voice	Authority structures Decision-making processes Power relations					
Net Impact						
Information Basis or Crucial Assumptions						
Brief Narrative						

Sources: ADB. 2006. *Poverty Handbook: Analysis and Processes to Support ADB Operations – A Working Document*. Manila; World Bank. 2007. *Tools for Institutional, Political and Social Analysis of Policy Reform: A Sourcebook for Development Practitioners*. Washington, DC. (pp. 42–47).

D. Other Social Dimensions and Risks

1. Promoting Gender Equity

105. Strategies for promoting social inclusion and gender equity in the project are summarized in the SPRSS report form (Appendix 4.1). The summary of any gender action plan (GAP) should also be included as a separate core appendix linked to the RRP. Key gender and social targets should also be included in the DMF.

106. Important differences in roles between women and men, or other gender norms, may have a significant bearing on the project. Because gender disparities usually result in women and men having different needs, demands, and constraints, it is crucial to identify them early in the design process before key decisions are made. Detailed gender analysis must be included in the social analysis if the project (i) has the potential to correct gender disparities, (ii) has the potential to significantly mainstream gender equity concerns, or (iii) is likely to have an adverse impact on gender equality or women's or girls' empowerment. A project in group (i) or group (ii)



should be categorized as having either a “gender equity as a theme” (GEN) or “effective gender mainstreaming” (EGM), and a GAP should be incorporated into the project design to maximize the gender benefits of the project. A project in group (iii) “some gender elements” (SGE) should include appropriate measures to avoid or minimize the negative impact.⁴⁸

107. A checklist of key gender considerations for the project design phase—including gender-inclusive consultations and participatory approaches, gender analysis, gender-inclusive design elements, and performance monitoring—is provided in Appendix 2 of the *ADB Operations Manual* section on gender and development in ADB operations (OM C2/BP). Detailed gender checklists have also been prepared for projects in key sectors.⁴⁹ Guidelines for preparing a project GAP—including project design features, gender capacity development of executing or implementing agencies, policy issues to be addressed, gender experts or nongovernment organizations (NGOs) to be engaged to facilitate implementation, relevant targets and indicators, and budget—are provided in Appendix 3 of OM C2/BP.

2. Participation and Empowering the Poor

108. As part of the SPRSS, the project team needs to identify how the project will engage stakeholders, including the poor and vulnerable groups. Specifically, a summary of the participatory approaches and proposed project activities that strengthen inclusiveness during project implementation is required, including an explanation of how these are reflected in the DMF, loan agreement, and project administration manual (PAM). In case civil society organizations (CSOs) will have specific roles in the project, a description of actions to be taken to ensure their participation should be included. The project team also has to identify what forms of CSO participation are envisaged during project implementation and if participation plan will be prepared.

109. A participation plan for project implementation and monitoring is recommended for most projects, especially those involving the community in project activities or labor issues or social safeguard issues, and can vary from simple to fairly elaborate, depending on the complexity and risk level of the project. The stakeholder analysis initiated during concept phase and any initial stakeholder consultations provide a basis for developing a more detailed participation plan covering both project design and project implementation. This can be a stand-alone plan, or can be incorporated into other project plans.

⁴⁸ Footnote 35, p. 29.

⁴⁹ These include gender checklists for agriculture, education, health, water supply and sanitation, urban development, and resettlement, which are available at <http://www.adb.org/themes/gender/checklists-toolkits>; a tool kit on gender, law, and policy issues is available at <http://www.adb.org/documents/gender-law-and-policy-adb-operations-tool-kit>; additional gender checklists on transport; energy; public sector management; and micro, small, and medium-sized enterprise finance and development are forthcoming.

110. For projects in which client/beneficiary participation is important to the project's overall success, appropriate participation mechanisms for project implementation should be identified and incorporated into the project design. These could include (i) targets for the participation of particular groups in project activities; (ii) engagement of community mobilizers; (iii) provisions for special training or outreach activities (e.g., to facilitate women's participation and/or people with disability); (iv) inclusion of client/beneficiary representatives in project review missions and workshops; (v) use of citizen scorecards and other participatory methods to assess project implementation; and/or (vi) engagement of NGOs or local research institutes to carry out independent monitoring of the project. Any plans for participatory activities in project implementation or monitoring should be documented in the PAM.⁵⁰

3. Ensuring Social Safeguards

111. During the project design phase, ADB's Safeguard Policy Statement requires the identification of social safeguard issues and relevant measures to address them. At the concept stage, an initial determination is made as to whether these safeguard issues are likely to be present in the project. On this basis, the project is categorized initially in terms of these safeguard impacts. These categories (A, B, C, or FI) determine the need for further due diligence and preparation of mitigation plans, frameworks, environmental and social management system (ESMS), or other actions to be incorporated into the project design. The initial project categories should be revisited at the outset of the design phase and periodically as more data become available through the social analysis.

112. If social safeguard issues have been identified in a project, specific due diligence will be carried out as part of the PSA process. This will include a review of relevant secondary sources and meaningful consultations with representatives of the affected populations, together with additional data collection, as needed. For involuntary resettlement, a census, asset inventory, and land assessment will also be carried out. Based on this due diligence, appropriate mitigation plans or other mitigation measures will be developed for incorporation into the project design. For a sector project or multitranches financing facility (MFF), a mitigation framework will be developed, providing for more detailed mitigation plans to be prepared once the specific subprojects or program tranches have been identified.

113. More detailed guidance on due diligence related to social safeguards and the preparation of mitigation plans is provided in ADB *Operations Manual* section on safeguard policy statement and ADB's sourcebooks on involuntary resettlement and indigenous peoples.⁵¹

⁵⁰ Additional suggestions are provided in *Strengthening Participation for Development Results: An Asian Development Bank Guide to Participation* (2012).

⁵¹ ADB. 2012. *Involuntary Resettlement Safeguards: A Planning and Implementation Good Practice Sourcebook – Draft Working Document*. Manila; ADB. 2012. *Indigenous Peoples Safeguards Sourcebook*. Manila; ADB/ILO. 2006. *Core Labor Standards Handbook*. Manila.



4. Other Social Risks and Vulnerabilities

114. During the project design phase, it is important to investigate and address other social risks and vulnerabilities that may undermine the project's objectives or limit the project's benefits. Some risks may be directly linked to the project, such as increased fees for basic services or increased prices of essential commodities; job losses related to government or industry restructuring; poor labor conditions for workers involved in project construction; or the increased risk of communicable diseases, HIV/AIDS transmission, or human trafficking associated with a large infrastructure project.

115. Poor communities and marginalized groups, such as women, disadvantaged castes, the elderly, or people with disability, may be particularly vulnerable to these and other risks. Consideration of affordability issues (e.g., related to fees or charges for basic services) should be linked to the financial and economic analysis of the project. Workplace health and safety, and community health and safety issues may also be identified through an initial environmental examination or full environmental impact assessment. If needed, appropriate mitigation plans or other mitigation measures should be developed and incorporated into the project design. Possible social risks that can arise in ADB-supported projects and related mitigation measures are set out in Table 4.

116. Mitigation measures should aim to achieve an appropriate balance between social fairness and economic sustainability. In considering possible mitigation options, it will be important to (i) assess the trade-offs associated with particular policy reforms, including the related social and economic costs and benefits; (ii) examine mitigation packages carefully to make sure that they are affordable, that they do not crowd out other social expenditures, and that they do not lead to adverse selection problems; and (iii) establish mechanisms to prevent leakages to the nonpoor.

117. Guidelines for preparing a risk and vulnerability profile and for assessing affordability and willingness to pay, which may be incorporated into the social analysis, are provided in Appendix 4. Guidelines for addressing core labor standards issues are in Appendix 5.3, while guidelines for preparing a retrenchment plan or other mitigation plans are in Appendixes 5.2 and 6, respectively.

118. Any strategies to address social risks and vulnerabilities in the project are summarized in the SPRSS report form (Appendix 4.1). All significant risks identified during the project design phase should also be noted in the assumptions/risks column of the DMF for the project.

5. Institutions and Capacity Development

119. During the project design phase, the key laws and policies governing the relevant sector should be reviewed to ensure that they are supportive of the inclusive development outcomes of the project and, in particular, that they support and facilitate access by the poor and marginalized groups to the resources and benefits of the project. This institutional analysis is particularly important in policy-based projects and should inform the PIA required in those cases. Prevailing norms and practices in the proposed project agencies should also be considered to identify

Table 4 Social Risks and Possible Mitigation Measures

Social Risk	Possible Social Action/Mitigation Measure
Restructuring public or private enterprises will result in direct labor downsizing.	<ul style="list-style-type: none"> • Prepare labor restructuring plan (Appendix 5.2). • Include affected workers in participation plan (ADB Guide to Participation). • Provide additional assistance to those most vulnerable to downsizing (e.g., female workers with children, less-skilled workers, and poor workers).
Restructuring may lead to divestiture of social services such as housing, health care, and education facilities; and may disproportionately affect poor and excluded groups, which are also most vulnerable to economic transition.	<ul style="list-style-type: none"> • Separate essential services from divestiture. • Search for alternative financing options for nonessential services. • Introduce measures to streamline services to achieve cost savings. • Introduce self-financing options. • Prepare labor restructuring plan (Appendix 5.2) for any workers losing jobs from divested services. • Develop management arrangements capable of targeting the poor and excluded social groups effectively. • Develop an active labor program for affected people. • Include affected people or representatives of key social groups in participation plan.
Costs may increase for goods that the poor and excluded groups use.	<ul style="list-style-type: none"> • Introduce compensatory cash transfers, consumer subsidies, or social funds directly targeting the poor, households headed by women, and other vulnerable groups to ensure basic supplies of essential goods, ensuring adequate phasing out of such programs.
Costs may increase for services that the poor and excluded groups utilize directly.	<ul style="list-style-type: none"> • Separate essential services expenditures from budget cuts. • Cross-subsidize services and utilities to reduce the cost to small consumers or to provide an optional low service level (e.g., community standpipes for water supply, lifeline electricity tariff). • Provide temporary subsidies or alternative financing mechanisms to allow poor households to connect to public utilities (e.g., installment payments for connection charges). • In countries with a high percentage of children and youth (30% of total population), secure basic services for children via schools (e.g., nutrition, immunization, basic health assistance). • Improve targeting of subsidies and compensatory service delivery to vulnerable groups, such as poor households, households headed by women, and those in remote areas, through piloting proxy means-targeting and other methods.
Project construction activities may not comply with international core labor standards or national labor laws (e.g., relating to nondiscrimination and equal pay, prohibition of child labor, workplace safety, addressing needs of people with disability).	<ul style="list-style-type: none"> • Require civil works contractors to comply with international core labor standards and national labor laws (under terms of civil works contracts). • Provide for construction supervision consultants or an independent third party to monitor contractors' compliance with labor standards and labor laws. • Organize labor-contracting societies to represent interests of poor and female laborers working on construction or maintenance of project facilities. • Develop socially inclusive design of infrastructure projects, taking into account the needs of the target beneficiaries, including people with disability.
Large infrastructure project may increase risk of communicable diseases, HIV/AIDS transmission, and/or human trafficking in the project area and related transport corridors.	<ul style="list-style-type: none"> • Link project with ongoing HIV/AIDS and trafficking awareness and prevention programs in the project area (supported by government, other development partners, and/or nongovernment organizations), or if such programs are nonexistent or inadequate, consider including appropriate initiatives in the project design. • Prepare action plan and related activities to address communicable diseases, HIV/AIDS, and trafficking risks within the project, including awareness and/or behavior change programs at construction sites and in surrounding communities. • Ensure that these programs are carried out with full attention to the special vulnerabilities of women, girls, and other marginalized groups in the project areas.



any informal biases, barriers, or constraints that could prevent certain subgroups of affected communities from participating in project activities or accessing the resources and benefits of the project. A capacity assessment of the project agencies will help identify their strengths and weaknesses in carrying out their expected roles in the project and in their ability to work constructively with other stakeholders.

120. Possible sources of information for these institutional and capacity assessments include existing sector and governance assessments and other diagnostics prepared by ADB or others, ADB's prior experience in the sector or project area, interviews with local experts, and/or focus groups with community members. Based on these analyses, recommendations can be made for appropriate changes in sector laws or policies, training and other capacity-building activities for project agency staff and other key stakeholders, public awareness campaigns or other community mobilization activities, partnerships with experienced private sector firms or CSOs, and other measures to include in the project design. The results of these analyses should also be summarized in the SPRSS report form (Appendix 4.1).

E. Inclusive Design and Monitoring Framework

121. Under Strategy 2020 and its Results Framework, ADB has intensified its commitment to deliver measurable development results through its operations. This is reflected, for example, in monitoring and reporting on the overall quality of projects both “at entry” and upon completion. It is therefore extremely important to ensure that the detailed poverty and social analysis carried out during the project design phase is reflected in concrete improvements in the project design, and that these improvements are implemented and monitored through relevant targets and indicators.

122. **Design and Monitoring Framework.** As part of its commitment to development effectiveness, ADB is placing greater emphasis on results in individual projects through its project performance management system (PPMS). The cornerstone of PPMS is the DMF, which must be prepared for all loan, grant, and technical assistance projects.⁵² To ensure that ADB's operations are furthering its goal of poverty reduction and inclusive growth, it is important to integrate poverty and social dimensions into the DMFs for specific projects. This 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. Possible areas for incorporating poverty and social dimensions in the DMF include

- (i) **Impact.** Include any long-term social development impacts to which the project aims to contribute (such as improved educational, health, or nutrition levels of low-income

⁵² ADB. 2011. Project Performance Management System. *Operations Manual*. OM J1/BP. Manila; ADB. 2006. *Guidelines for Preparing a Design and Monitoring Framework*. Manila.

households, women, or ethnic minorities; or increased economic activity of women in particular provinces or areas).⁵³

- (ii) **Outcome.** Include any inclusive development outcomes of the project (such as increased enrollment rates, use of health services, women's employment, or joint ownership of land in the project area).
- (iii) **Outputs, Activities, and Inputs.** Include key design measures related to inclusive development or mitigation of negative social impacts of the project (such as key outputs, activities, and inputs derived from the gender, participation, or mitigation plan for the project).
- (iv) **Performance Targets and Indicators.** Include appropriate targets and indicators for each inclusive development impact, outcome, output, activity, and input included in the DMF.⁵⁴
- (v) **Data Sources and Reporting Mechanisms.** Include relevant primary or secondary data sources (including government statistics and project-specific data collected through PPMS) for each inclusive development target and indicator.⁵⁵
- (vi) **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).

123. For policy-based projects, the policy matrix in the RRP should also include targets and indicators for any policy reforms intended to further inclusive development objectives or to mitigate the negative impact of policy reforms on poor or vulnerable groups. Any assumptions or risks related to the social context in which the policy reforms will be implemented should also be identified.

124. Sample targets and indicators related to inclusive growth activities and outcomes, and mitigation of negative social impacts of a project are provided in Appendix 7.

125. **Social Action and Mitigation Plans.** Based on the PSA conducted during the project design phase, one or more social action or mitigation plans may be developed to consolidate inclusive growth features in the project design. These plans are typically attached to the RRP as linked appendixes. Key targets or activities from these plans should be included in the DMF, and the full plans should be referenced in the PAM and covenanted in the financing documents to ensure that the plans are included in the overall implementation of the project.

⁵³ In validating the project's impact, the project team should consider the channels through which the project is expected to change social norms, conditions, or behavior and thereby achieve its social development impacts.

⁵⁴ The number of targets and indicators should be reasonable, and the project administration manual (PAM) should specify how these targets and indicators will be monitored (e.g., through collection of baseline and periodic monitoring data).

⁵⁵ The PAM should specify where data will be stored to facilitate future reviews and/or evaluations.



126. **Assurances.** The borrower or other recipient of ADB assistance typically provides a number of assurances about the implementation of the project, including its social dimensions. These are reflected initially in the memorandum of understanding, signed at the end of the project fact-finding mission (for sovereign operations) and eventually in the legal documents for the project. Key design features and action/mitigation plans (or frameworks) addressing inclusive development and social safeguard issues should be supported by specific assurances (and related covenants in the financing documents). Project teams should consult with project counsel early in the project cycle to develop appropriate assurances on relevant inclusive development (gender, participation) and social risk issues (such as indigenous people, labor, HIV/AIDS, or human trafficking). These assurances and related covenants provide an additional basis for monitoring the implementation of inclusive development activities and mitigation plans under the PPMS.

127. **Project Administration Manual.** For ADB's sovereign operations, the PAM, together with the DMF, provides the basic road map for implementing a project. A first draft is prepared by the time of the project fact-finding mission, and a final version is approved by the parties at loan negotiations. As discussed in Section IV, there are several entry points for documenting inclusive development features in the PAM.

128. Under ADB's revised Public Communications Policy, the RRP for a sovereign project and linked documents, such as the PAM and social action and mitigation plans, are posted on the ADB website when the RRP is circulated to the Board, subject to concurrence of the member country concerned. For nonsovereign projects, an abbreviated version of the RRP (excluding confidential business information and ADB's assessment of project or transaction risks) is posted on the ADB website upon Board approval.⁵⁶

F. Project Documentation

129. The project design process results in an initial draft RRP. In the RRP and linked documents, the poverty and social dimensions of the project should be appropriately described in the following:

- (i) project description (including rationale, impact and outcome, outputs and implementation arrangements);
- (ii) due diligence (including poverty, social and safeguard sections);
- (iii) assurances (and related covenants in the financing documents);
- (iv) DMF (and arrangements for monitoring and evaluation);
- (v) poverty impact assessment and policy matrix (for policy-based projects);
- (vi) economic analysis;
- (vii) sector assessment;
- (viii) SPRSS;
- (ix) any gender, social action, or mitigation plans (or frameworks) included as appendices;

⁵⁶ Footnote 14, p. 14 (para. 58); ADB. Public Communications. *Operations Manual*. OM L3/BP. Manila. (para. 27).

- (x) any summary of stakeholder consultations (usually included as an appendix to the RRP);
- (xi) PAM (including TOR for project implementation consultants, implementation arrangements, implementation schedules, and any action plans to be implemented);
- (xii) criteria for selecting and preparing subprojects (in the case of sector projects); and
- (xiii) criteria for selecting CSOs to help implement the project.

130. For private sector projects, the project design process results in an initial draft RRP. In the RRP and linked documents, the poverty and social dimensions of the project should be appropriately described in the following:

- (i) project description (development impacts and outcomes);
- (ii) policy compliance (safeguard and social dimensions sections);
- (iii) DMF (and arrangements for monitoring and evaluation);
- (iv) Safeguards and social dimensions summary and the SPRSS as linked documents to the RRP;
- (v) any social action or mitigation plans (or frameworks) included as linked documents to the RRP; and
- (vi) ESMS arrangement for projects involving financial intermediaries and corporate finance.

V

Poverty and Social Dimensions in Project Implementation

A. Introduction

131. As noted earlier, for sovereign operations, the cornerstones of the project performance management system (PPMS) are the design and monitoring framework (DMF) and the project administration manual (PAM), which must be prepared as part of the design of each project (see Section IV.E). Building on the DMF and PAM, the PPMS includes several mechanisms for monitoring and managing the implementation of a project. These include (i) periodic progress reports prepared by the project agency; (ii) monitoring reports for any social action or mitigation plans included in the project; (iii) project performance reporting, which is done by ADB staff at least quarterly through the online project site in eOperations based on progress reports of the project agency and project review missions; (iv) the midterm review of the project; and (v) the project completion reports (PCRs) prepared by the project agency and by ADB. The final element of the PPMS, the project performance evaluation report (PPER), is prepared by the Independent Evaluation Department (IED) usually 3–5 years after project completion, when development impacts are becoming evident.⁵⁷

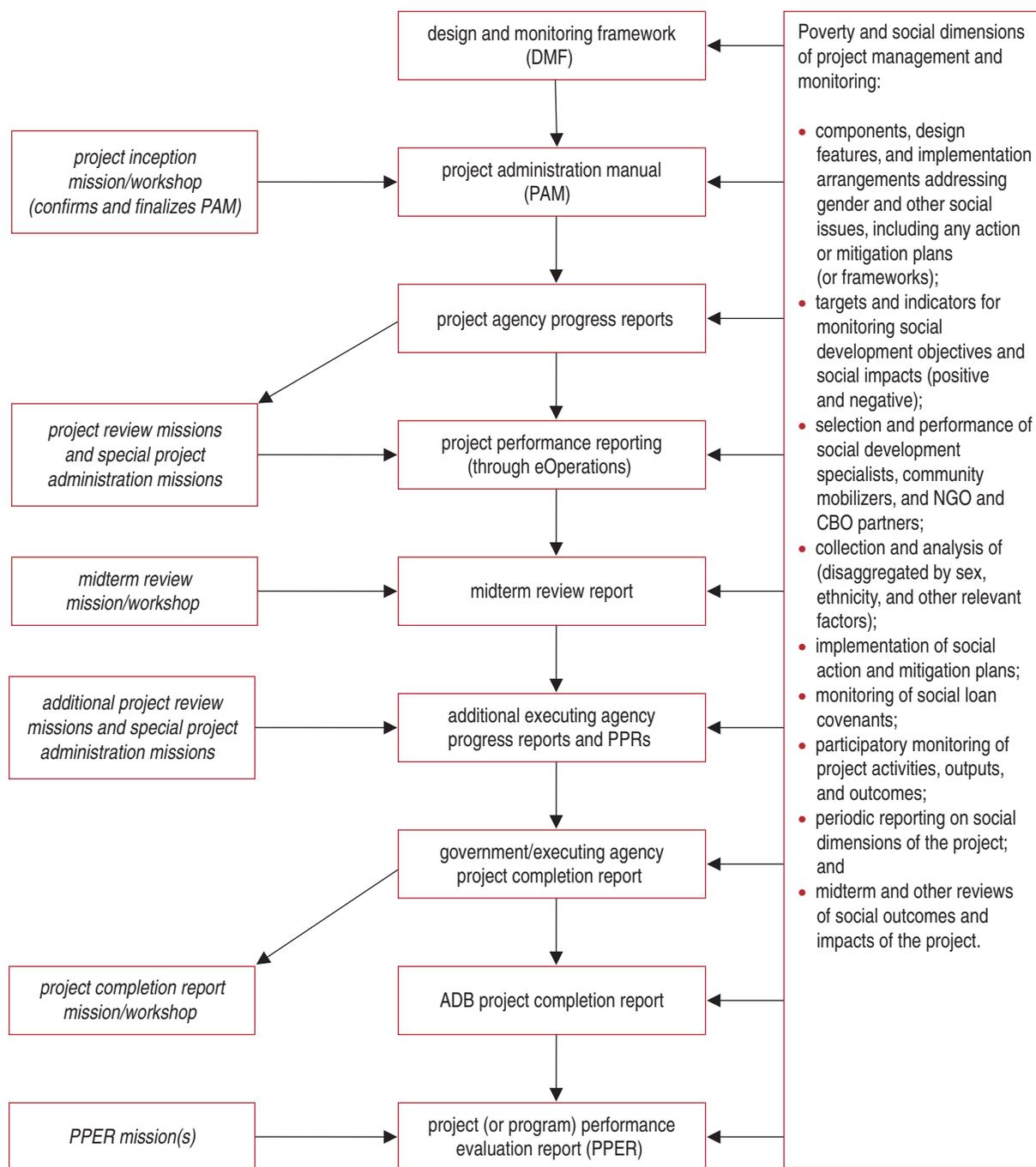
132. In view of ADB's increasing focus on managing for results, it is important to ensure that the poverty and social dimensions of ADB projects are monitored through the PPMS. This increases the likelihood that inclusive development and social mitigation measures included in the project design will be implemented as planned and that the social impacts of the project, both positive and negative, will be effectively monitored. Figure 6 highlights entry points for monitoring the poverty and social dimensions of a project through its implementation. In particular, ADB support and supervision may be needed to implement any gender, social action, or social mitigation plans. The following subsection discusses the integration of poverty and social concerns through the various phases of the PPMS.

133. The PPMS is also intended to be a highly participatory process, involving both government and nongovernment stakeholders. Participatory approaches to project monitoring, involving clients/beneficiaries and other project-affected groups, can enhance the quality of the PPMS and the project as a whole.⁵⁸ Local research institutes or civil society organizations (CSOs) can also be engaged to carry out independent monitoring of a project (or aspects of a project, such as gender action plan).

⁵⁷ ADB. 2011. Project Performance Management System. *Operations Manual*. OM J1/BP. Manila.

⁵⁸ These approaches could include use of citizen scorecards to assess project implementation, or involvement of clients/beneficiaries or other affected groups in project review missions and workshops.

Figure 6 Project Performance Management System



ADB = Asian Development Bank, CBO = community-based organization, NGO = nongovernment organization, PPR = project performance report.



B. Poverty and Social Dimensions in the Project Performance Management System

1. Project Administration Manual

134. In ADB's sovereign operations, the PAM, which is agreed at loan negotiations, is the main source of guidance to project agencies and ADB for managing and monitoring the implementation of the project. As such, it should include detailed sections on (i) project description; (ii) implementation plans (including readiness filters); (iii) project management; (iv) costs and financing; (v) financial management; (vi) procurement and consulting services; (vii) safeguards; (viii) gender and social dimensions; and (ix) performance monitoring, evaluation, reporting, and communications (including gender and social development monitoring and stakeholder communications strategy). The PAM is an active document intended to be updated and revised, and may be translated into local languages by the executing agency in collaboration with the project team, as needed.⁵⁹

135. The PAM should be drafted to incorporate fully all poverty and social dimensions of the project design, as reflected in the report and recommendation of the President (RRP). These include

- (i) all components, design features, and implementation arrangements intended to address gender and other social issues;
- (ii) any gender, social action, or mitigation plans (or frameworks) and stakeholder communication strategy;
- (iii) Terms of reference (TOR) for social development specialists to be included in the project implementation team (e.g., gender, resettlement, indigenous peoples, labor, and/or community development specialists), and selection criteria for any CSOs to be engaged as project implementation partners, if needed;
- (iv) targets and indicators for monitoring implementation of the project's inclusive development objectives and monitoring social impacts of the project (which should also be included in the DMF);
- (v) provisions for collecting and analyzing data related to these targets and indicators (and disaggregated by sex, ethnicity, and other relevant factors); and
- (vi) provisions for reporting on the poverty and social dimensions of the project (including the formats for progress reports and project performance reports).

2. Project Agency Progress Reports

136. The PAM should specify the timing and format for periodic progress reports on the project by the project agency. These reports are critical tools for the project agency to monitor

⁵⁹ ADB. 2010. Project Administration Manual. *Project Administration Instructions*. PAI 1.05. Manila.

progress and make adjustments, if necessary, in implementing the project. The reports are also important inputs to the PPMS, as they provide a basis for ADB's project review missions and project performance reporting.

137. The format for the executing agency progress reports should specify reporting on
- (i) progress in implementing components and design features intended to address gender and other social issues;
 - (ii) progress in implementing any gender, social action, or mitigation plans (or frameworks) or participation/communication plans;
 - (iii) targets and indicators related to the project's inclusive development objectives and social impacts;
 - (iv) collection of data related to these targets and indicators (disaggregated by sex, ethnicity, and other relevant factors); and
 - (v) implementation of any covenants related to social issues.

3. Project Performance Reporting

138. Project performance reporting is a key element of the PPMS; it tracks progress in implementing the project and achieving its development objectives in line with the targets and indicators in the DMF. Based on the project agency progress reports and the results of project review missions, the online project site in eOperations is updated at least quarterly. These updates provide a basis for assigning project ratings, identifying any problems in implementation and, if needed, proposing modifications in the project design or other remedial action.⁶⁰

139. Similar to the project agency progress reports, project performance reporting through eOperations should report on the poverty and social dimensions of a project in the areas of
- (i) progress in implementing components and design features intended to address gender and other social issues;
 - (ii) progress in implementing any gender, social action, or mitigation plans (or frameworks) or participation/communication plan;
 - (iii) targets and indicators related to the project's inclusive development objectives and social impacts;
 - (iv) collection of data related to these targets and indicators (disaggregated by sex, ethnicity, and other relevant factors);
 - (v) implementation of any covenants related to social issues; and
 - (vi) any problems related to implementation of social action or social mitigation measures, or unanticipated social impacts of the project, and proposed actions to address these problems.

⁶⁰ ADB. 2008. Project Performance Report. *Project Administration Instructions*. PAI 6.05. Manila.



4. Midterm Review Report

140. The midterm review of the project, which may include stakeholder workshops or other activities, provides an opportunity to take stock of progress in implementing the project, assess any problems or weaknesses in implementation, and identify appropriate modifications or other actions to address these problems in consultation with relevant stakeholders. The PAM should outline the issues to be addressed during the midterm review, sources of data to be reviewed, and mechanisms for involving stakeholders.

141. There is a general tendency for the “hardware” components of projects—including procurement and construction activities—to be implemented more promptly than “software” components, such as social mobilization, information campaigns, and training activities. It is important for the midterm review to take stock of progress in implementing the inclusive development and social mitigation activities in the project design and DMF, including any gender, participation, or mitigation plans, and social risk covenants. Review of data collected through the PPMS can also provide an early indication of the social impacts of the project, both positive and negative. Based on the midterm review, appropriate midcourse corrections should be made to ensure that the project achieves its inclusive development objectives and that any negative social impacts are avoided or minimized and mitigated. Based on the participation plan for the project, the midterm review should include such mechanisms as separate focus groups or workshops to involve clients/beneficiaries, other project-affected groups, and other stakeholders in the review process.

5. Project Completion Reports

142. In ADB’s sovereign operations, project completion reports (PCRs) prepared by the project agency and by ADB provide an assessment of the project’s performance in terms of using inputs and producing outputs consistent with the DMF. In private sector projects, this information is provided in extended annual review report (XARRs). These reports also provide a preliminary assessment of the project’s success in achieving the development outcomes and impacts identified in the DMF. Based on these assessments, PCRs suggest follow-up actions to improve the sustainability of project benefits and may make recommendations for future projects in the developing member country (DMC) or in the same sector elsewhere. The instructions for preparing a PCR and XARR note that they should include a general assessment of significant poverty, social, and other impacts, both positive and negative, and whether intended or not. The implementation and effectiveness of social safeguard measures should be specifically documented.⁶¹

⁶¹ ADB. 2009. Project Completion Report for Sovereign Operations. *Project Administration Instructions*. PAI 6.07A. Manila; ADB. 2008. Extended Annual Review Reports for Nonsovereign Operations. *Project Administration Instructions*. PAI 6.07B. Manila.

143. Consistent with the other elements of the PPMS, it is important to ensure that the PCR or XARR reports on

- (i) implementation of components and design features intended to address gender and other social dimensions;
- (ii) implementation of any gender, social action, or mitigation plans (or frameworks) or participation/communication plan;
- (iii) achievement of targets related to the project's inclusive development objectives, and indicators of social impacts, both positive and negative;
- (iv) compliance with covenants related to social dimensions;
- (v) any actions taken to address problems related to the implementation of social action or social mitigation measures, or unanticipated social impacts of the project; and
- (vi) recommendations of additional actions to improve the social sustainability of the project, including the continuation of project activities with the support of clients/beneficiaries and ongoing benefits to the poor, women, and other marginalized groups.

6. Project (or Program) Performance Evaluation Report

144. The PPER is an independent evaluation of the performance of a sample of completed projects/programs. It is prepared by IED, usually 3–5 years after completion of the project/program, when at least some development impacts of the project/program can be observed. The DMF, including any revisions or adjustments made during implementation, provides the main basis for the performance evaluation. The PPER assesses project performance in terms of (i) relevance, (ii) effectiveness, (iii) efficiency, and (iv) sustainability. Project impacts (including impacts on poverty and socioeconomic conditions) are also assessed, as are the performance of both ADB and the project agencies. Based on these assessments, the PPER provides recommendations specific to the project and identifies lessons to be incorporated into ADB's future operations.⁶²

145. To evaluate the poverty and social dimensions of a project fully, it is important for the operations evaluation mission to

- (i) consult with clients/beneficiaries, any other project-affected groups, and civil society stakeholders on the social outcomes and impacts of the project;
- (ii) use baseline socioeconomic data (collected during the project design or early implementation phase) to assess social outcomes and impacts;
- (iii) assess the implementation of components and design features intended to address social issues, including any gender, social action, or mitigation plans (or frameworks) and participation/communication plan; and
- (iv) assess compliance with covenants related to social issues.

⁶² ADB. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*. Manila; ADB. 2011. Independent Evaluation. *Operations Manual*. OM K1/BP. Manila.



146. The social outcomes and impacts of a project are relevant to the PPER's performance assessment—particularly the assessment of the project's relevance, effectiveness, and sustainability, as well as the impact assessment. The impact assessment should consider both intended and unintended, and both positive and negative, social impacts. The evaluation of socioeconomic impacts should consider the distribution of project benefits and costs across different social groups, with an emphasis on the poor, women, disadvantaged ethnic and caste groups, and other marginalized or vulnerable groups. Any evaluation of negative environmental impacts, such as that related to soil erosion or salinization, air or water pollution, or depletion of natural resources, should also consider the related social costs, especially for poor and vulnerable groups.

C. Roles of Stakeholders

147. The main stakeholders involved in monitoring inclusive development activities in an ADB-supported project are (i) the project agencies in the DMC, and (ii) resident mission staff and ADB review missions. Independent evaluations of projects are conducted by IED. However, other stakeholders can also play important roles in monitoring and evaluation. For example, project supervision consultants can monitor the compliance of civil works contractors with contractual provisions on labor standards and HIV/AIDS awareness campaigns. In complex projects involving significant social safeguard issues, credible third parties, such as local development institutes or nongovernment organizations, can be engaged to monitor implementation of the relevant mitigation plans. In projects supporting the provision of basic services, citizen scorecards or other participatory techniques can be used to involve clients/beneficiaries in monitoring the progress of the project and to promote accountability of project agencies to their constituents.

D. Disclosure

148. Under ADB's revised Public Communications Policy, certain key documents in the PPMS are required to be posted on the ADB website:

- (i) The PAM, together with the RRP and any updates (upon approval);
- (ii) New and updated safeguard documents prepared during project implementation;
- (iii) Social safeguard monitoring reports (upon receipt by ADB);
- (iv) For sovereign projects, the PCR (upon circulation to ADB Board of Directors);
- (v) For nonsovereign projects, the XARR (upon circulation to the Board of Directors, in an abbreviated form excluding commercially sensitive and confidential business information); and
- (vi) Any independent evaluation report (upon circulation to ADB Management and Board of Directors).⁶³

⁶³ Footnote 14, p. 14 (paras. 51–53, 58, 65, and 67); ADB. 2012. Public Communications. *Operations Manual*. OM L3/BP. Manila. (paras. 19–20, 27, 35, and 37).

Appendix 1

Relevant ADB Policies, Strategies, and Procedures

A1.1 Policies, Strategies, and Procedures Related to Poverty and Social Dimensions

Issue	Document	Summary
Poverty reduction	Poverty Reduction Strategy (1999) Enhanced Poverty Reduction Strategy (2004) OM C1: Poverty Reduction	Poverty reduction is ADB's overarching goal. The EPRS requires that all ADB interventions contribute directly or indirectly to poverty reduction. However, there is no longer a target for the proportion of ADB-financed projects that support poverty reduction directly.
Social analysis	OM C3: Incorporation of Social Dimensions in Bank Operations <i>Handbook on Poverty and Social Analysis</i> (2012) <i>Social Analysis in Private Sector Projects</i> (2009) <i>Technical Note on Social Analysis for Transport Projects</i> (2008) <i>Handbook on Social Analysis</i> (2007) <i>Handbook for Incorporation of Social Dimensions in Projects</i> (1994)	Provides guidance to (i) promote proactive social development through ADB interventions; and (ii) mitigate possible adverse social effects of ADB interventions, including requirements for (a) inclusion of social analysis in country and regional programming; (b) IPSEA during the predesign phase of a project; (c) in-depth poverty and/or social analysis and preparation of social development or social mitigation plans during the design phase, if needed; and (d) monitoring of the social dimensions of projects during implementation.
Poverty analysis	<i>Poverty Handbook</i> (2006) <i>Handbook for Integrating Poverty Impact Assessments in the Economic Analysis of Projects</i> (2001) <i>Guidelines for the Assessment of the Impact of Program Loans on Poverty</i> (1995)	Provides guidance on (i) conducting a country poverty analysis and integrating poverty considerations in CPSs, (ii) classifying ADB-supported projects in terms of their direct (targeted) or indirect (general) contribution to poverty reduction, (iii) targeting approaches and poverty analysis for projects intended to target individuals or households, and (iv) poverty impact analysis required for all program loans to identify potential negative effects on poor and vulnerable groups and develop mitigation measures to compensate for possible transitional social costs of adjustment.
Gender	Policy on GAD (1998) OM C2: GAD in ADB Operations Guidelines for Gender Mainstreaming Categories of ADB Projects Gender checklists in agriculture, education, health, water supply and sanitation, urban development, and other sectors Gender, Law, and Policy Issues in ADB Operations: A Tool Kit (2006)	Recognizes that all projects have a gender impact and do not automatically benefit men and women equally. Requires (i) preparation of a CGA and country gender strategy for each CPS; (ii) gender analysis to be included in the IPSEA of each ADB-supported project; and (iii) further gender analysis and preparation of a gender plan during project design, if needed, to ensure that the project provides equal opportunities for men and women to benefit. Each checklist provides sector-specific guidelines to help address gender and development issues in project preparation effectively.

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Table continued

Issue	Document	Summary
Involuntary resettlement	Safeguard Policy Statement (2009)	Requires the avoidance of project-related displacement of people, wherever feasible. Where loss of assets, resources, homes, or livelihoods is unavoidable, requires preparation of a resettlement plan to ensure that livelihood and quality of life are restored, at least, to prior standards.
	OM F1: Safeguard Policy Statement	
	Involuntary Resettlement Categorization Form	
Indigenous peoples	<i>Involuntary Resettlement Safeguards: A Planning and Implementation Good Practice Sourcebook</i> (draft)	Provides guidance for preparing, implementing, and monitoring a resettlement plan.
	Safeguard Policy Statement (2009)	Recognizes that some communities are vulnerable simply because their social or cultural identity is distinct from that of the dominant or mainstream society. For all projects affecting such communities, requires preparation of an Indigenous Peoples Plan (IPP) or other measures to take account of their distinct needs and aspirations.
	OM F1: Safeguard Policy Statement	
	Indigenous Peoples Screening Checklist	
	Indigenous Peoples Impact Categorization Form	Provides guidance for analyzing indigenous peoples' issues during project preparation and preparing, implementing, and monitoring an IPP or other measures.
<i>Indigenous Peoples Safeguards Sourcebook</i> (draft)		
Social protection and labor issues	Social Protection Strategy (2001)	Provides criteria to design social protection interventions as stand-alone projects or components of nonsocial loans in the areas of insurance, social assistance, micro- and area-based schemes, and child protection. Requires that vulnerable groups are not negatively affected by an ADB intervention and, if so, must be adequately compensated and mitigation measures put in place. Also requires that ADB projects are designed and implemented in accordance with national labor laws and international core labor standards.
	<i>Core Labor Standards Handbook</i> (2006)	
	Technical Note: Labor Issues in Enterprise Restructuring (2006)	
	Disability Brief (2005)	
Information disclosure, consultation, and participation	Social Protection Operational Plan draft (2012)	Supports the right of people to seek, receive, and impart information and ideas about ADB-assisted activities, and requires ADB to share information with project-affected people early enough to allow them to provide meaningful inputs into project design.
	Public Communications Policy of the Asian Development Bank: Disclosure and Exchange of Information (2011)	
	OM L3: Public Communications	
NGOs	<i>Strengthening Participation for Development Results: An ADB Guide to Participation</i> (2012)	Provides guidance to staff on preparing and implementing participation plans in connection with country programs and projects to ensure that they reflect the actual needs of the intended clientele and enhance ownership and sustainability.
	Policy on Cooperation with NGOs (1998)	Recognizes that NGOs often can contribute valuable advice on the design of projects, help in ensuring active participation of intended clientele, and participate directly in implementation. Encourages involvement of appropriate NGOs and community-based organizations at all stages of the project design cycle.
Governance	Governance: Sound Development Management (1995)	Original policy defined good governance in terms of accountability, predictability, participation, and transparency. Current priority themes include (i) public financial management, (ii) procurement, and (iii) combating corruption. Governance, institutional, and corruption issues are identified through country governance assessments and as part of sector analyses. These studies gauge the implications of any governance weaknesses for achieving social development and poverty reduction objectives.
	Implementation Review of the Governance and Anticorruption Policies (2006)	
	GACAP II (2006)	
	OM C4: Governance	
Capacity development	Integrating Capacity Development into Country Programs and Operations: Medium-Term Framework and Action Plan (2007)	Provides framework to support capacity development of key DMC stakeholders through country programming and specific ADB interventions, including capacity to address social dimensions in priority sectors.

ADB = Asian Development Bank, CBO = community-based organization, CGA = country gender assessment, CPS = country partnership strategy, DMC = developing member country, EPRS = enhanced poverty reduction strategy, GACAP II = Second Governance and Anticorruption Action Plan, GAD = gender and development, IPSA = initial poverty and social analysis, NGO = nongovernment organization, OM = Operations Manual.

A1.2 Project Classification System

1. The project classification system¹ was revised in 2009 to align with ADB's new long-term Strategic Framework (LTSF II, Strategy 2020). The 2009 system maintains the sector classifications and identification of thematic areas. Additional reporting features include partnerships and sovereign/nonsovereign financing, location impact, prioritized thematic contributions, multiple subsectors, and reporting on climate change.²

2. **Tracking financing modalities:** The 2009 classification system introduces a financing modality and partnerships table that captures the contribution of sovereign and nonsovereign financing partners. For financing partnerships, only direct value-added (DVA) cofinancing will be reported. While guarantees and partner financing administered by ADB (trust funds, project grants, syndications) will be reflected both under ADB as well as DVA cofinancing, they will be counted only once in the total financing volume. The project classification has now been migrated to the new project base system (P3M).

3. **Sector and subsector marker:** Each project will be classified by the main sector the project is contributing to, one or more subsectors, and key activity areas in the respective subsectors. The 2009 project classification system allows tracking all major project components separately, in addition to the main sector. It can thus track subsectors belonging to different sector groupings. As a general rule, it will only track ADB's financial contributions monitor at the sector and subsector levels. The attribution of subsector financing is related to the cost structure of the project, whereby costs for cross-cutting issues, such as capacity building or contingencies, shall be attributed to the respective subsectors on a pro-rata basis. In addition, a pop-up menu under the subsectors chosen will provide opportunity to identify key activity areas. To keep historical consistency, the main subsector will also be highlighted so that all financial contributions of ADB can be attributed to this one subsector, as in the 2004 classification system. For overall reporting on allocation of resources to sectors, ADB will use the main sector classifications.

4. **Location marker:** The 2009 project classification system provides information on the spatial dimensions of a project. The contribution to rural, urban, national, and regional development outcomes will be estimated on the basis of the entire project (regardless of the share of funding from ADB or other source), because outcomes are delivered by the project as a whole. The department sponsoring the project will first indicate whether a project has high,

¹ ADB. Staff Instructions on the Project Classification System (available at <http://pcs.asiandevbank.org/pcs-files/setup/>).

² The revised project classification system is guided by a number of key policies both internal and external to ADB. These include the Poverty Reduction Strategy (PRS, 1999), the Enhanced Poverty Reduction Strategy (EPRS, 2004), and Strategy 2020, which defines ADB's role in the region and specifies its targeted priority results. The system is also responsive to ADB's international commitments such as the Paris Declaration (which commits signatories, such as ADB, to greater transparency and accountability in the use of development resources), the Development Assistance Committee (DAC) classification system, and other international requirements on the monitoring of aid allocations (such as the World Trade Organization's).



medium, or low impact on the development of a geographical area, and will then quantify this impact contribution in percentage terms by attributing in 5% steps either 5%–20% for projects weighted as having low impact, 25%–40% for projects with medium impact, and 45%–100% for projects where the impact contribution is high. The location and purpose of the project outputs will be the main criterion (for example, the share of physical outputs or beneficiaries), followed by the project budget, but other significant considerations can lead to different weights, based on the project officer's judgment. Projects having regional geographical impact will also indicate “regional cooperation and integration” in the thematic marker. This can be used for estimating ADB's contribution to inclusiveness through rural development and to regional cooperation and integration.

5. **Thematic marker:** The 2009 project classification system allows the identification of up to four most important impact contributions of a project (out of eight themes). The themes are chosen based on their importance for the total project impact. At least one of the four thematic markers must represent one of the strategic agenda of Strategy 2020 (i.e., either growth or social development comprising the inclusive growth pillar of Strategy 2020, or environmental sustainability or regional cooperation and integration). One theme needs to be identified as the primary development goal of the project. In response to emerging new country demands and LTSF II priorities, subthemes have been added (such as disaster risk mitigation, and eco-efficiency) and others have been sharpened. There will not be any restriction on the number of subthemes. As in the past, subthemes can only be identified when the respective theme has been chosen. In addition, the new system track—under environmental sustainability and under disaster risk mitigation—ADB's specific contribution to address climate change adaptation and mitigation by using a weighted and quantifiable reporting system similar to the location marker. These can be linked to the poverty reduction and inclusive development impact of the project.

6. **Targeting poverty reduction, and inclusiveness of growth and social development:** The revised system differentiates between projects that indirectly address poverty reduction (i.e., general intervention [GI]) and those that address poverty reduction and inclusive growth more directly, i.e., in a more targeted fashion (targeted intervention [TI]). TI is further classified as (i) TI-H, which focuses on particular individuals or households; (ii) TI-G on geographic area; or (iii) TI-M, which focuses on sectors/subsectors, directly supporting achievement of one or more of the non-income Millennium Development Goals (TI-M1, M2, etc.). The poverty reduction and social development impact of all ADB loan projects must be summarized in an appendix to the concept note during project concept stage through the initial poverty and social analysis (IPSA) and in the report and recommendation of the President through the summary poverty reduction and social strategy (SPRSS) and/or additional information, if deemed necessary.

Appendix 2

Tools and Data Collection Methods for Poverty and Social Analysis

A2.1 Tools and Data Collection Methods for Poverty and Social Analysis (Overview)

A. Overview

1. The poverty and social analysis (PSA) in ADB's country and subregional programming and preparation of ADB-financed projects aims to (i) understand the poverty and social context for the 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 social context; (iii) assess the potential poverty and social impacts—positive or negative—of the program or project; and (iv) identify possible actions, including law or policy changes, or specific project activities, to maximize the positive impacts of the program or project and to minimize or mitigate any negative impacts. Data collected during the design phase of a project may also provide a baseline for monitoring poverty and social impacts of the project during implementation.¹

2. PSA can be conducted at the regional/subregional, country, sector, and project levels. Depending on the level of analysis and the issues that are being examined, several tools can be employed to carry out the analysis (see Appendix 2.1.B). In some cases, more than one tool may be needed to complete the analysis. Each tool involves particular methods for collecting and analyzing data (see Appendix 2.1.C). Some tools may involve more than one data collection method. The data collection methods appropriate in a particular case will also depend on the amount and quality of relevant data that are already available (i.e., secondary data), and the time and resources available to collect additional data (i.e., primary data).

This appendix provides a brief overview of a variety of tools and data collection methods that may be useful to ADB country and project teams, government counterparts, and consultants in conducting PSA related to a subregional cooperation program and strategy, a country partnership strategy (CPS), or a proposed project.

¹ The appropriate time to collect baseline data will vary, depending on the nature of the project, the length of time between the project design phase and the start of implementation, the extent of changes in the final project scope and project areas (compared with the original feasibility study), and other factors. The time for collecting baseline data, therefore, should be decided on a case-to-case basis in consultation with the executing agency. In any case, any socioeconomic data collected during the project design phase that could be used as baseline data for the project should be turned over to the executing agency.



B. Tools for Poverty and Social Analysis

3. This section briefly describes several tools for PSA that can be useful in country and subregional programming and in preparing loan or grant-based projects. Each description notes the level(s) of analysis at which the tool can be used. Cross-references are also provided to more detailed discussion in other sources.

4. **Country Poverty Analysis.** Country poverty analysis is ADB's main tool for assessing the nature and causes of poverty in a country, including both income and non-income dimensions, and is a key input to ADB's CPS for the country. It (i) assesses the poverty situation, identifies key development challenges, and critically reviews the country's national development plan; (ii) identifies national poverty reduction goals and targets consistent with the Millennium Development Goals (MDGs) to which ADB assistance can contribute; and (iii) identifies ways in which future ADB assistance can be aligned with these national goals and targets and harmonized with assistance from other key development partners. Section II.B.2 of this handbook identifies several entry points for addressing the social dimensions of poverty in preparing the country poverty analysis. The country poverty analysis process generally includes a review of secondary data, consultations with a wide range of stakeholders, and supplemental studies (quantitative and/or qualitative), as needed. Qualitative studies may include participatory poverty assessments, which use participatory data collection methods to analyze the vulnerabilities and insecurities of poor individuals, households, and communities from their own perspectives.

5. **Country Gender Assessment.** The country gender assessment (CGA) is another input to the preparation of a CPS, and is the basis for developing a country gender strategy or road map, which is linked to the CPS. CGA generally includes (i) a social and economic overview of gender relations and the situation of women and girls in the country; (ii) information on gender disparities in access to education, health, employment, resources, productive assets, and decision making; (iii) a description of the main laws, policies, and institutions related to gender and women; (iv) gender and development (GAD) policies and programs of other development partners and nongovernment organizations (NGOs); (v) assessment of the impact of ADB operations on gender equality and the empowerment of women (MDG 3); (vi) recommendations for potential ADB initiatives to support the government's policies and programs related to gender; and (vii) concrete suggestions for mainstreaming gender concerns in the project pipeline.² The CGA process generally includes a review of secondary data, consultations with government and nongovernment stakeholders, and supplemental studies (quantitative or qualitative) as needed. Sex-disaggregated data are particularly important to the CGA process.

6. **Conflict Analysis (at the country, sector, or project level).** The conflict analysis framework that the World Bank developed includes a risk screening process (to determine whether conflict analysis is needed). Six categories of variables have been shown to either contribute to or be affected by conflict: social and ethnic relations, governance and political institutions, human

² ADB. 2010. Gender and Development in ADB Operations. *Operations Manual*. OM C2/BP. Manila. (para. 5).

rights and security, economic structure and performance, environment and natural resources, and external factors. For any country or region affected by conflict, a conflict analysis considers relevant variables within each category, their impact on the conflict, and their links with poverty. This framework can be used to analyze the impact of conflict on a particular country/region or on particular social groups, and to identify opportunities for ADB assistance to contribute to conflict prevention or post-conflict reconstruction.³

7. **Institutional Analysis (at the country, sector, or project level).** This analytical approach aims to understand the political economy, governance, and capacity issues of particular organizations or other institutions (formal or informal). The analysis may be part of a country poverty assessment or other country-level assessment, a sector analysis, or the preparation of a policy reform program or investment project. The analysis generally involves (i) identification of the relevant organization(s) or other institutions, (ii) description of their characteristics and dynamic relationships, and (iii) assessment of their capacity to carry out their current mandates (or any proposed policy changes). The analysis considers the formal and informal rules and practices that contribute to decision making in the organization/institution. It should also consider the extent to which these formal/informal rules and practices contribute to (or undermine) poverty reduction and social development goals, such as gender equity and the inclusion, empowerment, and security of poor and vulnerable groups. Institutional analysis generally involves a review of available secondary data, and interviews or focus groups with key informants. It may be combined with stakeholder analysis (see para. 8).

8. **Stakeholder Analysis (at the country, sector, or project level).** This analysis considers the individuals, groups, and organizations that may influence or be affected by a particular country-level plan or strategy (including a CPS), sector strategy or road map, or proposed project. Relevant stakeholders may include government, civil society, and private sector actors at the national, intermediate, and local levels. The analysis involves (i) identification of key stakeholders; (ii) determination of their interests in relation to the relevant country/sector strategy or project; (iii) assessment of their resources, capacity, and mandates; and (iv) identification of representatives to participate in future activities related to the country/sector strategy or project. The analysis generally involves a review of secondary data and interviews, focus groups, and/or workshops with key informants. Care should be taken to ensure that stakeholders with less voice and influence, such as women, ethnic minorities, and poor households and communities, are fully represented. More information on stakeholder analysis at the project level is provided in several ADB publications.⁴

9. **Client/Beneficiary Assessment (at the sector or project level).** This is a participatory assessment and monitoring tool that involves direct consultation with those affected by a particular

³ Further information on this conflict analysis framework is available on the website of the World Bank's Conflict Prevention and Reconstruction Unit: web.worldbank.org/wbsite/external/topics/extsocialdevelopment/extcpr/0,,contentMDK:20486708~menuPK:1260893~pagePK:148956~piPK:216618~theSitePK:407740,00.html

⁴ ADB. 2012. *Strengthening Participation for Development Results: An ADB Guide to Participation*. Manila; ADB. 2007. *Guidelines for Preparing a Design and Monitoring Framework*. Manila.

policy reform, sector program, or project. It can be used to (i) assess the likely receptivity of particular groups to a policy reform, sector program, or project; (ii) identify issues that may arise in implementation; or (iii) monitor the impact of the policy reform, sector program, or project. Client/beneficiary assessments may involve direct or participant observation, interviews, or focus groups. They may also be part of a socioeconomic profile (discussed next) or monitoring/evaluation process.

10. **Socioeconomic Profile (at the sector or project level).** The socioeconomic profile is a key input to the design of a project, and provides baseline data for monitoring the social impacts of the project on relevant groups. The profile involves (i) identifying the relevant client/beneficiary population and any other populations likely to be affected by the project; (ii) identifying subgroups that may have different needs and interests; and (iii) assessing the relevant needs, demands, constraints, and capacities of these groups and subgroups in relation to the proposed project. The profile may be based on secondary data, supplemented as needed by project-specific surveys and/or participatory rapid assessments (PRAs). The scope and content of the profile may vary, depending on the social issues involved. A sample outline of a socioeconomic profile (including client/beneficiary assessment) is provided in Appendix 2.2.

11. **Poverty Impact Analysis (at the sector or project level).** Poverty impact analysis (PIA) of proposed policy-based projects is important to (i) anticipate the likely poverty and social impacts of the proposed policy reforms, (ii) screen out any expected adverse effects on poor and vulnerable groups, and (iii) design appropriate measures to mitigate any unavoidable adverse impacts. PIA should be initiated as early as possible in the project design process and updated as the proposed policy reforms are further developed and refined, and as additional information becomes available. PIA involves (1) assessing the nature and magnitude of the impact of each reform on poor and vulnerable subgroups of the population; (2) clarifying the means and probable strength of the transmission of direct and indirect impacts of the policy reforms (e.g., through changes in (i) demand for unskilled labor, (ii) prices of goods bought and sold by the poor, (iii) access by the poor to basic services, (iv) access by the poor to assets, (v) net public transfers to the poor, and/or (vi) authority and accountability mechanisms affecting the poor); and (3) identifying appropriate measures to mitigate possible adverse effects of the proposed policy reforms on poor and vulnerable groups. Possible sources of information to carry out this analysis include (i) government statistics, household surveys, ADB's latest country poverty analysis, and diagnostic reports of other development partners and local research institutes; (ii) consensus estimates from well-informed experts; and (iii) primary data collection through participatory rapid appraisals, focus groups, or beneficiary self-assessments.

12. **Gender Analysis (at the sector or project level).** In the context of a proposed sector program or project, gender analysis identifies (i) gender differences and disparities that may affect the feasibility and success of the program/project; (ii) opportunities within the program/project to reduce gender disparities and mainstream gender concerns, which could involve improving women's and/or girls' access to basic services, economic opportunities, assets, resources, or decision making; and (iii) specific components, activities, or other mechanisms to ensure that both women and men (or girls and boys) participate in and benefit from the program/project.

Gender analysis may include (a) an activity profile (what men and women of different ages do, and where/when these activities are carried out); (b) an access and control profile (who has access to and control over resources, assets, services, and decision making); (c) analysis of structural factors and trends (how activity, access, and control patterns are influenced by formal/informal laws, policies, institutions, economic and political trends, religious practices, and cultural norms); and (d) program/project cycle analysis (including analysis of likely impacts of the proposed program/project on women and men, and opportunities to address gender concerns in the planning, design, implementation, monitoring, and evaluation of the program/project). Gender analysis generally includes a review of secondary data, interviews with key informants (including government officials, local gender specialists, women's organizations, community leaders, and development partners), and interviews or focus groups with women and men in the proposed project area (including different ages, ethnic groups, income levels, marital status, etc.). More information on the integration of gender analysis in project design is provided in ADB *Operations Manual* section on gender and development in ADB operations (OM C2/BP).

13. **Participatory Rapid Assessment (at the project level).** PRA is an approach and range of techniques to enable stakeholders to analyze their own problems and participate in the planning of appropriate solutions. PRA techniques emphasize visual and verbal analysis to ensure that data collection and discussion processes are public, transparent, and group-oriented. Commonly applied PRA techniques (many of which are discussed in Section C) include (i) focus groups, (ii) transect walks, (iii) participatory mapping and modeling, (iv) preference or wealth ranking, (v) oral histories, (vi) trend analysis, (vii) development of seasonal calendars, (viii) storytelling, (ix) critical incident analysis, and (x) problem census. PRA techniques may be used as part of another social analysis tool, such as a socioeconomic profile or gender analysis. These qualitative techniques may also be combined with quantitative methods such as household surveys (see Appendix 2.1.C).

14. **Benefit Incidence Analysis (at the country, sector, or project level).** This analysis estimates the impacts of public transfers, taxes, subsidies, or policy changes in terms of the distribution of benefits among different economic or social groups. The analysis involves (i) an estimation of the value of the benefit, (ii) identification of users/beneficiaries, (iii) aggregation of users into groups of interest (e.g., by income level, gender, ethnicity, region, or urban/rural location), and (iv) estimation of out-of-pocket expenditures (or other conditions) needed by each group to access the benefit. The analysis generally uses individual or household survey data (e.g., existing household survey data supplemented by a sample survey on more specific issues) and public expenditure data.

15. **Risk and Vulnerability Profile (at the country, sector, or project level).** This tool helps identify (i) the most vulnerable groups in the population (at the country, regional, or local level), (ii) the major risks affecting these groups, (iii) the coverage and effectiveness of existing risk-reduction mechanisms (both informal mechanisms at the household/community level and formal mechanisms that government, private sector firms, or nonprofit organizations support), and (iv) opportunities to reduce or mitigate risks to vulnerable groups through new mechanisms or improvements in existing mechanisms. Risk and vulnerability profiles may be based on review



of secondary literature and data, interviews with key informants, and interviews/focus groups or sample surveys involving affected groups. More information on preparing a risk and vulnerability profile is provided in Appendix 6.1.

16. **Citizen Report Card/Community Scorecard (at the sector or project level).** These are participatory tools for assessing the performance of public services and can be an input to a sector analysis or part of the monitoring system for a project intended to expand or improve the delivery of public services (e.g., education, health, water supply and sanitation, energy, agricultural extension). The citizen report card is typically designed as a survey of users of services, and focuses on such issues as (i) availability, reliability, and quality of services; (ii) responsiveness of service providers; (iii) hidden costs such as demand for informal payments; and (iv) affordability and willingness to pay. The citizen report card is generally managed by an agency independent of the service provider (which could be an NGO, research institute, donor, or government oversight body). The community scorecard covers similar issues related to public services, but is generally carried out through focus groups or town/village meetings.

C. Data Collection Methods

17. The methods for collecting data relevant to poverty and social analysis can be categorized in several ways, based on the type of data. First, a distinction can be drawn between quantitative data (numerical measurements) and qualitative data (nonnumerical assessments). A second distinction is drawn between primary data (data collected specifically for the poverty and social analysis) and secondary data (preexisting data). A third distinction is sometimes made between official data (published by a government statistics office or other government agency) and unofficial data (collected by independent researchers, NGOs, donor agencies, or others). Most PSA tools involve the collection and analysis of more than one type of data. For example, virtually all PSA tools include a review of relevant secondary literature (including both quantitative and qualitative studies from both official and unofficial sources). Depending on the secondary data available, primary data may also need to be collected to complete the analysis (e.g., through key informant interviews, focus group discussions, a sample survey, or PRA). Qualitative approaches are particularly relevant to social analysis because they identify issues and capture variables not obtainable through quantitative surveys, particularly relating to social inclusion/exclusion, empowerment/disempowerment, and security/insecurity. This section briefly describes some main data collection methods used for PSA.

1. Qualitative methods

18. Some main methods⁵ for collecting qualitative (i.e., nonnumerical) data include
- (i) **Direct or Participant Observation.** Under direct observation, the researcher observes individual, group, or community activities as unobtrusively as possible. Under

⁵ ADB. 2007. *Handbook on Social Analysis: A Working Document*. Manila.

participant observation, the researcher observes these activities while living and participating in the relevant community. Direct observation is generally carried out over a short period, while participant observation can involve living for an extended period in the community.

- (ii) **Interviews.** Depending on the circumstances, interviews can be structured (i.e., fairly formal and closely following a written interview guide), semi-structured (i.e., partially directed by a written interview guide, but open and conversational enough to allow interviewees to introduce and discuss other topics of interest), or unstructured (i.e., organized around a few general questions or topics, but generally informal and open-ended). While more structured interviews are likely to yield more information that can be compared and generalized, less structured interviews are likely to explore an issue in depth and permit other related issues to be raised.
- (iii) **Questionnaires.** Similar to interviews, these can include formal, closed questions (e.g., multiple choice), semi-structured questions, open-ended questions, or a combination of these. Questionnaires can be administered through face-to-face meetings, by telephone, or by mail.
- (iv) **Focus Group Meetings.** These semi-structured consultations with a small group (generally 5–10 participants plus 1–2 facilitators) are used to explore people's attitudes, concerns, and preferences. Focus groups are particularly useful to elicit the views of members of a community who may be reluctant to speak in a more public setting (such as women, ethnic minorities, or disadvantaged castes; the disabled or poor individuals; and households).
- (v) **Workshops.** These consultations, which can be highly structured or semi-structured, are generally conducted over 1–2 days and bring together a wide range of stakeholders to analyze a particular problem, identify alternative ways to address the problem, and endorse a particular solution or set of actions to be taken. Experienced facilitators are essential to the success of a workshop. Care needs to be taken in organizing the workshop to ensure that all relevant stakeholders are represented and that all participants feel comfortable sharing their views.
- (vi) **Town/Village Meetings.** Community-level meetings can be organized for a variety of purposes, including information sharing, consensus building, prioritizing of issues, planning of interventions, and collaborative monitoring and evaluation. These meetings are also useful venues for reporting on and validating other participatory exercises, such as preference/wealth ranking or resource mapping.
- (vii) **Preference or Wealth Rankings.** These participatory exercises can be conducted in a focus group or larger group setting. Preference ranking encourages people to (a) identify what they like/dislike about a particular set of goods, services, or activities; (b) rank these items; and (c) explore the reasons for these local preferences. Wealth ranking includes the identification of locally appropriate criteria for measuring wealth/poverty (e.g., type of house, ownership of land or other assets, availability of household labor, community status or influence, indebtedness), followed by the ranking of individuals and households according to these criteria.



- (viii) **Transect Walks.** Walks along a designated path through a local area are usually taken by a researcher together with one or more male and female informants. The walks provide an important orientation to a project designer on the local environment, the location of settlements and economic activities, social interactions, and other factors. Information and impressions are gathered through direct observation, questioning of informants, and impromptu interviews with people encountered along the way.
- (ix) **Mapping.** This exercise involves the creation of a pictorial description of a local area by the local inhabitants, usually in a focus group or larger group setting. Common types of maps created through this participatory process include resource maps, health maps, and institutional maps. The maps provide baseline data for further participatory analysis and planning.

2. Quantitative methods

19. The quantitative data relevant to PSA can include both primary and secondary data. Primary data can be collected through such instruments as a sample survey, a project-specific census (covering all relevant individuals or households), or land/asset inventory (also covering all relevant individuals/households). It is important to focus these instruments on issues directly relevant to the proposed project, and to ensure that the data collected are disaggregated by sex, ethnicity, age, income level, and other relevant factors.

20. Secondary data sources should be used to the extent possible, but it is important to ensure that the data are relevant in terms of variables, time frame and coverage. Sources of secondary data that may be relevant include the following:

- (i) **Population Census.** A national census can usually provide basic data on employment; household size; housing; and access to basic services, including data disaggregated by region or state/province.
- (ii) **Living Standard Measurement Surveys (LSMS) and Other Existing Household Surveys.** LSMS and other multi-topic surveys can provide data on household income and expenditures, employment, health, education, ownership of land and other assets, and access to basic services and social programs. A general limitation of household surveys is that they provide little or no information about the intra-household distribution of income, consumption, and assets (which are particularly important to any gender analysis). However, some recent household surveys have included questions for individual household members to elicit this type of information.
- (iii) **Demographic and Health Surveys.** These surveys generally include data on (a) health, infant mortality, fertility, contraceptive practices and family planning, antenatal care, type of facility and care used by women for childbirth, feeding practices, vaccination, health center use by mothers and children, satisfaction with health services, and cost of treatment; (b) educational attainment; (c) occupations of men and women; (d) migration; (e) access to water, sanitation, and energy services; and (f) ownership of durable goods. These surveys can be used to calculate household wealth and are particularly relevant to gender analysis.

- (iv) **Employment Surveys.** These surveys provide data on (a) employment, unemployment, and underemployment patterns; (b) wages and other household income; (c) demographics; and (d) housing features. However, the surveys are unlikely to provide information on microenterprises and other informal business activities, or on the unpaid labor of household members involved in agriculture or household businesses.

A2.2 Socioeconomic Profiles

1. Socioeconomic profiles are key inputs to the design of a project and provide baseline data for monitoring the social impacts of the project on relevant groups. These aim to (i) identify the relevant client/beneficiary population and any other populations likely to be affected by the project;⁶ (ii) identify subgroups with different needs and interests; and (iii) assess the relevant needs, demands, constraints, and capacities of these groups and subgroups in relation to the proposed project. These profiles provide a basis for further analysis of significant social issues (e.g., related to gender, indigenous peoples, involuntary resettlement, labor, affordability, or health/trafficking risks related to large infrastructure projects). They also aid the project design team in framing project components, selecting technologies, and devising implementation arrangements that are appropriate, feasible, and responsive to local needs and capacities.

2. Socioeconomic profiles are generally based on secondary data, supplemented as needed by project-specific interviews, focus group discussions, surveys, and/or participatory rapid assessments (PRAs). The scope and content of a profile may vary, depending on the diversity of groups and subgroups likely to be affected by the project and the social issues involved. A sample outline of a socioeconomic profile addressing different social issues is provided below. In practice, the profile would need to be refined to focus on the characteristics of the target group(s) that are most relevant to the proposed project.

3. Outline of Profile for Rural Development Project [to be modified, as needed]⁷
- (i) Location and physical characteristics
 - Map (showing roads, land use, rivers, bridges, major settlement areas)
 - Description of location
 - (ii) Economic (including disaggregation of data by sex, ethnicity, and income level)
 - Ownership of assets
 - Land (e.g., amount, type, distribution, security of tenure)
 - Others (e.g., livestock, equipment, buildings)
 - Type of livelihood (e.g., subsistence, commercial, or both)

⁶ The basic identification of client/beneficiary groups and other project-affected groups should have already been done as part of an initial stakeholder analysis (included in the initial poverty and social assessment at the predesign stage).

⁷ Based on ADB's *Handbook for Incorporation of Social Dimensions in Projects* (1994), Appendix 1.



- Household income/expenditures
 - Skills
 - Employment and allocation of labor
 - Use of and access to credit
 - Use of and access to marketing services
 - Use of and access to commercial inputs
- (iii) Social infrastructure (including disaggregation of data by sex, ethnicity, and income level)
- Access to health services
 - Education (primary, secondary, informal)
 - Water and sanitation
 - Housing
 - Roads and communications
 - Energy
- (iv) Demographic (including disaggregation of data by sex, ethnicity, and income level)
- Age/sex/family size
 - Birth/death rates
 - Health and nutrition (of adults and children)
 - Migration (internal and external)
 - Number of single-parent households
- (v) Social organization (including evidence of differences based on sex, ethnicity, or income level)
- Family structures
 - Social structures in the community
 - Information on how collective decisions are made
 - Local institutional structures
 - Nongovernment organizations (NGOs) or community-based organizations (CBOs) in the area
 - Level of social cohesion, social respect, and initiative
- (vi) Client/beneficiary assessment
- Needs and priorities of target population in relation to project (including variations among different subgroups)
 - Likely demand for goods/services to be provided by project (including variations among different subgroups, underlying reasons for current underutilization of goods/services, and potential for changing current demand)
 - Capacity of target population to acquire, use, and maintain goods/services to be provided under project (including variations among different subgroups and identification of main factors underlying this capacity or lack of it)
 - Likely constraints on ability of individuals, households, and groups in the target population to have equal access to and share equally in benefits of proposed project (including analysis of these constraints and proposals for how they could be addressed within the project)

A2.3 Poverty Measurement⁸

A. Poverty Line

1. A poverty line specifies the income or the level of spending required to purchase a bundle of essential goods. An individual would be categorized as being poor if he or she cannot enjoy this minimum.
2. Identifying the poor as those with income (or expenditures) below a given poverty line brings clarity and focus to policy making and poverty analysis. Having a poverty line allows policy makers to assess poverty conditions, to allocate resources for poverty reduction, and to monitor progress against a clear benchmark. After a poverty line is determined, one can construct poverty profiles, which provide overall estimates of poverty, the distribution of poverty across sectors, geographical regions and socioeconomic groups, and a comparison of key characteristics of the poor with those of the nonpoor.
3. The most common notion of a poverty line is an indication of deprivation in an “absolute” sense, i.e., that there is a set level of resources deemed necessary to maintain a minimal standard of well-being. While absolute poverty is often used interchangeably with extreme poverty, the meaning of the latter may vary, depending on local interpretations or calculations.
4. Many wealthier countries set poverty lines based on relative standards such as a fixed proportion of the average or median income. For example, the poverty lines in most of the Organisation for Economic Co-operation and Development (OECD) countries are set at the half of the median income. Using a relative standards approach, the poor are those who gain when income becomes more evenly distributed and the nonpoor are those who lose. A major criticism of the relative approach is that it will show a reduction in poverty when the incomes of the poor are falling, as long as the incomes of the nonpoor are falling faster. A reduction (or increase) in poverty will show up only if there is a change in the relative income distribution. The relative approach also implies that poverty is completely insensitive to economic growth if income inequality does not change. Thus, the only way to reduce poverty will be to reduce inequality.

1. National Poverty Lines

5. Virtually all countries have developed national poverty lines to identify all citizens whose income falls below a level necessary to maintain a minimum acceptable standard of living. As a prioritizing tool, many countries have established both an absolute and a relative poverty line. Governments still find it useful to focus largely on poverty as a lack of money—measured either as low income or as inadequate expenditures. One reason for focusing on money is practical: inadequate income is a clear and immediate concern for individuals, and one that, in principle, is simple to quantify. Another—and perhaps more compelling—reason is that low incomes tend

⁸ ADB. 2006. *Poverty Handbook: Analysis and Processes to Support ADB Operations – A Working Document*. Manila.



to correlate strongly with other concerns that are important but harder to measure. The lack of money then serves as a proxy for a host of deprivations.

6. Statistical offices vary widely in how they set a poverty line. Most begin with a “cost of basic needs” approach, which begins with a food threshold chosen to reflect minimal nutritional needs, and adjustments are then made for nonfood expenses. National food poverty lines are based on nutritional thresholds. A person is counted as food poor if the nutritional content of the food he or she consumed is less than the prescribed threshold. As a simplifying assumption, most countries use dietary energy as proxy for overall nutritional status—i.e., if a person gets enough energy, then he or she also gets adequate levels of protein and other essential nutrients.

7. The food poverty line is the money income that is sufficient for individuals to satisfy their basic nutritional needs. When constructing a food poverty line, one often distinguishes between the nutritional needs of children and of adult males and females. The nonfood poverty line is constructed by taking into account basic nonfood needs such as shelter, clothing, health and education, and so on. The total poverty line is the sum of the food and nonfood poverty lines.

8. Poverty lines are country specific. Every society has its own views about what constitutes its minimum standard of living. The poverty line, even if it is absolute, should take into consideration socially derived notions of the requirements for a minimally acceptable standard of living.

2. International Poverty Line

9. Poverty measures are used both to compare progress across different countries (where the need for international comparability is paramount) and within a single country (where it is possible to customize the approach and definitions). The United Nations and the World Bank have adopted a \$1/day per capita poverty line for international comparisons, for example, even though national poverty lines may be more appropriate for within-nation comparisons.

10. Because different countries define and measure poverty in a variety of ways, local expenditure levels are frequently converted to an international scale for comparing progress across countries. The international poverty line was originally set at \$1 per day per person valued at 1985 international prices but was subsequently updated to \$1.08 per day in 1993 international prices. The line is still referred to as the \$1/day measure, however, the World Bank has adopted the \$1.25/day measure.

11. The \$1/day poverty measure is just one part of the Millennium Development Goals (MDGs). Other goals focus explicitly on broader components of poverty—such as undernutrition, poor health, gender inequality, and limited access to education.

B. Multidimensional Concept of Poverty

12. It is now increasingly realized that poverty is a multidimensional concept and should encompass all important human requirements. Poverty is caused because some sections of the

society have so little income that they cannot satisfy their minimum basic needs as defined by the poverty line. But lack of income is not the only kind of deprivation people may suffer. Indeed, people can still suffer acute deprivation in many aspects of life even if they possess adequate incomes. Thus, recent thinking on poverty argues that poverty should be viewed in terms of an inadequate standard of living, which is more general than a lack of income.

13. Living standards are influenced by the degree to which households have access to suitable public goods. Therefore, one aspect of non-income poverty has to do with a population's access to basic services. A second dimension includes social deprivations: the inability to fully participate in communities and, perhaps, in religious life. Other aspects relate to physical deprivations, such as those caused by disability, disease, and undernutrition, or vulnerability to a catastrophic loss.

14. Poverty and poverty lines are not restricted to financial definitions. ADB defines poverty as “a deprivation of essential assets and opportunities to which every human is entitled. Everyone should have access to basic education and primary health services. Poor households have the right to sustain themselves by their labor and to be reasonably rewarded, as well as to have some protection from external shocks. Beyond income and basic services, individuals and societies are also poor—and tend to remain so—if they are not empowered to participate in making the decisions that shape their lives.”

C. Regional Poverty Proxies

15. For the purpose of defining poverty in an ADB CPS, and in projects that are targeted to poor households, ADB will make use of the national poverty line that is based on income/consumption poverty data and on an absolute poverty criterion.⁹ Poverty data (including income poverty data) should be available for countries for which country poverty assessments have been carried out. In fact, most countries now have poverty data in an acceptable form for their national poverty reduction strategies (NPRSs).

16. In certain regions, estimates of the headcount index of income poverty may not be available, and it will rarely be justified to conduct a detailed household income survey to collect more detailed primary income and expenditure data. If income poverty data is not available, and there is a need to understand more clearly the regional dimensions of impoverishment, then proxies may need to be used. Possible alternative measurements include the following:

- (i) Derive approximate average income data from aggregate groups of beneficiaries by, for example, inferring income from data on household assets.
- (ii) Use alternative indicators of poverty. In general, health and nutrition indicators are good proxies of income poverty and can indicate differences in poverty between regions and changes over time.

⁹ There are two important issues with respect to drawing the poverty line under the quantitative approaches: choosing between an absolute poverty and relative poverty criterion, and choosing the location of the line. First, the absolute poverty line is commonly drawn based on the cost of meeting some calorie requirement and perhaps adding an allowance for other essentials. The relative poverty line refers to the position of an individual or household compared with the average income in the country.

- (iii) Use other alternatives such as indicators of landownership, if available from agriculture ministries and related offices, and data on agricultural output, which can indicate short-term fluctuations in poverty.
- (iv) Given the difficulties in quantifying household and individual income, use local-level data such as availability and use, at the household as well as at individual level, of education, health, water, and electricity, including economic and price information. These data can be collected through local offices of the statistical service or the Ministry of Finance.

17. Independently of the different methods to measure poverty, it is paramount that the interpretation of these results be complemented with qualitative studies. It is important to use qualitative techniques to understand:

- (i) Why certain factors correlate with poverty;
- (ii) What factors influence poverty outcomes that are not easily quantifiable; and
- (iii) How qualitative data can be used to explain how intra-household resource distribution is structured along gender, caste, age, or ethnicity lines.

D. Aggregate Poverty Measures¹⁰

18. Once a poverty line has been defined and poverty data measured, one can estimate the number and percentage of people who are unable to enjoy the minimum basic requirements that are deemed to be essential. These are estimates of the incidence of poverty. Yet these estimates provide no information on the depth of poverty, that is, on how deprived the poor are. One index of poverty that does account for the depth of poverty is the poverty gap ratio, which is defined as the mean income or consumption shortfall relative to the poverty line, averaged across the whole population (when taking this mean, the nonpoor are assigned a poverty gap of zero). Thus, this measure gives us an idea about the total resources required to bring all the poor up to the poverty line. Finally, there is another index of poverty, called the severity of poverty, that takes into account not only the depth of poverty but also the inequality of income or consumption among the poor. It is particularly useful if we want to focus our policies on eliminating extreme or ultra poverty.

19. The best known poverty measure is the headcount, the share of a population whose resources fall below the poverty line. The measure is simple and clear, and is the most commonly calculated poverty measure. The headcount is calculated by ranking individuals in a population in order of their command over resources, from 1 to N , where person 1 has the least resources and person N has the greatest. If the income of individual i is denoted y_i , and the poverty line is denoted z , then the poor population includes everyone for whom $y_i \leq z$. If the person whose resources puts them right at the poverty line is number G from the bottom (that is, $y_G = z$), it follows that there are G people below the poverty line and N people in the total population. Then the headcount H is simply:

$$H = G/N.$$

¹⁰ This section is based on Murdoch (2005), as cited in ADB. 2006. *Poverty Handbook: Analysis and Processes to Support ADB Operations – A Working Document*. Manila.

20. The headcount is an important descriptive tool, but it can be misleading because it ignores the severity and depth of poverty. For example, the headcount does not change when a very poor person becomes less poor; nor does the headcount change when a poor person becomes even poorer. One way to make the approach more useful is to also calculate the headcount for “sub-poverty” lines at lower thresholds than the overall poverty line. These may capture, for example, the income required to purchase the food basket only, excluding nonfood needs. Tracking the population under sub-poverty lines is relatively simple and can provide powerful descriptive insight.

A2.4 Sample Terms of Reference for Country Poverty Assessment

I. Objective/Purpose of the Assignment

ADB will be preparing country partnership strategy (CPS) for [name of country], and this requires the preparation of a country poverty assessment (CPA). The CPA will be used to assess the nature and causes of poverty in the country comprehensively in all its dimensions, including income and non-income dimensions. The CPA will be used to determine country priorities for effectively reducing poverty by examining (a) nature and different manifestations of poverty and (b) relevance of interventions in the main thematic areas and sectors. The assessment will involve analyzing information from all sources, including national and international, and undertaking additional work referred to in the Interim Guidelines on Results Based Country Strategy and Programming. The CPA will be instrumental in developing the strategy to combat poverty and achieve the Millennium Development Goal (MDG) targets for [name of country].

II. Scope of Work

The consultant will prepare the poverty assessment of [name of country], incorporating findings of (a) economic, sector, and thematic assessments; (b) link to CPS; and (c) assessment of the level of success of past, ongoing, and planned poverty reduction strategies in achieving MDG targets.

III. Detailed Tasks

The main task of the consultant is to prepare a clear and concise report on poverty assessment of [name of country] that will involve data (e.g., on poverty and the MDGs) collection and analysis, review of information, papers, and reports both from national and international sources (such as the World Bank, International Monetary Fund [IMF], United Nations Development Programme [UNDP], etc.); and consultation with concerned government and donor representatives in [name of country]. The analysis provided in the CPA will take into account the findings of the macroeconomic analysis that is being conducted separately by CPS team.



Details of the report will include, but not limited to, the following:

1. A poverty profile that provides an overview of the manifestations and causes of poverty. This will include both income and non-income poverty data aggregated at the national levels. Depending on need, statistical data should be disaggregated into regional levels, gender, age, and social categories; and by rural and urban areas. Income-poverty data will cover poverty line, indicators of incidence and severity of poverty, and Gini coefficient ratios. Non-income poverty indicators will include data on access to drinking water, safe sanitation, basic education, primary health care; environment-poverty nexus indicators; gender empowerment indicators; vulnerability to shocks indicators; and capacity development/empowerment indicators. Information on poverty status of [name of country] in comparison to international indicators should be provided along with information on excluded groups, such as indigenous communities, regionally isolated groups, and others who have been excluded from the development process. Assessment of the poverty data bases, household characteristics, risk and vulnerability profile, and summary labor market assessment should also be done.
2. Analysis of institutional constraints, both formal and informal, that impact on overall economic performance and functioning of markets, including labor markets, and impact on the performance of the three pillars. Data on employment, unemployment, and underemployment rates, incidence of seasonal labor, sectoral distribution; regional disparities, wage dynamics; labor intensive sectors and their potential for generating employment, the self-employed, changes in participation rates; working conditions, compliance with national and international labor laws and standards should be included.
3. Analysis of poverty implications of government policies and initiatives to reduce poverty, including how government policy addresses institutional constraints. The CPA should include assessments of macroeconomic policies, political economy considerations, public resources, social protection and safety nets, subsidies, sector policies, programs, and initiatives impacting on poverty in [name of country].
4. An analysis of the causes of poverty in its various manifestations using a multi-dimensional approach to discovering the causes, including economic, historical, social, governance and institutional; and environmental dimensions.
5. An assessment of the [name of country] National Development Plan, and other policy documents related to national poverty reduction strategy (NPRS) analyzing the completeness, consistency, coherence, and feasibility of the government's strategy for combating poverty.
6. A review of stakeholder initiatives, including civil society and the private sector.
7. A review of strategies and programs of ADB and development partners, such as bilateral and multilateral funding agencies, domestic and international nongovernment organizations (NGOs), and other civil society organizations (CSOs), to ensure coherence between development agencies.

8. An analytical framework outlining strategic choices that the government can pursue in cooperation with ADB and its development partners. Its main purpose is to establish a consistent analytical mechanism for ranking and priority-setting among poverty-reducing policies and interventions, derived from an understanding of the cause–effect relationship between factors that constrain and influence poverty reduction outcomes. The framework should include an investigation of whether targeting is required and the type of targeted interventions for poverty reduction, and identify broadly the nature of interventions and priorities necessary supporting ADB’s Strategy 2020’s agenda of inclusive growth, the specific sectors, and the themes.

A2.5 Sample Terms of Reference for Initial Poverty and Social Analysis during the Reconnaissance Mission (or Other Initial Due Diligence)

[These generic terms of reference (TOR) for initial poverty and social analysis (IPSA) reflect a composite of ADB’s policy requirements related to the identification of poverty and social issues during the initial due diligence for an ADB-supported project, such as the reconnaissance mission prior to concept clearance. Project team leaders should adapt these TOR to the specific characteristics of the proposed project, the developing member country (DMC), and proposed project area(s). The TOR presented below refer to specific IPSA checklists from this handbook. Other areas for analysis and other resources should be included in the project-specific TOR, as appropriate. The TOR should also specify the duration of the assignment, the number of international and/or national experts and related person-months required, and any expected reports or other deliverables.]

1. The [reconnaissance] mission (mission) will help the government of [DMC] to initiate the design of a project in [sector], suitable for financing by ADB, which will help the government in its efforts to reduce poverty and promote sustainable and socially inclusive development [refer to any more specific national goal]. The objective of the project is to [objective], and is expected to be achieved through [main project components or activities]. The mission team will be composed of [members]. Team members will interact with government and nongovernment agencies and groups to foster a fully participatory project design. Completion of work on time is essential for the outcome of the mission.

2. Specific tasks will be performed by the following:

A. Poverty and Social Development Specialist

3. The poverty and social development specialist will have a postgraduate degree in a relevant social science discipline. He or she will act as principal adviser to the government and the mission on social and poverty issues and will, together with the team leader, ensure that the policies/investments being developed for the proposed project are socially inclusive, equitable, and sustainable. He or she will produce three major outputs: (i) an IPSA report, summarized on the IPSA report form [included in Appendix 3.1 of the *Handbook on Poverty and Social Analysis*];



(ii) detailed TOR for further work on relevant social/poverty issues during the design phase of the project; and (iii) calculation of person-months and resources needed during the design phase to complete this work.

4. Specifically, the poverty and social development specialist will

- (i) identify how the proposed project relates to national priorities as identified in the national development plan, ADB's country poverty analysis, and sectors identified as priorities in ADB's country partnership strategy (CPS);
- (ii) help the team leader in preparing a preliminary assessment of whether the benefits of the project will flow primarily to poor/nonpoor consumers and whether any poor or vulnerable groups will be excluded;
- (iii) help the team leader in determining the scale and scope for further detailed poverty and social analysis (PSA) to make the project design more pro-poor, socially inclusive, and sustainable, and to effectively deal with significant issues related to poverty and inequality, gender and social diversity, participation, involuntary resettlement, indigenous or vulnerable people, labor, affordability, HIV/AIDS transmission, human trafficking, or other social risks, including consideration of related institutional or capacity issues and the need to prepare any action or mitigation plans or other measures;
- (iv) help the team leader in (a) identifying key stakeholders, including both men and women in poor and vulnerable groups, and their project-related interests; (b) identifying possible barriers to their participation in and benefit from the project; and (c) suggesting possible strategies to address the concerns of these stakeholders. Identify factors affecting project risks and viability. Prepare an initial stakeholder analysis and initial participation plan, as provided in *Strengthening Participation for Development Results: An Asian Development Bank Guide to Participation* (2012);
- (v) identify suitable nongovernment organizations (NGOs) and/or community-based organizations (CBOs) to consult with on the proposed project, and explore possibilities to involve NGOs/CBOs in preparation of the project;
- (vi) prepare an initial gender analysis of the project, in accordance with ADB *Operations Manual* section on Gender and Development in ADB Operations (OM C2/BP), and help the team leader in identifying project design elements (including policy changes, investments, or implementation arrangements) that (a) have potential to correct gender disparities, (b) have potential to significantly mainstream gender equity concerns, or (c) are likely to have an adverse impact on gender equality or women's empowerment. Based on this initial analysis, identify the need for a gender plan or other gender-inclusive design measures, appropriate gender targets and/or indicators, and sex-disaggregated data to be collected;
- (vii) identify whether the project requires construction or rehabilitation of major works; will necessitate land acquisition; or is expected to result in people's loss of assets, resources, or income. If relevant, assess the need for further analysis during the design phase of the likely scope and impact of resettlement, and the potential need for a resettlement plan or other measures, in accordance with ADB *Operations Manual* section on safeguard policy statement (OM F1/BP);

- (viii) identify whether the project will be located in, or pass through, areas of significant Indigenous Peoples settlements. If this is the case, propose how to include Indigenous People in planning and implementing the project. If relevant, prepare an overview of the population characteristics in the proposed project area, anticipate impacts of the project on indigenous people, and identify the potential need during the design phase for further analysis and preparation of an Indigenous Peoples Plan (IPP) or other measures, in accordance with OM F1/BP;
- (ix) assess whether any other vulnerable groups could be worse off as a result of the project, and identify any need for mitigating measures such as social safety nets;
- (x) propose measures to ensure that the project complies with national labor laws (e.g., minimum wage, equal pay, safe working conditions, social security contributions) and international core labor standards (including freedom of association, nondiscrimination and equal pay, and prohibitions of forced and child labor). Help the team leader in identifying opportunities in the proposed project to (a) mitigate the effects of potential layoffs of workers related to government or industry restructuring or retrenchment; and (b) improve employment opportunities for the poor, women, and other vulnerable groups;
- (xi) identify any other potential social risks associated with the project, such as risks related to affordability of tariff increases on basic utilities or risks of increased HIV/AIDS transmission or human trafficking in transport and other large infrastructure projects, and assess the need for further analysis of these risks and preparation of appropriate mitigation plans or other measures during the design phase;
- (xii) prepare TORs for further poverty and/or social analysis during the design phase of the project, focusing on relevant issues, such as poverty and inequality, gender and social diversity, participation, involuntary resettlement, indigenous people, labor, affordability, or other social risks identified through IPSA [Sample TORs for specialists on several of these issues are included in Appendix 2.5 of the *Handbook on Poverty and Social Analysis*]; and
- (xiii) provide assistance to the team leader in preparing the IPSA report, preliminary design and monitoring framework (DMF) for the project, memorandum of understanding (or aide-mémoire) of the mission, and any other documentation related to the mission.

A2.6 Sample Terms of Reference for Poverty and Social Analysis in Project Design

[These generic terms of reference (TOR) for poverty and social analysis during the project design phase include modules for the main poverty and social issues that could be identified as significant in the initial poverty and social analysis (IPSA) undertaken as part of the initial due diligence of the project (usually during the reconnaissance mission before concept clearance). In practice, the boundaries between each issue and therefore the tasks of each specialist are likely to overlap, and one specialist may provide input to another specialist's subject area. Project team leaders should adapt



these TOR to the particular issues identified through IPSA, as well as the specific characteristics of the proposed project, developing member country (DMC), and proposed project area(s). The TOR should also specify the duration of the assignment, the number of international and/or national experts and related person-months required, and any expected reports or other deliverables.]

1. The proposed project will help the government of the DMC in its efforts to reduce poverty and promote sustainable and socially inclusive development [refer to any more specific national goal]. The objective of the project is to [objective], and is expected to be achieved through [main project components or activities]. The main poverty and/or social issues to be analyzed and addressed in the design of the project include [list significant social/poverty issues identified in the IPSA report].

2. To help the government in preparing the project, ADB will recruit international and domestic consultants in accordance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time) and other arrangements for engaging domestic consultants. All consultants are required to have experience in developing countries to draw policy comparisons and bring best practices into the development discussion. The consultants will liaise with the government, development partners, and other relevant stakeholders, to help in preparing the project in a participatory manner.

3. Consultants will provide an inception report in [time period], including a draft outline of the contents of all reports and a list of people/groups consulted (or to be consulted). Progress drafts will be sent every [time interval] to ADB. The final reports will be in English and [local language]. Completion of work on time is indispensable to the successful design of the project. The consultants will hire support services to help with translations and in preparing surveys and reports. During the first week of service, the international consultants will develop more specific TOR and time frames for each domestic consultant.

4. The consultants will review available project documents and supporting materials, background documents related to the DMC and the relevant sector, and relevant ADB publications,¹¹ including *Enhancing the Fight Against Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank* (2004), *Policy on Gender and Development* (1998), *Safeguard Policy Statement* (2009), *Social Protection Strategy* (2001), *Revised Public Communications Policy* (2011), *Policy on Cooperation Between ADB and NGOs* (1999), *Handbook on Poverty and Social Analysis* (2012), *Guidelines for Preparing a Design and Monitoring Framework* (2006), relevant sector gender checklist,¹² *Strengthening Participation for Development Results: An Asian Development Bank Guide to Participation* (2012), *Involuntary Resettlement Safeguards: A Planning and Implementation Good Practice Sourcebook* (2012), *Indigenous Peoples Safeguards Sourcebook* (2012), and *Core Labor Standards Handbook* (2006). [For some policies, it may be more useful to refer consultants to relevant OM sections and handbooks/guides rather than the original policy document.]

¹¹ ADB. www.adb.org

¹² ADB. *Sector Gender Checklists and Toolkits*. <http://www.adb.org/themes/gender/checklists-toolkits.asp>

A. Poverty and Social Development Specialist

5. The poverty and social development specialist will have a postgraduate degree in a relevant social science discipline. He or she will act as principal adviser to the government and ADB team on poverty and social issues in the proposed project and will ensure that the policies/investments being developed for the project are socially inclusive, equitable, and sustainable, and consistent with relevant ADB policies and strategies. He or she will have work experience in the DMC and at least 5 years of experience in designing and/or implementing social components of development projects, preferably with work experience in the sector concerned. Appropriate local language skills are desirable.

6. [The following TOR covers basic areas of poverty and social analysis and stakeholder consultation that should be included in the design of most ADB-supported projects. If the IPSA identified particular social issues in the proposed project—such as gender, involuntary resettlement, indigenous peoples, labor, affordability, HIV/AIDS, or human trafficking risks—then additional specialists should be included in the project design team to address these issues. If this is not feasible, then the TOR of the poverty and social development specialist should be expanded to cover these issues.]

7. The poverty and social development specialist will be responsible for

- (i) reviewing available reports and secondary data on relevant poverty and social issues;
- (ii) conducting stakeholder analysis;
- (iii) conducting interviews, focus groups, surveys, and/or participatory rapid assessments (PRAs), as required;
- (iv) defining, enumerating, mapping, and targeting intended clients/beneficiaries (relevant for projects targeting individuals or households);
- (v) establishing and maintaining contact with relevant nongovernment organizations (NGOs) and community-based organizations (CBOs) in the proposed project area(s); and
- (vi) helping the team leader and other specialists in preparing design measures and/or plans to address relevant social issues in the project, as required.

8. More specifically, he or she will be responsible for some or all of the following tasks:

- (i) Discuss the poverty and social dimensions of the proposed project with the executing agency, other relevant institutions and agencies, and development partners (to identify scope for complementary activities and avoid overlapping activities).
- (ii) Undertake field visits to a selection of proposed project sites as identified in the IPSA or through a ranking process. Together with other team members, conduct interviews, focus groups, or other meetings with stakeholders to confirm their needs, demands, capacities, constraints, and willingness to participate in the project, the suitability of the sites, and alternative design options.
- (iii) Work with other team members and stakeholders to identify and confirm key social and/or poverty issues and options to address these issues, and select the optimal strategy or approach.

- (iv) In a project targeting poor individuals, households, or groups (TI-H), confirm the extent of poverty and vulnerability experienced by the target group; estimate the expected direct and indirect impacts of the project on the group (e.g., through benefit incidence analysis); and select and validate the appropriate targeting approach and other design features to maximize the poverty reduction impact of the project.
- (v) In a policy-based project, conduct poverty impact analysis to anticipate the likely poverty and social impacts of the proposed policy reforms on poor and vulnerable groups, avoid anticipated negative effects on these groups, and design appropriate measures to mitigate any unavoidable adverse effects.
- (vi) Together with the gender specialist, prepare profiles of the proposed client/beneficiary groups and subgroups, and other groups likely to be affected by the project, and identify CBOs and service/user group structures already existing in the proposed project area(s).
- (vii) At the local level, assess social and institutional issues affecting participation, ownership, acceptance, and adoption of project activities, and propose strategies to overcome any local concerns or other issues.
- (viii) Together with other team members, identify the links between the sector ministries/agencies, local government, and communities; identify any changes in key laws, policies, institutional mechanisms, or practices to ensure the inclusive development outcomes of the project; assess the capacity of executing and implementing agencies to address social issues in the project; and identify needs and opportunities for capacity development of these agencies within the project.
- (ix) Together with other team members, assess whether NGOs, CBOs, and/or the private sector has a role in implementing the project.
- (x) Together with other team members, develop recommendations for specific project activities and processes to address the social and/or poverty issues that have been identified.
- (xi) Assist in preparing related draft documents, including the DMF; the summary poverty reduction and social strategy (SPRSS); and any social action, mitigation, and/or participation/communication plans.

B. Gender Specialist

9. The gender specialist will have a postgraduate qualification in a relevant social science, with particular expertise in the area of gender and development. He or she will act as principal adviser to the government and ADB team on the subject and will ensure that the policies/investments being developed for the proposed project are socially inclusive, equitable, and sustainable, and consistent with ADB's policy on gender and development (1998) and ADB *Operations Manual* section on gender and development in ADB operations (OM C2/BP).¹³ He or she will have work

¹³ The gender specialist should consult the relevant gender/sector checklist (available at <http://www.adb.org/themes/gender/checklists-toolkits>) and most recent country gender assessment (available at <http://www.adb.org/documents/series/country-gender-assessments>).

experience in the DMC and at least 5-year experience in the planning and design of projects with gender-related objectives and in mainstreaming gender considerations in other projects. Appropriate local language skills are desirable. The gender specialist will be responsible for some or all of the following tasks:

- (i) Take prime responsibility for analyzing the proposed project from a gender perspective and developing project components and implementation mechanisms to reduce gender disparities, mainstream gender equity concerns, and avoid any negative impacts on gender equality or women's empowerment, including development of a gender plan, if needed.
- (ii) Help the ADB team in identifying and describing the intended client/beneficiary groups using sex-disaggregated demographic data, and generally advise the team on collecting sex-disaggregated data.
- (iii) Review documentation on the project area(s) and interview relevant stakeholders, including women and men, to develop a gender profile of the client/beneficiary group(s) and subgroups with respect to (a) differences in the roles, status, and well-being of women and men in these groups; (b) men's and women's access to services, resources, assets, and income-generating activities; and (c) men's and women's participation in decision making, development priorities, time constraints, and other factors that may affect their participation in the project.
- (iv) Consider how men and women can participate in the project in light of their motivations, knowledge, skills, organizational resources, and time burdens, and how the project is likely to affect gender relations in society.
- (v) Prepare appropriate design mechanisms to ensure women's and/or girls' equitable access to project benefits, and to avoid increasing time or other burdens on women, including a gender plan, if needed.
- (vi) Together with other team members, identify the need for female agency staff or community mobilizers to help in implementing the project; and identify their needs and the needs of other agency staff, local government, community leaders, and other stakeholders for gender-related training.
- (vii) Together with other team members, identify opportunities within the project to address women's and girls' priorities in terms of literacy and skills development, health and nutrition, income-generating activities, and other concerns, including through links to other ongoing programs and projects.
- (viii) Identify institutions (government and nongovernment) that focus on women or gender concerns and that might contribute to the design, implementation, monitoring, or evaluation of the project.
- (ix) Assess the capacity of the proposed executing and implementing agencies to deliver services to women and girls, and make recommendations to strengthen this capacity through the project.
- (x) Identify gender-related targets and indicators and mechanisms for monitoring the gender-related impacts of the project, to be included in the DMF and project performance management system (PPMS), and mechanisms for collecting sex-disaggregated data.

- (xi) Assist in preparing related draft documents, including the DMF, SPRSS, and gender action plan.

C. Resettlement Specialist

10. The resettlement specialist will have a postgraduate qualification in a relevant social science. He or she will act as principal adviser to the government and ADB team on the subject and will ensure that the policies/investments being developed for the proposed project are socially inclusive, equitable, and sustainable, and in accordance with ADB's Safeguard Policy Statement (2009) and ADB *Operations Manual* section on safeguard policy statement (OM F1/BP). He or she will have work experience in the DMC and at least 3 years' experience in the design and/or implementation of resettlement plans. Appropriate local language skills are desirable.

11. The resettlement specialist will help the executing agency in analyzing likely impacts of the project related to resettlement and, if needed, in preparing a resettlement plan consistent with ADB standards using *Involuntary Resettlement Safeguards: A Planning and Implementation Good Practice Sourcebook* (2012). He or she will have primary responsibility in the ADB team for the preparation of any resettlement plan and will work closely with the executing agency and other relevant government agencies/offices at appropriate administrative levels (e.g., provincial, district/country, or city/municipality). He or she will consider options to avoid or minimize resettlement. For those unavoidably affected, he or she will review the applicable laws and policies related to land acquisition and resettlement and identify appropriate measures to restore incomes and living standards. More specifically, he or she will

- (i) identify permanent and temporary socioeconomic impacts as a result of land acquisition, changes in land use, or restrictions of access to assets and common property resources;
- (ii) conduct a census, land/asset inventory, and socioeconomic survey to identify resettlement impacts and mitigation options;
- (iii) assess risks and opportunities for affected people;
- (iv) identify strategies and options to restore livelihoods and quality of life;
- (v) define categories of impact and eligibility of affected persons for compensation, and prepare an entitlement matrix covering compensation for all lost assets and income, and assistance to achieve full replacement costs for lost assets, income, and livelihoods. Assess whether the compensation standards for all types of assets, crops, and trees are based on replacement value and discuss in detail the valuation methodology used;
- (vi) together with the executing agency, prepare and carry out a consultation plan and a format for documenting consultation with affected people, listing events, people consulted, documents disclosed, and timing of disclosure in accordance with ADB Public Communications Policy (2011) and summarizing the issues raised, agreed actions, and improvements resulting from the consultation. Assess stakeholders' concerns and consider possible changes in the project design to minimize resettlement impacts. Help the executing agency to finalize, disclose, and obtain government

- endorsement of the resettlement plan prior to submission to ADB for review and approval;
- (vii) develop a resettlement plan, including measures to restore livelihoods and quality of life;
 - (viii) develop detailed budget and implementation schedules for the resettlement plan;
 - (ix) identify management, consultation, and dispute resolution mechanisms for the resettlement plan;
 - (x) review the organizational structure and capacity of executing and implementing agencies to implement the resettlement plan and recommend improvements required before the start of land acquisition;
 - (xi) ensure that gender and indigenous peoples' concerns (if relevant) are incorporated into the resettlement plan;
 - (xii) identify targets and indicators related to the resettlement plan for inclusion in the DMF and PPMS, and make arrangements for internal and independent monitoring and evaluation; and
 - (xiii) if the resettlement plan is prepared based on a feasibility study or preliminary project design, the executing and/or implementing agency should also provide for updating the plan based on the detailed project design, and disclosing the updated plan to the affected persons prior to submitting it to ADB for review and approval.

D. Indigenous Peoples Specialist

12. The indigenous peoples specialist will have a postgraduate qualification in a relevant social science and experience in working on the issues of indigenous peoples in Asian countries, preferably including the DMC. He or she will act as principal adviser to the government and the ADB team on the subject and will ensure that the policies/investments being developed for the proposed project are socially inclusive, equitable, and sustainable, and consistent with ADB's Safeguard Policy Statement (2011) and ADB *Operations Manual* section on safeguard policy statement (OM F1/BP). He or she will help the executing agency in analyzing indigenous peoples' issues related to the project and in preparing an IPP or other measures, if needed, using the *Indigenous Peoples Safeguards Sourcebook* (2012). Appropriate local language skills are desirable. More specifically, he or she will

- (i) prepare an overview of the characteristics of the ethnic populations in the proposed project area(s), including
 - (a) for the dominant ethnic group(s)
 - relations of the dominant group(s) to the land,
 - main sociocultural characteristics of the dominant group(s), and
 - sociocultural influence of the dominant group(s) on ethnic minorities;
 - (b) for the minority ethnic group(s)
 - relations of the minority group(s) to the land,
 - main sociocultural characteristics of the minority group(s), and
 - degree of acculturation to the dominant culture (including language, religion, customs, etc.);

- (ii) prepare a profile of the dominant and minority ethnic groups in the proposed project area(s), including descriptions of (a) their socioeconomic status, (b) main activities, (c) local resources used by each ethnic group, and (d) formal and informal rights to land and natural resources exercised by each group;
- (iii) identify existing problems perceived by Indigenous Peoples in the project area(s), including problems related to (a) their main economic activities, (b) their access to local resources, and (c) continuation of their rights to land and natural resources;
- (iv) identify indigenous peoples' needs, demands, constraints, and capacities, including (a) variations in existing knowledge, skills, and adherence to sociocultural norms that could influence indigenous peoples' demand for and access to project benefits; (b) indigenous peoples' ability and willingness to pay for project inputs and/or provide labor to improve their production systems; (c) prior experience of the indigenous communities in implementing development activities and their perceptions of these experiences; and (d) preferred methods for delivery of services and other benefits under the project;
- (v) describe the different culturally defined roles of men and women with indigenous communities and assess the relevance of these differences to the implementation of the project (including culturally defined access to land, resources, and/or services);
- (vi) identify anticipated impacts of the project on indigenous peoples and communicate as much information about the project as possible to the indigenous communities;
- (vii) analyze national and local laws/policies related to indigenous peoples (e.g., related to legal status, citizenship, and access to basic services and natural resources, including land);
- (viii) assess the institutional, personnel, and financial capacities of the executing and implementing agencies and other stakeholders working with and for indigenous peoples, and develop a strategy for their participation in the project;
- (ix) prepare an IPP or other measures, including appropriate budget and implementation arrangements, and measures to ensure meaningful participation of the indigenous peoples and involvement of NGOs, where appropriate; and
- (x) identify targets and indicators related to the IPP for inclusion in the DMF and PPMS, and make arrangements for internal and independent monitoring and evaluation.

E. Labor Specialist

13. The labor specialist will be a social protection expert with a solid background in regional and international labor policies and practices, and a postgraduate degree in a relevant social science discipline. He or she will act as principal adviser to the government and the ADB team on the subject, and will ensure that the policies/investments being developed for the project are socially inclusive, equitable, and sustainable, and consistent with ADB's *Social Protection Strategy* (2001) and *Core Labor Standards Handbook* (2006). Appropriate local language skills are desirable. More specifically, he or she will be responsible for some or all of the following:

- (i) Analyze the DMC labor market in the relevant sector(s), including reconciling official indicators with evidence from surveys, and focusing on employment, unemployment,

and underemployment rates; incidence of seasonal labor; regional disparities in employment; real wage dynamics; informal sector and self-employment; changes in participation rates (especially for women); and working conditions, and compliance with national labor laws and international core labor standards.

- (ii) Identify labor market imbalances in the relevant sector(s) by analyzing mismatches in the supply and demand of labor, and provide recommendations for more inclusive, labor-absorbing development patterns in the sector(s).
- (iii) Identify any obstacles to employment posed by existing labor laws or regulations in the relevant sector(s) and provide recommendations to address these problems.
- (iv) Promote social dialogue by consulting relevant stakeholders, including the ministry of labor/social protection and relevant sector ministry, employers' and employees' representatives, and development partners, such as the International Labour Organization; and identify their priorities, preferences, and potential to participate in the project.
- (v) Help the team leader in ensuring that ADB interventions in the project support inclusive, labor-absorbing development patterns, allocate human capital to its most productive uses, and are in compliance with national labor laws and international core labor standards.
- (vi) If labor restructuring issues are identified, the labor specialist will
 - (a) collect relevant data for a workforce analysis, including number of affected employees by occupation, seniority, skill level, income, employment status, family responsibilities, and social security/welfare coverage, as well as country/regional labor market trends;
 - (b) survey affected groups to ensure that no poor or low-income group will be worse off as a result of the project, and to ensure that sufficient advance notice of potential retrenchment is provided;
 - (c) determine, based on surveys and other data, (1) the adverse social costs of the project, (2) options to avoid or minimize negative social impacts, and (3) alternative design measures to contribute proactively to poverty reduction and social development;
 - (d) if retrenchment is unavoidable, prepare a labor restructuring plan, reflecting the magnitude and timing of the projected redundancies and specifying national, local, or company-level mitigation packages;
 - (e) prepare a socioeconomic analysis for the restructuring plan, clarifying the social and economic trade-offs; detailing prevention, compensation, or redeployment options; phasing transfers of funds; and analyzing the fiscal impact of the plan (including impacts on social sector revenues and expenditures);
 - (f) assess the institutional capacity of the executing and implementing agencies to implement the plan; and
 - (g) prepare a monitoring system for the plan.
- (vii) Identify possible targets and indicators related to labor issues to be included in the DMF and PPMS.

- (viii) Help the team leader in resolving labor-related problems and issues, identifying appropriate labor law or policy changes, and drafting appropriate assurances related to labor issues.
- (ix) Assist in preparing any draft labor restructuring plan.

F. Social Risk and Vulnerability Specialist

14. The social risk and vulnerability specialist will have a postgraduate qualification in a relevant social science and field experience in Asia, preferably in the DMC. He or she will act as principal adviser to the government and the ADB team on social risks and vulnerabilities, and will ensure that the policies/investment being developed for the proposed project are socially inclusive, equitable, and sustainable, and consistent with ADB's *Social Protection Strategy* (2001). He or she will pay particular attention to (i) issues of coverage, (ii) affordability of project-supported services to poor and vulnerable groups, (iii) options to expand delivery of basic goods and services to these groups, and (iv) analysis of risks and vulnerabilities. More specifically, he or she will be responsible for some or all of the following:

- (i) With the participation of relevant stakeholders, identify vulnerable groups in relation to the project and analyze reasons for their vulnerability, including their exposure to risks identified in the *Handbook on Poverty and Social Analysis* (2012).
- (ii) Elaborate a risk and vulnerability profile, including
 - (a) quantifying the incidence of risks in the affected populations by age, gender, and location; assessing the frequency and severity of these risks; and identifying options to mitigate these risks;
 - (b) assessing the capacity of each group to mitigate risks related to the project at the individual, household, community, and regional/national levels (e.g., through relevant policies, programs, or institutions);
 - (c) identifying any mitigation measures and/or safety nets to address these risks and a strategy for their implementation;
 - (d) identifying possible components or other design options within the project to mitigate risks and improve opportunities for vulnerable groups to access project benefits;
 - (e) identifying the institutions (government and nongovernment) that focus on vulnerable groups and that could contribute to the design, implementation, monitoring, and/or evaluation of the project; and
 - (f) assessing the capacity of the executing and implementing agencies to provide services to vulnerable groups and implement mitigation plans.
- (iii) If affordability is identified as an issue,
 - (a) collect relevant data on poverty incidence and household expenditures on basic goods and services whose supply or prices could be affected by the project;
 - (b) survey affected groups to ensure that no poor or vulnerable groups will be worse off as a result of the project (i.e., not suffering real loss of entitlements, higher net cost of goods and services, or loss of employment or livelihood);

- (c) determine, based on survey and other data, (1) the adverse social costs of the project, (2) options to avoid or minimize these negative impacts, and (3) alternative design measures to proactively contribute to poverty reduction and social development;
- (d) if adverse social costs are unavoidable, prepare an appropriate mitigation plan or other measures;
- (e) prepare a socioeconomic analysis for the mitigation plan, clarifying the social and economic trade-offs; detailing various mitigation options; phasing transfers of funds; and analyzing the fiscal impact of the plan (including impacts on social sector revenues and expenditures);
- (f) assess the institutional capacity of the executing and implementing agencies to implement the plan; and
- (g) prepare a monitoring system for the plan.
- (iv) Identify possible targets and indicators related to social risks and vulnerabilities to be included in the DMF and PPMS.
- (v) Help the team leader in addressing social risks and vulnerabilities within the project, identifying appropriate law or policy changes, and drafting appropriate assurances to ensure the protection of at risk/vulnerable groups during the implementation of the project.
- (vi) Assist in preparing any social action or mitigation plan.

Appendix 3

Poverty and Social Analysis in Project Concept Stage

3.1 IPSA Report Form

INITIAL POVERTY AND SOCIAL ANALYSIS

Read and delete:

- (i) **Mandatory requirement:** Project concept papers and PPTA reports for sovereign and nonsovereign projects, and JFPR grant assistance reports. This appendix is not required for additional financing for cost overruns and financing gaps within the scale and scope of the original project.
- (ii) **Page limit:** This appendix should not exceed 3 pages.
- (iii) **Disclosure:** In accordance with ADB's Public Communications Policy (2011), the IPSA is disclosed upon (i) approval of the project or program concept note for sovereign projects; and (ii) upon completion of credit approval for nonsovereign projects.

Country:		Project Title:	
Lending/Financing Modality:	{Project} {Sector} {Multitranches Financing Facility} {Policy-Based} {Others}	Department/Division:	

I. POVERTY IMPACT AND SOCIAL DIMENSIONSⁱ

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategyⁱⁱ
 Describe how the project (i) contributes to the national poverty reduction and inclusive growth strategy at the macro, sector and spatial levels identified in the country partnership strategy; (ii) promotes economic and social inclusion of the poor and vulnerable groups; (iii) addresses the income and non-income dimensions of poverty and social exclusion.

B. Targeting Classification^{iv} (Select one):
 General Intervention
 Individual or Household (TI-H)
 Geographic (TI-G)
 Non-Income MDGs (TI-M1, M2, etc.)
 Explain why: If GI, describe pro-poor and inclusive design features of the project; If TI, provide direct poverty reduction focus of the project including, if possible, estimated poor beneficiaries of the project [(very poor (\$1.25/day); poor (below \$2/day); vulnerable (\$2–\$4/day)].

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Who are the expected beneficiaries of the project? What are their (i) potential needs that can be addressed by the project and (ii) constraints to access the proposed benefits and services? Provide initial data for poverty (\$1.5/day; \$2/day) and sector relevant social indicators.^v
2. Impact channels and expected systemic changes.^{vi} Describe impact channels and expected systemic changes that could benefit the poor and socially excluded through the project. How will the project address the potential constraints in accessing proposed benefits and services?^{vii}
3. Focus of (and resources allocated in) the PPTA or due diligence. Identify poverty and social issues that need to be carefully reviewed during project design; potential components and measures that should be considered.
4. Specific analysis for policy-based lending. Complete this section for all policy-based lending in accordance with OM section D4/OP footnote 12; discuss (i) transmission channels of the policy intervention; (ii) short-term (1–3 years) and medium-term (4–10 years) direct and indirect impacts on the poor, vulnerable, and excluded groups; and (iii) other issues to be reviewed during project design.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?^{viii}
2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?^{ix}
 Yes No Please explain. If yes, a gender action plan should be prepared during PPTA or due diligence.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?^{vi}
 Yes No Please explain. If yes, actions and measures should be prepared during PPTA or due diligence.

4. Indicate the intended gender mainstreaming category:^{vi}

- GEN (gender equity theme) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT^{xii}

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people?^{xiii} Identify how they will participate in the project design.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded?^{xiv}

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?^{xv}

- Information generation and sharing Consultation Collaboration Partnership

Indicate in each box the level of participation by marking high (H), medium (M), low (L), or not applicable (N) based on definitions in the ADB's Guide to Participation.^{xvi}

4. Are there issues during project design for which participation of the poor and excluded is important? What are they, and how shall they be addressed?^{xvii} Yes No Please explain.

Describe key features, responsibilities, and resources to strengthen the participation of CSOs, and/or poor and vulnerable.

IV. SOCIAL SAFEGUARDS^{xviii}

A. Involuntary Resettlement Category^{xix} A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement?
 Yes No Please explain, and provide information on the extent of land and assets acquisition and the estimated number of affected persons. Also describe actions/measures to be conducted during due diligence to address involuntary resettlement.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

- Resettlement plan Resettlement framework Social impact matrix^{xx}
 Environmental and social management system arrangement^{xxi} None

B. Indigenous Peoples Category^{xxii} A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain?
 Yes No Please explain, and provide information on the potential benefits and/or expected impacts, as well as the actions/measures to be conducted during PPTA or due diligence to address the concerns of indigenous peoples.

3. Will the project require broad community support of affected indigenous communities?^{xxiii} Yes No Please explain.

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?

- Indigenous peoples plan Indigenous peoples planning framework Social Impact matrix
 Environmental and social management system arrangement^v None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

- Creating decent jobs and employment^{xxiv} Adhering to core labor standards^{xxv} Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS^{xxvi} Increase in human trafficking Affordability^{xxvii}
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
 Creating internal social conflicts Others, please specify _____

Indicate high (H), medium (M), low (L) for selected boxes.

2. How are these additional social issues and risks going to be addressed in the project design?

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT^{xxviii}

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (vi) other social risks. Are the relevant specialists identified?

Yes No If no, please explain why.

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the PPTA or due diligence?

- ⁱ For multitranches financing facility (MFF) loan modality, an initial poverty and social analysis (IPSA) has to be prepared as an appendix to the project concept paper. The requirement to conduct poverty and social analysis should be reflected in the framework financing agreement.
- ⁱⁱ See also ADB. 2012 (forthcoming): *Poverty and Social Analysis Handbook*; and ADB. 2006. *Poverty Handbook: Analysis and Processes to Support ADB Operations: – A Working Document*. Manila. (<http://adb.org/Documents/Handbooks/Analysis-Processes/default.asp>). Further reference is also given in ADB. 2001. *Handbook for Integrating Poverty Impact Assessment in Economic Analysis of Projects*. Manila. http://adb.org/Documents/Handbooks/PIA_Eco_Analysis/default.asp
- ⁱⁱⁱ See (b).
- ^{iv} The Targeting Classification specified the main beneficiaries and poverty impact channels of the project. See the 2009 Staff Instructions on Project Classification System (page 7, para. 14: <http://pcs.asiandevbank.org/pcs-filesetup/>) and box on key issues. The rationale for the TI and GI classifications must be further discussed in the SPRSS write-up and is referred to in the design and monitoring framework, the beneficiary section, and the economic analysis of the project document.
- ^v Poverty indicators could be income and non-income indicators and may include estimates of number of poor based on national poverty lines and international poverty lines (such as number of people living on less than \$1.25/day and \$2.00/day). Non-income poverty and social indicators could include sector specific estimates, for example, in health projects (maternal and infant/child mortality rates, malnutrition rates); education projects (enrollment, cohort survival rates, etc.); for water and sanitation (percentage of people with access to clean water and sanitation facilities). Employment and unemployment rates may also be included.
- ^{vi} How could the living situation of the poor and the excluded change with the project, for example, by (a) having more access to better and more affordable services; (b) having better opportunities to raise their income and improve their sustainable employment and decent work; (c) being better protected against social, life, economic, environmental, and climate-related risks; (d) gaining a more equitable distribution of benefits and transfers; and/or (e) having more voice and decision-making relevance.
- ^{vii} Transmission channels typically include the following:
- Employment: Does the project have employment impact, especially on the poor and vulnerable? What are the employment opportunities during project construction, and how much employment is created? What type of employment is created by the project (long-term or short-term, high-skill or low skill, formal or informal sector)? How do the poor benefit? And how systemic is this for the country's/region's labor market?
 - Income: Does the project provide income opportunities? How does it affect the poor? What is the expected result on income poverty in the project area?
 - Prices: In what way does the project change price mechanisms for goods and services of the poor, and what are the implications on the poor and vulnerable? Do the benefits of the project primarily flow to nonpoor consumers as a result of the price mechanisms introduced?
 - Access: In what way does the project change access of the poor and vulnerable to services, and what are the implications for poverty reduction and more inclusiveness of growth? Also include access to assets and changes in authority.
- ^{viii} The country gender assessment and/or country gender strategy as part of the country partnership strategy identify key gender issues in the respective countries.
- ^{ix} If the project is likely to deliver tangible benefits to women by improving their access to social services, economic and financial resources and opportunities, basic rural and urban infrastructure, and/or enhancing voices and rights, the project has a potential for categorized gender equity theme or effective gender mainstreaming.
- ^x Examples of negative gender impacts include women's loss of traditional land rights or employment/livelihood opportunities as a result of project activities or policy changes. Negative impacts on women related to resettlement, or negative impacts on indigenous women, should be addressed under the relevant safeguard policy statement.
- ^{xi} For MFF, the gender mainstreaming category only applies to each tranche (project) and not for the MFF framework. For details of gender categories, see ADB. 2012. *Guidelines for Gender Mainstreaming Categories for ADB Projects*. <http://adb.org/documents/guidelines-gender-mainstreaming-categories-ADB-projects>
- ^{xii} See ADB. 2012. *Strengthening Participation for Development Results: An ADB Guide to Participation*. Manila. <http://beta.adb.org/documents/strengthening-participation-development-results-Asian-Development-Bank-Guide-Participation?ref=site/ngos/publications>
- ^{xiii} An initial stakeholder analysis identifies main population groups that may be affected—positively or negatively—by the project. Affected people means people who may be beneficially or adversely affected by a project or program assisted by ADB. See ADB. 2011. *Public Communications Policy 2011: Disclosure and Exchange of Information*. Manila.
- ^{xiv} Key stakeholders are identified during project preparation in the Stakeholder Analysis to understand who is affected—positively or negatively—by and interested in ADB-assisted activities and their relationship; participation involves consultations with stakeholder groups to understand their views and systematic engagement of stakeholders through a jointly formulated Participation Plan and Stakeholder Communication Strategy. A minimum amount of “information generation and sharing” shall be disclosed in accordance with the ADB's *Public Communications Policy 2011*. Stakeholders should be informed of the accountability mechanism.
- ^{xv} Civil society organizations (CSOs) particularly relevant to ADB are nongovernment organizations (NGOs), community-based organizations (CBOs) and people's organizations, foundations, professional associations, research institutes and universities, labor unions, mass organizations, social movements, and coalitions/networks of CSOs, and umbrella organizations. Approaches to strengthen relations between state institutions and their citizens are proven to promote accountability, improve public service delivery, and empower the poor and vulnerable. CSOs can assist the process by representing the voice of different sections of society or by providing a bridge to organize the participation of the wider population of whom they are a part.
- ^{xvi} See ADB. 2012. *Strengthening Participation for Development Results: An ADB Guide to Participation*. Manila (pp. 2–4) What is Participation? Different Approaches and Depths of Participation.
- ^{xvii} Should any of the participatory approaches above (question 3) require a medium or high depth of participation, a project-level participation plan is mandatory to ensuring adequate participation of organized stakeholders, civil society groups, and organizations, and also the poor and vulnerable in the project design. An initial participation plan shall be drawn up during concept note/IPSA drafting with appropriate TOR and dedicated resources included in the PPTA to ensure adequate stakeholder participation in design activities.
- ^{xviii} See ADB. 2007. *Handbook on Social Analysis*. Manila (Section III.D.2 and Appendixes 7–10) for more information on assessing the significance of social safeguard and other social issues in proposed projects.

- xix A project's involuntary resettlement category is determined by the category of its most sensitive component in terms of involuntary resettlement impacts. The involuntary resettlement impacts of an ADB-supported project are considered significant if 200 or more persons will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets (income generating). *Operations Manual* Section F1/OP paras. 8–9, Manila. 4 March 2010. A checklist to determine the significance of involuntary resettlement impacts is available at <http://lpedge.asiandevbank.org/wps/myportal/RSDD/Safeguards>
- xx Social impact matrix is required when policy-based lending or grant is assessed to have potential direct or indirect involuntary resettlement and impact on Indigenous Peoples. The matrix will show potential impacts of each policy action, together with mitigation measures, with a qualitative indication of the likely order of magnitude of each impact, and brief reasons for the judgment. See ADB. 2009. *Safeguard Policy Statement*. Manila (Appendix 4, Safeguard Requirements 4: Special Requirements for Different Finance Modalities, para. 2).
- xxi Environment and Social Management System (ESMS) is required to be put in place for projects involving financial intermediaries (FIs) and general corporate finance (GCF) with potential social safeguards impacts. An ESMS will be maintained as part of the overall management system to meet national laws and/or ADB's requirements. See *Operations Manual* Section F1/OP paras. 53–62, Manila. 4 March 2010; and ADB. 2009. *Safeguard Policy Statement*. Manila (Appendix 4, Safeguard Requirements 4: Special Requirements for Different Finance Modalities, paras. 13–20).
- xxii A project's Indigenous Peoples category is determined by the category of its most sensitive component in terms of impacts on Indigenous Peoples. The significance of impacts of an ADB-supported project on Indigenous Peoples is determined by assessing (i) the magnitude of impact in terms of (a) customary rights of use and access to land and natural resources; (b) socioeconomic status; (c) cultural and communal integrity; (d) health, education, livelihood, and social security status; and (e) the recognition of indigenous knowledge; and (ii) the level of vulnerability of the affected Indigenous Peoples community. The level of detail and comprehensiveness of the IPP are commensurate with the significance of potential impacts on Indigenous Peoples. See *Operations Manual* Section F1/OP paras. 10–11, Manila. 4 March 2010. A checklist to determine the significance of involuntary resettlement impacts is available at <http://lpedge.asiandevbank.org/wps/myportal/RSDD/Safeguards>
- xxiii Due to (i) commercial development of the cultural resources and knowledge of indigenous people; or (ii) physical relocation from traditional or customary lands; or (iii) commercial development of natural resources within customary lands under use that have potential impacts on the livelihoods or the cultural, ceremonial, or spiritual uses that define the identity and community of indigenous people.
- xxiv Labor issues are likely to be significant when (a) workers may lose their employment as a result of public or private sector restructuring; (b) the project may change or influence labor market policies or practices; and/or (c) the project will finance construction activities and there is a risk that these activities may not comply with national labor laws and regulations (e.g., related to minimum wage, safe working conditions, social security contributions, etc.) or with any of the international core labor standards, i.e., the project may involve (i) forced labor, (ii) child labor, (iii) discrimination in the workplace, or (iv) preventing workers from associating or collectively bargaining. For more information, see ADB. 2006. *Labor Issues in Public Enterprise Restructuring*.
- xxv Core labor standards are a set of four internationally recognized basic rights and principles at work: (i) freedom of association and the effective recognition of the right to collective bargaining, (ii) elimination of all forms of forced or compulsory labor, (iii) effective abolition of child labor, and (iv) elimination of discrimination in respect of employment and occupation. See ADB. 2006. *Core Labor Standards Handbook*; and ADB. 2012 (forthcoming): *Handbook on Poverty and Social Analysis*. Manila.
- xxvi Obligation is recognized in mitigating the risks of communicable diseases, see ADB. 2010. *Practice Guidelines for Harmonizing HIV Prevention Initiatives in the Infrastructure Sector*; ADB. 2009. Environmental, Health and Safety General Guidelines (of ADB *Safeguard Policy Statement*) and refer to box on key issues.
- xxvii Affordability issues may include disadvantageous pricing of goods and services making the poor worse-off than before the project; and leakages to nonpoor. Refer to box on key issues.
- xxviii The PPTA/due diligence process should address any of the IPSA questions that could not be answered fully, and should provide supporting data and information. In the final project documentation, the summary poverty reduction and social strategy (SPRSS) will summarize all of the relevant information gathered and any action plan(s) developed to make the project more inclusive and to mitigate social risks.

{Read and delete.}



KEY POVERTY, GENDER, AND SOCIAL ISSUES

Basis for Targeting Classification

- A project is classified as a general intervention (GI) if it does not directly address poverty (defined as \$2 poor at international purchasing power parity [PPP]) and the majority of the beneficiaries are not those poor. Different to targeted interventions, GIs only indirectly contribute to the partner country's poverty reduction goal by generally supporting the development strategy.
- Targeted intervention (TI), i.e., projects that directly benefit mainly the poor, vulnerable, and low-income people, may address income poverty at the household level, especially for the poor living on less than \$1.25 per day (TI-H); special geographic and systemic features of poverty reduction (\$2) and inclusive growth (TI-G); and social and environmental dimensions of poverty as indicated in the Millennium Development Goal (MDG) 1, target 1.C (hunger), as well as MDGs 2 (universal primary education), 3 (gender equity and empowerment of women), 4–6 (health dimensions of poverty), and 7 (environmental sustainability), (TI-M).

The TI-M and TI-G classifications are not confined to the income aspect of poverty, and do not apply only to the extreme poor (\$1.25 per day), but also include addressing vulnerability among the moderately poor (\$2 a day).

The **participation plan** is required where social safeguard issues are considered significant. A participation plan is highly recommended when participation of individuals and groups is considered important. Participation plans generally address the following questions:

- Specifically, which stakeholder groups will be engaged in the participation processes based on the stakeholders' analysis?
- What decisions need to be made through the participation plan, and how?
- What is the anticipated breadth and depth of stakeholder engagement at each stage of the project cycle?
- How will the participation plan be linked to the summary poverty reduction and social strategy and any safeguards requirements?
- How will the participation plan be used during implementation?
- What participation methods will be used?

Gender issues should be addressed when

- there are striking disparities and inequalities between men's and women's/girls' access to and use of relevant services, resources, assets, opportunities, and participation in decision-making process;
- the project has the potential to redress such differences and inequalities; or
- the project presents evident risks to the empowerment and gender equality of women and girls.

Involuntary resettlement category is determined by the category of its most sensitive component in terms of involuntary resettlement impacts. The involuntary resettlement impacts of an ADB-supported project are considered significant if 200 or more persons will experience major impacts, which are defined as

- being physically displaced from housing, or
- losing 10% or more of their productive assets (income generating).

Indigenous peoples category is determined by the category of its most sensitive component in terms of impacts on indigenous peoples.

The significance of impacts of an ADB-supported project on indigenous peoples is determined by assessing

- the magnitude of impact in terms of (i) customary rights of use and access to land and natural resources; (ii) socioeconomic status; (iii) cultural and communal integrity; (iv) health, education, livelihood, and social security status; and (v) the recognition of indigenous knowledge; and
- the level of vulnerability of the affected indigenous peoples community.

Labor issues are likely to be significant when

- workers may lose their employment as a result of public or private sector restructuring;
- the project may change or influence labor market policies or practices; and/or
- the project will finance construction activities and there is a risk that these activities may not comply with national labor laws and regulations (e.g., related to minimum wage, safe working conditions, social security contributions, etc.) or with any of the international core labor standards, i.e., the project may involve (i) forced labor, (ii) child labor, (iii) discrimination in the workplace, or (iv) preventing workers from associating or collectively bargaining.

Core labor standards issues can be identified using the following guide:

- Will the project finance infrastructure development carried out by civil work contractors? If yes, child labor issues, forced or compulsory labor, and equal wages between men and women for work of equal value may be relevant.
- Will the project involve public sector reform, including the updating or revision of civil service or other labor-related policies and laws? If yes, legislation related to core labor standards, particularly on hiring or firing, may be relevant.

Affordability issues are likely to be significant when

- there is a danger that the access of the poor or otherwise vulnerable groups to goods and services will be worse as a result of the project because of the pricing of such goods and services; and/or
- the benefits of the project will flow primarily to nonpoor consumers, and poor groups will remain underserved or excluded from the service.

Communicable diseases

- Communicable diseases have the potential to undermine development goals. The inter-connectivity, economic interdependence between countries, and increasing mobility provide opportunities for rapid spread of diseases. Climate change, population mobility, and urbanization contribute to the spread of dengue and malaria. Continued low levels of sanitation exacerbate rates of diarrhea.
- Communicable diseases of significance include influenza, dengue, malaria, tuberculosis, and HIV/AIDS, and other emerging infectious diseases because of their epidemic/pandemic potentials, adversely affecting poor people by its effects and costs.

Other risks and/or vulnerabilities that may be significant include

- risk of displacement and loss of assets and/or livelihoods as a result of conflict, political instability, or natural disasters;
- risk that benefits of the project may be diverted or misused by influential stakeholders or elite groups in the project area;
- risk that vulnerable groups may be negatively affected by the project; in this case, temporary safety nets may need to be developed; and/or
- danger that the poor or otherwise vulnerable groups may have less access to goods and services as a result of (i) loss of entitlements, and/or (ii) loss of livelihood or employment.

Appendix 4

Poverty and Social Analysis in Project Design

4.1 SPRSS Report Form

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Read and delete:

- (i) **Header:** Linked documents should contain the following header on the first page: {Project Title} (RRP {insert country code} {insert 5-digit project number}, e.g., Social Protection Support Project (RRP PHI 43407). Right-click on the header to edit the hyperlink, and replace “XXXXX” in <http://www.adb.org/projects/project.asp?id=XXXXX> with the 5-digit project number.
- (ii) **Title:** Use the standard title (as shown above).
- (iii) **Content:** The summary poverty reduction and social strategy reflects the results of the poverty and social analysis carried out during project^a preparation or other due diligence. The key issues addressed in the poverty and social analysis are drawn from the issues identified by the initial poverty and social analysis.
- (iv) **Mandatory requirement:** All RRP.
- (v) **Page limit:** Should not exceed 3 pages.
- (vi) **OSEC editing:** Required.
- (vii) **Disclosure:** Upon Board approval of the RRP.

Country:	<input type="text"/>	Project Title:	<input type="text"/>
Lending/Financing Modality:	{Project} {Sector} ^b {Multitranchise Financing Facility} ^c {Policy-Based} {Others}	Department/ Division:	{Name of Department (spell out)} {Name of Division (spell out)}

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY ^d
<p>Targeting classification: {general intervention} {targeted intervention—household} {targeted intervention—MDGs} {targeted intervention—geographic}</p>
<p>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</p> <p>Based on the country poverty assessment, the country partnership strategy, and the sector analysis, describe how the project (i) supports the national poverty reduction strategy; and (ii) directly or indirectly contributes to poverty reduction, inclusive growth, and achievement of social development goals.</p>
<p>B. Results from the Poverty and Social Analysis during PPTA or Due Diligence</p> <ol style="list-style-type: none"> 1. Key poverty and social issues. <u>For TI projects</u>, (i) explain direct poverty reduction mechanism(s) and justification for classification; (ii) summarize the partner country’s poverty reduction strategy as well as key poverty and social issues addressed by this project; and (iii) explain how the project addresses income poverty, MDGs 2–7 as well as hunger [target 2 of MDG 1] or special geographic features of poverty. <u>For GI projects</u>, explain sector link to poverty reduction, and the project’s indirect contribution to development and poverty reduction. 2. Beneficiaries. Provide the socioeconomic profile of and key constraints faced by primary (direct) and secondary (indirect) beneficiaries of the project and the project area (include baseline data for poverty and social indicators relevant to the sector/s covered by the project).^e Discuss the needs, demands, opportunities, and capacities of the poor and vulnerable groups in the project area. 3. Impact channels. Identify the direct and indirect impact channels through which the poor and vulnerable groups will benefit from the project. 4. Other social and poverty issues. Discuss any other social and/or poverty issues that the project does not address, and how these issues will be addressed by other actions outside of the project (e.g., by governments, civil society organizations, other development partners). 5. Design features. Describe the project’s strategy to address the key poverty and social issues by making reference to specific components of the project and linkages in the design and monitoring framework (DMF).

C. Poverty Impact Analysis for Policy-Based Lending^f

For policy-based lending (including sector development programs and other modalities involving policy reforms), fill in this section in addition to the key issues under **B. Poverty and Social Analysis**. Delete section C if not applicable.

1. Discuss the impact channels of the policy reform(s) (direct and indirect, short and medium term) on the country and major groups affected. Impact channels could include (depending on the project) changes in employment, prices, access to services, transfers, assets, authority and/or political voice (including changes in service delivery, governance and transparency issues related to people).^g
2. Discuss the impacts of the policy reform(s) on vulnerable groups and ways to address and mitigate these.
3. Discuss the systemic changes expected from the policy reform(s) for poverty reduction, pro-poor and inclusive growth, and attainment of social development goals, including the MDGs.

II. PARTICIPATION AND EMPOWERING THE POOR^h

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation.ⁱ Explain how this is reflected in the DMF, loan agreement, and PAM.
2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation.
3. Explain how the project ensures adequate participation of civil society organizations in project implementation.^j
4. What forms of civil society organization participation is envisaged during project implementation?^k Indicate in each box the level of participation by marking high (H), medium (M), low (L), or not applicable (N) based on definitions in ADB's Guide to Participation.

<input type="checkbox"/> Information gathering and sharing	<input type="checkbox"/> Consultation	<input type="checkbox"/> Collaboration	<input type="checkbox"/> Partnership
--	---------------------------------------	--	--------------------------------------
5. Will a project-level participation plan^l be prepared to strengthen participation of civil society as interest holders for affected persons particularly the poor and vulnerable?^m

<input type="checkbox"/> Yes. Describe key features, responsibilities, and allocated resources	<input type="checkbox"/> No. Explain why
--	--

III. GENDER AND DEVELOPMENTⁿ

Gender mainstreaming category: {gender equity theme} {effective gender mainstreaming} {some gender elements} {no gender elements}^o

A. Key issues. Summarize the key gender issues relevant to the project, including those identified in the gender analysis carried out during project preparation.

B. Key actions. Describe what measures are included in the project design to promote gender equality and women's empowerment—including access to and use of relevant services, resources, assets, and/or opportunities and participation in decision-making process:

- Gender action plan^p Other actions or measures No action or measure

{Summarize key design features of the gender action plan or other gender-related actions and measures, including performance targets, monitorable indicators, resource allocation, and implementation arrangements.}

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement

Safeguard Category: A B C FI

1. **Key impacts.** Summarize the key involuntary resettlement impacts, if any, identified during PPTA or due diligence, including the number of persons to be displaced and assets to be acquired.
2. **Strategy to address the impacts.** Briefly describe involuntary resettlement mitigation measures, institutional capacity, proposed capacity development program (if any) and grievance redress mechanism, and compliance with ADB information disclosure and consultation requirements.
3. **Plan or other Actions.**

<input type="checkbox"/> Resettlement plan	<input type="checkbox"/> Combined resettlement and indigenous peoples plan ^r
<input type="checkbox"/> Resettlement framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework ^s
<input type="checkbox"/> Environmental and social management system arrangement ^t	<input type="checkbox"/> Social impact matrix ^u
<input type="checkbox"/> No action	

B. Indigenous Peoples

Safeguard Category: A B C FI

1. **Key impacts.** Summarize the key impacts, if any, on indigenous peoples, including assessment of whether the project will entail any activity that requires ascertaining the broad community support of affected indigenous peoples communities. Is broad community support triggered? Yes No
If yes, briefly describe the process and outcomes of ascertaining that such support exists.
2. **Strategy to address the impacts.** Briefly describe the adequacy of mitigation measures to address impacts on indigenous peoples, institutional capacity, capacity development program, grievance redress mechanism, and compliance with ADB information disclosure and consultation requirements.

3. Plan or other actions.

- | | |
|--|---|
| <input type="checkbox"/> Indigenous peoples plan | <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan ^f |
| <input type="checkbox"/> Indigenous peoples planning framework | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework ^f |
| <input type="checkbox"/> Environmental and social management system arrangement ^g | <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary ^f |
| <input type="checkbox"/> Social impact matrix ^g | |
| <input type="checkbox"/> No action | |

V. ADDRESSING OTHER SOCIAL RISKS**A. Risks in the Labor Market**

1. Relevance of the project for the country's or region's or sector's labor market. Indicate the impact as high (H), medium (M), and low or not significant (L).
 Unemployment Underemployment^u Retrenchment Core labor standards^v
2. Labor market impact. Describe the impact of the project on the local labor market (if relevant) and summarize labor-market-related actions taken in the project to address unemployment risks, underemployment risks, retrenchment risks, and lack of adherence to the core labor standards.

B. Affordability

Summarize key issues and key measures in the project to address possible exclusion of people due to price mechanisms.^w

C. Communicable Diseases^x and Other Social Risks

1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA):
 Communicable diseases Human trafficking
 Others (please specify) _____
2. Describe the related risks of the project on people in project area.
Indicate the actions taken in the project to mitigate the risks, and how they are reflected in the DMF, PAM, and loan agreement.

VI. MONITORING AND EVALUATION

1. **Targets and indicators:** Summarize the performance targets and monitorable indicators (and their data sources) that address poverty reduction and inclusive social development as explained in the DMF. This would also include accountability for monitoring results and course correction, where needed.
2. **Required human resources:** Describe the human resources (counterparts, consultants, ADB staff) budgeted and integrated in the project implementation arrangements to monitor the poverty and social impact of the project.
3. **Information in PAM:** Explain what information the project review, monitoring, and completion reports included in the PAM.
4. **Monitoring tools:** Indicate the monitoring tools for poverty and social dimensions summarized in the project loan agreement and the PAM.

Source[s]: {List table source(s)}

{Delete footnotes when finalizing.}

^a Unless otherwise indicated, reference to projects includes (i) Asian Development Bank (ADB)-funded and/or ADB-administered sovereign and nonsovereign investment projects funded by a loan, and/or a grant, and/or other means (such as equity and/or guarantee); and (ii) programs, but does not include policy and advisory technical assistance, capacity development technical assistance, and research and development technical assistance.

^b For sector loans, social dimensions will be addressed in the sector analysis, and social indicators and benchmarks will be developed as part of the sector performance. This assessment is summarized and is highlighted in the summary poverty reduction and social strategy (SPRSS). For subprojects prepared during project preparatory technical assistance (PPTA) stage, the SPRSS have to be prepared as a linked document to the report and recommendation of the President. For subprojects prepared after the loan was approved, the SPRSS will be prepared by the executing agency in accordance with the agreed social criteria. ADB will review these subprojects on a selective basis to ensure compliance with the agreed upon criteria.

^c For multitranches financing facilities (MFFs), the SPRSS will be prepared before approval of the MFF. It will set out the broad magnitude of the scope and criteria for carrying out further poverty and social analysis and developing more specific plans or measures in future. The SPRSS will be updated for the second and subsequent tranches, and revisions incorporated into the periodic financing request submitted to the Management.

^d See also ADB. 2006. *Poverty Handbook: Analysis and Processes to Support ADB Operations – A Working Document*. Manila (<http://adb.org/Documents/Handbooks/Analysis-Processes/default.asp>). Further reference on poverty analysis tools is also given in ADB. 2001. *Handbook for Integrating Poverty Impact Assessment in Economic Analysis of Projects* (http://adb.org/Documents/Handbooks/PIA_Eco_Analysis/default.asp).

^e The Targeting Classification specified the main beneficiaries and poverty impact channels of the project. See the 2009 Staff Instructions on Project Classification System (page 7, para. 14: <http://pcs.asiadevbank.org/pcs-filesetup/>) and box on key issues. The rationale for the TI and GI classifications must be referred to in the design and monitoring framework, the beneficiary section, and the economic analysis of the project document.

^f See ADB. 2006. *Poverty Handbook: Analysis and Processes to Support ADB Operations – A Working Document*. Manila (Chapter V.E), for more information.

^g For policy-based lending, discuss the impact (transmission channels) on employment, prices, access, transfers, assets, and authority. For further information, see ADB. 2012 (forthcoming): *Poverty and Social Analysis Handbook*, and the DAC Ex-ante Poverty Impact Assessment Guideline.

- ^h See ADB. 2012. *Strengthening Participation for Development Results: An ADB Guide to Participation*. Manila. <http://beta.adb.org/documents/strengthening-participation-development-results-asian-development-bank-guide-participation?ref=site/ngos/publications>
- ⁱ “ADB recognizes the importance of disseminating information and involving a wide range of stakeholders in the development of its country programs and the preparation and implementation of specific projects. These factors can improve the effectiveness, relevance, and sustainability of development activities, and can contribute to good governance and the inclusion and empowerment of disadvantaged groups.” Source: ADB. 2007. *Handbook on Social Analysis: A Working Document*. Manila.
- ^j Civil society organizations (CSOs) particularly relevant to ADB are nongovernment organizations (NGOs), community-based organizations (CBOs) and people’s organizations, foundations, professional associations, research institutes and universities, labor unions, mass organizations, social movements, and coalitions/networks of CSOs, and umbrella organizations. Justify selection of key CSO stakeholders. Approaches to strengthen relations between state institutions and their citizens are proven to promote accountability, improve public service delivery, and empower the poor and vulnerable. CSOs can assist the process by representing the voice of different sections of society or by providing a bridge to organize the participation of the wider population of whom they are a part.
- ^k People or organizations can participate in a project through generation and sharing of information, consultation, collaboration, and partnerships. The degree of their participation in each of those participatory approaches can be low, medium, or high. A minimum amount of “information generation and sharing” shall be disclosed in accordance with ADB’s 2011 *Public Communications Policy*. For more information, see page 2 “What is participation?” in ADB. 2012. *Strengthening Participation for Development Results: An Asian Development Bank Guide for Participation*. Manila.
- ^l Indicate if separate participation plans have also been prepared for gender or indigenous people, or resettlement stakeholder activities. PPTA resources implications should be detailed.
- ^m Should any of the participatory approaches listed above (question 4) require a medium or high depth of participation, a project-level participation plan is mandatory to ensuring adequate participation of CSOs, and the poor and vulnerable in the project implementation.
- ⁿ See Section C2: Gender and Development in ADB Operations (December 2010 update), for more information on gender analysis, and gender action plans.
- ^o Indicate one of the four categories—gender equity theme, effective gender mainstreaming, some gender elements, and no gender elements. For details of gender categories, see ADB. 2012. *Guidelines for Gender Mainstreaming Categories for ADB Projects* (<http://adb.org/documents/guidelines-gender-mainstreaming-categories-adb-projects>). Please note that for MFF, a gender category only applies to each tranche (project) and not for the MFF framework.
- ^p A gender action plan should be included as a linked document to the report and recommendation of the President. The gender action plan is mandatory for projects classified as “gender equity as a theme” or “effective gender mainstreaming”; it is optional for programs classified under these categories.
- ^q Environment and Social Management System (ESMS) is required to be put in place for financial intermediary and general corporate finance projects that will have potential social safeguards impacts. An ESMS will be maintained as part of the overall management system to meet national laws and/or ADB’s requirements. See ADB. 2009. *Safeguard Policy Statement*. Manila (Appendix 4, Safeguard Requirements 4: Special Requirements for Different Finance Modalities, paras. 13–20) and *Operations Manual* Section F1/OP, paras. 53–62, 4 March 2010.
- ^r A combined resettlement plan/Indigenous Peoples plan and/or combined resettlement framework/Indigenous Peoples planning framework may be decided when a project entails physical displacement of Indigenous Peoples. See ADB. 2009. *Safeguard Policy Statement*. Manila (Appendix 3, Safeguard Requirements 3: Indigenous Peoples, para. 35).
- ^s Social impact matrix is required when policy-based lending or grant is assessed to have potential direct or indirect involuntary resettlement and impact on Indigenous Peoples. The matrix will show potential impacts of each policy action, together with mitigation measures, with a qualitative indication of the likely order of magnitude of each impact, and brief reasons for the judgment. See ADB. 2009. *Safeguard Policy Statement*. Manila (Appendix 4, Safeguard Requirements 4: Special Requirements for Different Finance Modalities, para. 2).
- ^t If Indigenous Peoples are the sole or the overwhelming majority of direct project beneficiaries, and when only positive impacts are identified, the elements of an Indigenous Peoples plan (IPP) could be included in the overall project design in lieu of preparing a separate IPP. The SPS requires that a summary about how the project complies with Indigenous Peoples safeguards be included and particular attention be provided to explain how requirements for meaningful consultation are fulfilled and how accrual of benefits for Indigenous Peoples have been integrated into the project. See ADB. 2009. *Safeguard Policy Statement*. Manila (Appendix 3, Safeguard Requirements 3: Indigenous Peoples, para. 17).
- ^u Indicate official unemployment rate and also underemployment rate. Underemployment is broadly defined as the percentage of labor seeking people (in percentage of able-bodied population) in the formal and informal economy which can get less than 300 days of paid work a year.
- ^v Core labor standards are a set of four internationally recognized basic rights and principles at work: (i) freedom of association, and the effective recognition of the right to collective bargaining; (ii) elimination of all forms of forced or compulsory labor; (iii) effective abolition of child labor; and (iv) elimination of discrimination in respect of employment and occupation. See ADB. 2006. *Core Labor Standards Handbook*. Manila, and also refer to box on key issues.
- ^w Affordability issues may include disadvantageous pricing of goods and services making the poor worse-off than before the project; and leakages to nonpoor. Refer to box on key issues.
- ^x Obligation is recognized in mitigating the risks of communicable diseases, see ADB. 2010. *Practice Guidelines for Harmonizing HIV Prevention Initiatives in the Infrastructure Sector*; ADB. 2009. *Environmental, Health and Safety General Guidelines (of ADB Safeguard Policy Statement)*. See also box on key issues.

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KEY POVERTY, GENDER, AND SOCIAL ISSUES

Basis for Targeting Classification

- A project is classified as a general intervention (GI), if it does not directly address poverty (defined as \$2 poor at international purchasing power parity [PPP]) and the majority of the beneficiaries are not those poor. Different to targeted interventions, GIs only indirectly contribute to the partner country's poverty reduction goal by generally supporting the development strategy.
- Targeted intervention (TI), i.e., projects that directly benefit mainly the poor, vulnerable, and low-income people, may address income poverty at the household level, especially for the poor living on less than \$1.25 per day (TI-H); special geographic and systemic features of poverty reduction (\$2) and inclusive growth (TI-G); and social and environmental dimensions of poverty as indicated in the Millennium Development Goal (MDG) 1, target 1.C (hunger), as well as MDGs 2 (universal primary education), 3 (gender equity and empowerment of women), 4–6 (health dimensions of poverty), and 7 (environmental sustainability) (TI-M).

The TI-M and TI-G classifications are not confined to the income aspect of poverty, and do not apply only to the extreme poor (\$1.25 per day), but also include addressing vulnerability among the moderately poor (\$2 a day).

The **participation plan** is required where social safeguard issues are considered significant. A participation plan is highly recommended when participation of individuals and groups is considered important. Participation plans generally address the following questions:

- Specifically, which stakeholder groups will be engaged in the participation processes based on the stakeholders' analysis?
- What decisions need to be made through the participation plan, and how?
- What is the anticipated breadth and depth of stakeholder engagement at each stage of the project cycle?
- How will the participation plan be linked to the summary poverty reduction and social strategy and any safeguards requirements?
- How will the participation plan be used during implementation?
- What participation methods will be used?

Gender issues should be addressed when

- there are striking disparities and inequalities between men's and women's/girls' access to and use of relevant services, resources, assets, opportunities, and participation in decision-making process;
- the project has the potential to redress such differences and inequalities; or
- the project presents evident risks to the empowerment and gender equality of women and girls.

Involuntary resettlement category is determined by the category of its most sensitive component in terms of involuntary resettlement impacts. The involuntary resettlement impacts of an ADB-supported project are considered significant if 200 or more persons will experience major impacts, which are defined as

- being physically displaced from housing, or
- losing 10% or more of their productive assets (income generating).

Indigenous peoples category is determined by the category of its most sensitive component in terms of impacts on indigenous peoples.

The significance of impacts of an ADB-supported project on indigenous peoples is determined by assessing

- the magnitude of impact in terms of (i) customary rights of use and access to land and natural resources; (ii) socioeconomic status; (iii) cultural and communal integrity; (iv) health, education, livelihood, and social security status; and (v) the recognition of indigenous knowledge; and
- the level of vulnerability of the affected indigenous peoples community.

Labor issues are likely to be significant when

- workers may lose their employment as a result of public or private sector restructuring;
- the project may change or influence labor market policies or practices; and/or
- the project will finance construction activities and there is a risk that these activities may not comply with national labor laws and regulations (e.g., related to minimum wage, safe working conditions, social security contributions, etc.) or with any of the international core labor standards, i.e., the project may involve (i) forced labor, (ii) child labor, (iii) discrimination in the workplace, or (iv) preventing workers from associating or collectively bargaining.

Core labor standards issues can be identified using the following guide:

- Will the project finance infrastructure development carried out by civil work contractors? If yes, child labor issues, forced or compulsory labor, and equal wages between men and women for work of equal value may be relevant.
- Will the project involve public sector reform including the updating or revision of civil service or other labor-related policies and laws? If yes, legislation related to core labor standards, particularly on hiring or firing, may be relevant.

Affordability issues are likely to be significant when

- there is a danger that the access of the poor or otherwise vulnerable groups to goods and services will be worse as a result of the project because of the pricing of such goods and services; and/or
- the benefits of the project will flow primarily to nonpoor consumers, and poor groups will remain underserved or excluded from the service.

Communicable diseases

- Communicable diseases have the potential to undermine development goals. The inter-connectivity, economic interdependence between countries, and increasing mobility provide opportunities for rapid spread of diseases. Climate change, population mobility, and urbanization contribute to the spread of dengue and malaria. Continued low levels of sanitation exacerbate rates of diarrhea.
- Communicable diseases of significance include influenza, dengue, malaria, tuberculosis, and HIV/AIDS, and other emerging infectious diseases because of their epidemic/pandemic potentials, adversely affecting poor people by its effects and costs.

Other risks and/or vulnerabilities that may be significant include

- risk of displacement and loss of assets and/or livelihoods as a result of conflict, political instability, or natural disasters;
- risk that benefits of the project may be diverted or misused by influential stakeholders or elite groups in the project area;
- risk that vulnerable groups may be negatively affected by the project; in this case, temporary safety nets may need to be developed; and/or
- danger that the poor or otherwise vulnerable groups may have less access to goods and services as a result of (i) loss of entitlements, and/or (ii) loss of livelihood or employment.

Appendix 5

Labor

A5.1 Summary Labor Market Assessment

1. The country poverty assessment that is prepared as a key background document for each country partnership strategy (CPS) should include a summary labor market assessment. Given that work is the main source of income for the poor and, as development proceeds, employment becomes the major source of economic support for workers and their families, a labor market assessment is critical to help identify the country's development options. A labor market assessment should recommend policies to ensure inclusive, labor-absorbing, and efficient development patterns. Improving labor market operations is an important element of strategies to reduce poverty, assisting human capital development, addressing gender discrimination, allocating a country's human capital resources to their most productive uses, enhancing welfare, and encouraging growth and development.

2. The summary labor market assessment should be brief and concise, focused on the determination of country priorities by revealing employment patterns. The size of the formal and informal sectors; sectoral distribution (population engaged in agriculture, industry, and services); rural and urban active population; evolution of real wages; the role of women in the labor force; working conditions; and compliance with national and international labor laws and standards, including the reported existence of child or bonded labor and violations of other core labor standards—all will provide information to help determine country priorities. In some countries, the priority attention will be to help the unemployed or underemployed working-age population find employment opportunities, or fight child labor. In others, the rural areas may have been forced to shoulder a disproportionate burden of the country's social problems, and strengthening rural systems may be a priority. Labor absorption is essential to avoid poverty. The country labor market assessment should evaluate which sectors/subsectors and geographical areas have a demand for labor and identify which areas may have an unmet supply of labor, to identify the right mix of public policies. Labor market assessment is, thus, a key element in the strategic link between economic growth and poverty reduction, and the assessment should provide recommendations to ensure efficient and inclusive development patterns.

3. The summary labor market assessment will be based on secondary sources. Institutions such as the International Labour Organization (ILO) have comprehensive country studies; other organizations, including the World Bank, have selected country studies. The key information required for a labor market assessment includes the country's development pattern, the structure of the labor market (supply and demand), the institutional framework (labor market legislation, administrative structure, social stakeholders), and policy analysis. Some indicative, not prescriptive, notes are next presented.

A. Labor-absorbing Development Pattern

4. The assessment of the labor-absorbing development pattern of the country should be based on a comparison of the composition of economic growth (primary, secondary, and tertiary sectors) and the sectors' labor intensity (labor force in primary, secondary, and tertiary sectors), leading sectors of the economy, the size of the informal sector, domestic and foreign investment prospects, and growth projections in the medium and long term.

- What are the characteristics of growth and poverty? Has the poverty rate been reduced at the same speed as the rate of growth? Has growth been pro-poor, trickled down? Has growth been sufficient to employ all the population of working age?
- Which are the most dynamic sectors of the economy? Are they labor-intensive?
- What is the percentage of the population below 18 years of age? Will the economy be able to absorb all new entrants into the labor market?
- Which sector is the country's niche in the world economy? Is this leading sector labor-absorbing? If not, is it taxed? Do the tax revenues benefit those outside the labor market?
- Is the growth rate low? What are the barriers to investment by the private/public sector? What can be done to accelerate growth while ensuring pro-poor use of scarce public resources?
- Which sectors, in which geographical regions, should be promoted in the short and/or long term to secure employment and prosperity for all citizens?

B. Structure of the Labor Market

5. The main purpose of this analysis is to identify labor market imbalances. This can be done by analyzing the demand and supply for labor separately, and by identifying the major sources of imbalances, such as geographical, skills, education, or gender factors. Labor supply attends to the human capital available in the nation, while labor demand attends to the human capital needs. This allows the identification of imbalances and mismatches in the supply and demand of labor, which can be addressed in future development policies.

6. **Labor Supply.** The analysis of supply of labor starts with demographic data. Many countries in Asia and the Pacific have fast-growing populations—on the average, 40% of the population are children and youth below 19 years old. Their economies have to grow particularly fast if they are to develop employment in the formal sector. Without that development, employment is confined to the informal—normally subsistence economy—and these countries have an impossible task in reducing their poverty levels. The important consideration is labor force growth—and labor force growth is obviously linked to controlling population growth. The analysis of labor supply should also center on working-age population, including the economically inactive. Especially during deep economic changes, substantial flows of workers occur between the economically active and economically inactive pools. Following a typical ILO classification of the population according to labor categories, the statistics below should provide a comprehensive picture of labor supply:

- demographic structures by major age groups: children and youth (0–14 or 0–18); working-age population (15–60/65 or 19–60–/65); elderly (60/65+); birth, death, and natural growth rates;



- the size, structure (male/female; urban/rural; age; education), and projections of the working-age population (WAP = Men 15–60/65 + Women 15–60/65);
- employment (and, if available, underemployment) by economic activity, occupation, gender, age, education, urban/rural, formal/informal and public/private sectors;
- unemployment by gender, age, education, and urban/rural sectors;
- economically inactive population by group (housewives, students, discouraged job seekers, and others), age, gender, and education;
- labor migration (internal and external) and impact on the structure of the labor force;
- literacy rates, average years of schooling, and changes in the education system affecting school retention; and
- if relevant, changes in the pension system affecting retirement age.

7. **Labor Demand.** The basic characteristics of the labor demand that need to be assessed include

- economic structure (national and regional, by sector);
- wage levels and earnings;
- relationship between the formal and informal sectors;
- relationship between the rural and urban sectors;
- size and structure of the public sector; and
- size, structure, and potential for private sector development.

8. Countries with a significant shortfall between the economic growth rates and the population growth rates are bound to have substantial informal sectors. Assessing labor demand, especially on a detailed industry or occupation level, may be difficult except in general terms. For most policy prescriptions, this proxy may be sufficient. For example, quantification of the informal sector requires effort in terms of its definition and, once a definition is agreed upon, an estimation of its size.¹

9. The promotion of small and medium-sized enterprises is normally a good practice to generate employment and economic growth. The development of a manufacturing sector, and the type and level of the sector, depends on a variety of factors such as accepted wage levels and the skills of the labor force. Typically, countries at the lower end of development gain immediate improvements in incomes because of direct foreign investment into manufacturing, but the gains are limited unless there is a longer-term movement toward higher-level manufacturing involving greater skills. Services cover a wide range of sectors, notably tourism and commerce. These sectors are noted for numerous small enterprises and for informal employment in general. Tourism

¹ The formal sector may be defined in terms of business registrations, but this would not allow for employment estimates to be made. It could also be defined in terms of those responsible for paying social taxes; however, tax avoidance can be high so that the resulting figures may not be accurate. Another definition is based on the existence of contractual arrangements between workers and employers. Whatever estimates are finally made, they should cover two elements of the informal sector: rural informal employment, which affects the majority of the population in Asia, and informal employment in urban areas, growing due to migration processes—mostly service sectors—particularly transport (taxis, bicycles, rickshaws, etc.), retail services (including itinerant trade), and tourism (restaurants, stalls, and so on). The problems of these sectors relate to lack of or limited access to a social protection program which, more or less by definition, is confined to the formal sector.

is usually seen as a growing industry in developing member countries (DMCs) of ADB, but a great deal depends on the nature of the country in question—on its openness, perceived levels of corruption, potential for civil unrest, natural or historical sites, and quality of infrastructure.

10. The final stage of the analysis of the labor demand consists of identifying the major constraints for matching labor supply with existing demand.

C. Existing Labor Market Policies

11. Labor market policies (LMPs) comprise active and passive labor market programs. Active labor market programs include

- direct employment generation (e.g., promoting small and medium-sized enterprises, or public works);
- labor exchanges or employment services (e.g., job brokerage or counseling) linking supply with demand for labor; and
- technical and vocational training, and skills development programs (training and retraining).

12. Passive LMPs include unemployment insurance, income support, and a legislative framework that should strike a balance between economic efficiency and labor protection. An appropriate legislative framework will include provisions on issues such as minimum age, maximum hours and overtime, labor contracts, industrial relations, safe working conditions, special protection appropriate for new mothers, and anti-discrimination provisions to protect women and minorities. Internationally recognized labor standards, when ratified, are also part of the legislative framework of a DMC. With regard to the core labor standards identified by the ILO, no explicit ratification is needed for them to be part of the legislative framework of a country that is a member of the ILO.

13. The primary goal of examining a country's labor legislation is to identify legislation that acts to restrict the operations of the labor market, and possible noncompliance with the international core labor standards. All ADB interventions must be designed in accordance with national and international legislation—such as the core labor standards. Specifically, the most relevant labor market legislation may include

- legislation on core labor standards;
- wage policies, which include legislation on minimum wages;
- job security provisions, which cover the recruitment and separation of employees;
- working conditions, which cover issues such as working hours, leave provisions, and occupational health and safety; and
- other relevant legislation, such as regulations controlling labor mobility (for example, internal passports) and enterprise-based forms of social protection, such as pensions or housing.



14. **Administrative Structures.** The analysis of existing LMPs could include
- enumeration of existing LMPs (number and types of policies/programs);
 - organizations responsible for implementing LMPs, including coordination between organizations;
 - sources of finance of LMPs, including flow of funds from central to local units and cost recovery procedures, if any;²
 - target groups and the programs' effectiveness; and
 - capacity to adequately inspect working conditions.
15. The analysis should avoid long narratives and statistical tables, but concisely evaluate the effectiveness of the country's LMPs and point out areas where development is needed.

D. Recommendations

16. Earlier sections should allow a first assessment of the mismatch of the demand and supply of labor, and whether the current development pattern of the country and LMP framework help in matching the supply and demand of labor. This should allow recommendations on employment-generating policies, and on investments that may correct national or regional imbalances and address uncovered problems in the labor market.³ The final objective is to ensure that the ADB portfolio supports inclusive labor-absorbing development patterns, enhances welfare, supports compliance with national and international labor standards, and helps allocate human capital to the most productive uses.

A5.2 Mitigation of Labor Impacts: Labor Restructuring Plans⁴

1. In case of public or private sector restructuring, ADB should ensure that workers—particularly low-income workers—regardless of race, skills, gender, or religious/political beliefs, are not unfairly disadvantaged because of a necessary development intervention.

² Finance can come from four main sources: government budgets, special off-budget funds, cost-recovery, and donors. Because of budgetary restraints, governments may well be inclined to favor the use of off-budget funds, typically financed by employers, payroll-based levies, and employee levies. The capacity to finance labor market policies, whether through budget or off-budget funds, depends on a country's tax base. It is difficult to collect significant amounts of either income taxes or employer-based taxes in countries with large informal sectors. In many countries, cost-recovery procedures are used but with significant exemptions applied, given the low income levels and the opportunity cost of education for the unemployed.

³ The recommendations should be careful not to address symptoms (e.g., unemployment) without recognizing the underlying causes. Retraining programs for the unemployed, for example, may be ineffective where the major cause of unemployment is lack of labor demand—which is the case in many transition economies.

⁴ For additional information and guidance, see ADB. 2006. *Technical Note: Labor Issues in Enterprise Restructuring*. Manila.

2. There are three major sources of mass layoffs: (i) market shifts (cyclical or structural); (ii) privatization and/or deregulation; and (iii) technological and/or organizational change, including enterprise restructuring. Necessary sector project and program lending related to (ii) and (iii) may generate adverse impacts on labor that should be mitigated.
3. There are three major policy options to mitigate possible negative impacts of project and program lending on labor: prevention of layoffs, compensation for laid-off workers, and redeployment of laid-off workers.
4. There is no best solution and each situation will require a tailored plan in which consultation between government, employers, and labor representatives is essential. Optimally, employers can win on productivity/wage cost rationalization in order to enhance enterprise competitiveness and workers benefit from alternative employment options. A thorough country, regional, and company labor market analysis to understand the country/regional demand for labor and the skills supplied by the retrenched workers, is essential to evaluate options for the redundant employees. The available policies are based on (i) legal regulations, (ii) income support, (iii) skills development through retraining and employment services, and (iv) improved labor market information and counseling. Such aspects as age, gender, and skills of the labor force, financial solvency of companies, fiscal impacts, the local labor market situation, income levels of employees, and existence of adequate social protection institutions (i.e., unemployment insurance, vocational/technical training centers, employment services) are critical elements when assessing a mitigation measure.

A. Prevention

5. Prevention of layoffs is an anticipatory intervention to identify at-risk situations. Prevention requires good technical assessments and collective action by government, employers, and workers to negotiate the absorption of losses and share the burden. There are several policy approaches to prevent layoffs:
 - (a) *layoff restrictions*: outright bans and regulations requiring due diligence to make layoffs expensive to firms; this can be combined with a reduction in wages to reduce the losses caused to companies;
 - (b) *employment maintenance*: work-sharing arrangements; alternatively, to compensate the reduction on salaries, the state could temporarily subsidize wages;
 - (c) *enterprise agreements*: to absorb workers from other companies in the same sector;⁵ and
 - (d) *enterprise development*: adoption of a dynamic corporate strategy (developed in conjunction with labor representatives) designed to expand new markets, profitable new areas of business, and employment opportunities to offset declining ones.

⁵ For example, Malaysia used such agreements in the construction sector during the financial crisis to prevent mass layoffs; industry-level agreements were negotiated between trade unions and employers organizations.



B. Compensation

6. Compensation and redeployment are the most frequently used labor mitigation measures. Compensation is preferred when (i) anticipated disruption of employment is short; (ii) labor force is aged, or near retirement age; or (iii) institutional capacity is too low to be able to offer redeployment policies. The types of compensation include

- (a) *unemployment insurance*: Ideally, the labor force had been contributing to a financially solvent unemployment insurance fund. This, however, is not a regular situation in many developing countries. If contributions were made but the fund may not be able to comply with payments, the provision of enriched benefits or special provisions could be assessed.⁶
- (b) *severance payments*: Severance payments are offered based on years of service, position/rank at the time of leaving, and age; employees may accept an offered lump-sum payment on a voluntary basis.
- (c) *early retirement pensions*: Earlier retirements require negotiation given that normally a no-penalty for advancing pension rights is sought by beneficiaries, and either the government or employers will have to absorb the costs, or the retirees accept a lesser pension. It is not advised to make the pension fund absorb the costs because this is a bad practice that promotes unacceptable distortions in the social protection system.

C. Redeployment

7. Redeployment is a preferred option and best practice always provided that (i) the labor force is young and flexible, able to learn new skills, and—in a worse scenario—capable of geographical mobility; and (ii) the government is committed to improving labor market functioning and has the sufficient institutional capacity to support reforms. There are three major sets of options:

- (a) Improving Labor Market Functioning. Measures may include
 - *advance layoff notice*: providing time to workers to search for alternative employment;
 - *eliminating rigidities*: internal passports, police controls, licensing, or certification requirements;
 - *improving labor market information*: connecting supply and demand for labor through employment services.
- (b) Active Labor Market Policies. Policies may include
 - *retraining workers*: retraining in skills that have a demand in the labor market; for this, a thorough labor demand assessment needs to be done and a training plan (including subjects, trainers, available training centers or on-the-job-training positions, and estimated costs) identified;

⁶ Unemployment insurance funds need to be established in situations of employment and economic growth; it is not advised to set them up in situations of economic stagnation and mass layoffs as they stimulate bad practices.

- *counseling, job brokerage centers*: employment offices normally play a significant role by providing information on job vacancies and assisting laid-off workers upon personal presentation of their curriculum vitae, facilitating migration to areas where labor demand is high, etc.;
- *promotion of self-employment*: employment offices can also play a major role in providing support services (advice, training, credit, information about markets, etc.) for those interested in self-employment; and
- *stimulating job creation*: in case of economic crisis or stagnation, such as the 1997/98 Asian Financial Crisis and the 2008/09 Global Financial Crisis, direct job creation by means of public works may be a short-term solution to mitigate market fluctuations.

D. Divestiture of Social Assets and Services Provided by Enterprises

8. Social assets and services (such as health clinics, kindergartens/day-care centers, schools, housing/accommodation, water, heating, meals/canteens, shopping facilities, transportation services, pensions, and recreation/social clubs) are often provided by large public and private firms. When enterprises are privatized, these social assets normally need to be divested; however, simple closure may result in a large social loss. There is no preferred method for divesting assets/services, but simple transfer to local governments should be avoided, unless demonstrated managerial and financial resources are earmarked to maintain services/operations. Other methods include privatizing the asset/service (i.e., make it a legal entity and proceed to its sale) and/or allowing individuals or communities to operate it. A retrenchment plan should (i) identify and estimate the value/cash flow of the social assets/services; (ii) discuss with all stakeholders options to maintain the assets/services, bearing in mind the long-term sustainability of running the operation; and (iii) if privatization is a preferred option, arrange for legal work to convert facilities into commercial companies and schedule a timing for the open sale of each asset/service.

E. Choosing Policy Options

9. Assessing policy options to mitigate possible negative impacts of project and program lending on labor requires a solid understanding of the interest of different stakeholders, available resources (human, fiscal) and knowledge of the country laws and idiosyncrasies. A mitigation program normally involves a combination of several of the mitigation measures described in earlier paragraphs, after careful consultation process. Optimally, there should be in place collective bargaining structures enabling employers, whether in the public or private sector, to negotiate a mutually acceptable package with a properly resourced independent trade union organization representing the employees. Such a package might, for example, incorporate (a) maximum emphasis on early retirement/natural wastage rather than compulsory layoffs of younger workers, (b) productivity/wage cost rationalization to enhance enterprise competitiveness, and (c) investment in product and market diversification to absorb surplus manpower. Selective government support/subsidy for such a package could be appropriate (possibly involving aid

agency participation), provided that its sustainability was thoroughly appraised and it was not allowed to become an excuse for prolonged inefficiency and waste of scarce fiscal resources.

10. Mitigation options should always aim to balance political fairness and economic sustainability adequately. Table A5.2.1 lists the issues of the three stakeholders that have to be taken account in mitigation. A number of requirements should be considered:

- (i) Retrenchment because of private or public sector restructuring should be linked to sustainable productivity improvements in the enterprise and to a sound macro and sectoral policy framework in place. A sample retrenchment plan checklist is shown in Box A5.2.1.
- (ii) A socioeconomic analysis should be carried out, making the social and economic trade-offs transparent.
- (iii) The packages should be examined carefully to make sure that they are not unaffordable or collapsing other social expenditures, and that they do not lead to adverse selection problems.
- (iv) Mechanisms have to be put in place to prevent rehiring of workers taking packages.

11. Given the different rank, status, and degree of specialization of employees, redundancies do not affect employees in the same manner. It is important that low-income groups with no alternative livelihood options should be prioritized.

Table A5.2.1 Issues of Stakeholders

Stakeholder	Responsibility
Labor Divestiture	
Enterprise	labor restructuring plans labor force analysis cooperation at the work level tripartite consultations and negotiations
Government	regulations labor market information temporary income support programs redeployment services tripartite consultations and negotiations
Unions	tripartite consultations and negotiations agreements cooperation at the work level collaboration in new business plans and enhanced productivity
Divested Social Assets	
Enterprise	selling or giving enterprises and social services away to capable private entities, government, employees, or communities
Government	taking managerial and financial responsibility for selected public services, such as schools and clinics, and supporting individuals or communities willing and capable of taking over social services
Unions	assisting employees in purchasing social assets (e.g., housing, assets with commercial potential)

Box A5.2.1 Labor Restructuring Plan Checklist

- **Who?** Who is the affected workforce? The number of estimated affected employees should be surveyed by functional responsibility, age, income, employment status (contract or temporary workers, for example), family responsibilities, geographical location, and social security and welfare coverage. To avoid gender discrimination, particular attention should be given to the low-income groups with no alternative livelihood and the number of redundant women workers.
- **Where?** Understanding the country or regional labor market trends and applicable labor legislation is a prerequisite of restructuring plans. Are there any areas where labor skills are in demand? Can the retrenchment plan help employees move to these areas or acquire these skills? How are industrial relations in the country or region? Are there relevant laws, regulations, and collective agreements, at both the enterprise and industry levels, and are they respected?
- **How?** Have companies defined the new business plans, markets, and products, and organized the utilization of labor necessary to reach competitive efficiency and productivity standards? Have firms analyzed the current employees' skills mix and new skills requirements? Are the enterprises divesting social assets? Is there a plan to privatize, subcontract, or transfer outlets so social services are operated in a sustainable manner?
- **How?** Is the process of labor restructuring transparent? Is there an official, independent, and efficient institutional arrangement? Is there a committee overseeing the process? Are the restructuring rules clear and understood by affected employees? Are the employees heard? Are workers' rights reflected or neglected in the process? Are there regular consultations with accredited workers' representatives? Have workers been given sufficient advance notice?
- **How?** What does the prevention and compensation package consist of and is it adequate? Are there clear administrative and institutional arrangements? Are the timing and magnitude of the package adequate for the laid-off workers? Have adequate funds been identified for guidance, counseling, retraining, or any other program? Are those budget requirements collapsing other social sector expenditures and revenues?
- **With whom?** Is there any international in-country agency (i.e., the International Labour Organization, the World Bank) that has experience in these topics? Has any other sector experienced a significant labor restructuring plan? If retraining or job brokerage and counseling services are envisaged, which would be the best institutions to provide them?

Source: IFC. 2005. *Good Practice Note: Managing Retrenchment*.

A5.3 Core Labor Standards⁷

A. Overview

1. As part of its social protection strategy (2001), ADB has committed to comply with the internationally recognized core labor standards (CLS) in its operations. CLS include four basic rights and principles at work:

- (i) freedom of association and the right to collective bargaining,
- (ii) elimination of discrimination in employment and occupation,
- (iii) elimination of all forms of forced and compulsory labor, and
- (iv) effective abolition of child labor.

2. The International Labour Organization (ILO) highlighted CLS in its Declaration on the Fundamental Principles and Rights at Work (1998), which called upon all ILO member

⁷ This appendix is based on ADB's *Core Labor Standards Handbook* (2006).



countries to comply with the four principles, even if they have not yet ratified all relevant ILO conventions. Most ADB member countries are also ILO members, and therefore are obligated to comply with CLS.⁸

3. Additional labor standards reinforce CLS, such as those related to workers with family responsibilities, protection of migrant workers, working hours for young workers, and industrial relations. Other labor standards that complement the CLS and contribute to inclusive social development cover such subjects as

- (i) occupational health and safety,
- (ii) employment promotion,
- (iii) minimum wages and payment of wages,
- (iv) social security,
- (v) labor administration (including labor inspections), and
- (vi) specific economic sectors or occupations (e.g., plantation workers, home-based workers, seafarers, dock workers, and nursing personnel).

4. While most ADB member countries have committed to support CLS and other international labor standards (e.g., by ratifying several ILO conventions), this does not in itself ensure that the countries are complying with these labor standards. Compliance requires that the country enact appropriate labor laws and regulations and provide adequate resources to enforce them.

B. Core Labor Standards in ADB Operations

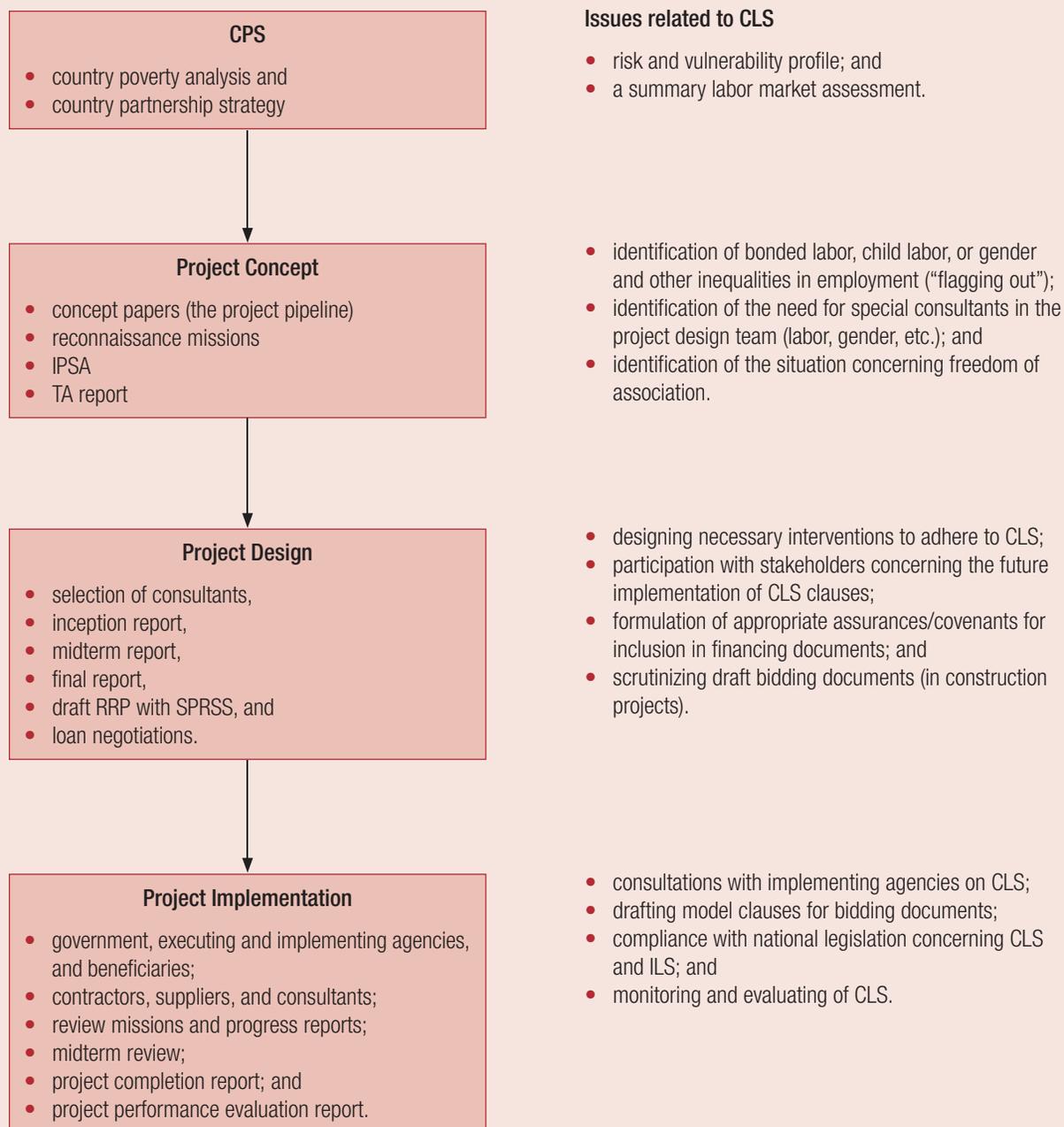
5. Several entry points support CLS in ADB's operational cycle—i.e., in preparing country partnership strategies (CPSs), and in the pre-design, design, and implementation phases of ADB-supported projects. These entry points are summarized and discussed in Box A5.3.1.

1. Country Partnership Strategies

6. At the country programming level, ADB supports CLS and other relevant labor standards by carrying out a summary labor market assessment and including it in each country poverty assessment (a core input to each CPS). This summary labor market assessment includes an examination of the country's labor laws to assess whether they are consistent with CLS. More information on the preparation of summary labor market assessments is provided in Appendix 5.1.

⁸ In the Asia and Pacific region, Bhutan, the Maldives, and some Pacific countries (including the Marshall Islands, the Federated States of Micronesia, Nauru, Tonga, and Tuvalu) are not members of the International Labour Organization.

Box A5.3.1 Core Labor Standards in ADB's Operational Cycle



ADB = Asian Development Bank, CLS = core labor standards, CPS = country partnership strategy, ILS = international labor standards, IPSA = initial poverty and social analysis, PPTA = project preparatory technical assistance, RRP = report and recommendation of the President to the Board of Directors, SPRSS = summary poverty reduction and social strategy, TA = technical assistance.

Source: ADB. 2006. *Core Labor Standards Handbook*. Manila.



2. Projects

7. **Predesign Phase.** As part of the initial poverty and social analysis (IPSA) carried out at the predesign phase of a project, the following questions should be considered:

- (i) Will the project's support infrastructure development or otherwise involve the engagement of civil works contractors? If so, then child labor issues may be relevant, as well as equal wages between men and women for work of equal value. This category includes urban or rural development, transport, and energy projects.
- (ii) Will the project support public sector reform, including the updating or revision of labor laws?
- (iii) Will the project involve the privatization of public institutions or restructuring of enterprises, possibly involving layoffs of workers? Redeployment may raise CLS issues related to the elimination of employment discrimination and equal pay, as well as several other labor issues (see Appendix 5.2).
- (iv) Will the project involve arrangements for contracting local labor or in-kind contributions of labor by communities? If so, depending on the arrangements, CLS issues may also arise.

8. **Project Design.** If CLS or other significant labor issues are identified at the predesign phase, then further analysis should be done during the design phase and appropriate measures should be built into the project design. A project may have a direct or indirect impact on CLS if

- (i) the project is intended to create or improve employment opportunities;
- (ii) the project will involve layoffs of workers due to privatization or restructuring;
- (iii) workers who are contracted under the project may be at risk of gender, race, or age discrimination;
- (iv) the project area has a high incidence of child labor or bonded labor, and project contractors may be tempted to use them; or
- (v) the project area has a high risk for human trafficking, or the project is likely to facilitate trafficking (e.g., a large infrastructure project, especially a large transport project).

9. If the project raises CLS issues, measures should be included in the implementation arrangements to ensure compliance with CLS and related national labor laws. Such arrangements could (i) require that all civil works contracts include commitments to comply with applicable labor laws, particularly those supporting CLS; and (ii) require the executing agency and project implementation consultants to monitor and report on the performance of the civil works contractors with respect to CLS and other relevant labor standards. If the project involves retrenchment of workers or other restructuring, a labor restructuring plan should be prepared (see Appendix 5.2). These measures should be supported by appropriate covenants in the financing documents for the project.

10. **Project Implementation.** Several steps can be taken to ensure that a project is implemented in compliance with CLS and other relevant labor standards:

- (i) The bidding documents and contracts for any civil works and the terms of reference for the project implementation consultants should be reviewed to ensure that they contain appropriate provisions relating to CLS.

- (ii) The project implementation consultants should review the site practices of the civil works contractors early in the implementation phase, including the contractors' record-keeping practices, arrangements for worker committees or other forms of worker participation, provision of basic safety clothing and equipment, and general housing and working conditions for workers.
- (iii) Provision should be made to brief project staff and consultants, civil works contractors, and other relevant stakeholders on CLS and the specific requirements of the project related to labor standards.
- (iv) The executing agency, project implementation consultants, or an independent agency (such as a local nongovernment organization) should monitor compliance with CLS on project work sites through
 - visual monitoring to check that workers are wearing/using appropriate protective clothing or equipment; that women are not being sidelined; that children are not working; and that appropriate records are being maintained;
 - periodic review of the contractor's records to check on who is employed and for what duration, working hours, work schedules, wages and benefits paid, accidents, etc.;
 - conversations with workers to cross-check the above;
 - discussions of any inconsistencies with contractors or their site agents at regular site meetings; and
 - agreement on how to deal with persistent noncompliance by a contractor (e.g., through incentives or sanctions).
- (v) The monitoring system should be reflected in the project administrative manual.

Appendix 6

Other Risk Assessments and Mitigation Plans

A6.1 Risk and Vulnerability Profiles

1. Populations, households, and individuals face various risks that can plunge them into poverty and so societies have to take steps to reduce their vulnerability and to cope with the effects when shocks occur. Vulnerability indicates exposure to hazards and the likelihood that the welfare of an individual or a household falls below minimum consumption levels. Risks may include covariant risks such as natural disasters, civil conflicts, economic downturns, or idiosyncratic household reversals—such as crop failures, unemployment, illness, accident, disability, death, and old age—threatening the future of the household and its members. Development interventions may themselves create new vulnerability and risks through involuntary effects, such as less affordable goods and services, temporary job loss, loss of common property, displacement, and loss of community support networks and social capital.

2. Generally, four main types of risk to the poor can be identified: those related to (i) the individual life cycle, (ii) economic factors, (iii) environmental factors, and (iv) social/governance-related factors (Table A6.1.1). Some risks affect all population groups equally; others have more intense impacts on the poor. The poor are highly vulnerable to risks and are constantly preoccupied with risk-averse and coping strategies to avoid sinking further into poverty. Social risk is a dynamic concept—insecurity means exposure to risks of events that, if they occur, result in further vulnerability. While anyone can be vulnerable, the poor and the near poor are particularly at risk because they have fewer assets, reserves, or other opportunities to fall back on.

3. There are many risk-reduction mechanisms, formal and informal, public- and private-sector delivered. For programming purposes, Table A6.1.1 shows some strategies to cope with risk. Many people in Asia rely on community arrangements and household/family support (often provided by women). However, as urbanization and industrialization gradually undermine the effectiveness of traditional and informal protection mechanisms, new public and/or private systems need to be put in place to reduce risks to the population. Social protection presents a variety of instruments to deal with the diversification of most of these risks. The long-term solution to vulnerability depends on good social and economic development decisions that address the structural causes of vulnerability. Development policies should therefore (i) involve proactive interventions to reduce vulnerability and support populations to overcome poverty; and (ii) try not to alter effective informal family and community-based mechanisms to cope with risk, given

Table A6.1.1 Risks and Vulnerability: Risk Assessment and Risk-Reduction Measures

Risk Assessment		Risk-reduction Measures	
Type of Social Risk to the Poor	Household or Informal Mechanism	Option for Public Sector Intervention	Option for Private Sector Mechanism
Life cycle <ul style="list-style-type: none"> • Hunger, children's stunted development • Illness/injury/disease • Disability • Old age • Death 	<ul style="list-style-type: none"> • Women as family welfare providers • Extended family, community support • Hygiene, preventive health • Asset/savings depletion • Debt 	<ul style="list-style-type: none"> • Health nutrition policy/services • Social insurance policy; mandatory insurance for illness, disability, life, old age; microinsurance • Social assistance • Child protection 	<ul style="list-style-type: none"> • Provision of health services • Health, disability, life insurance, and reinsurance • Microinsurance • Old-age annuities
Economic <ul style="list-style-type: none"> • End of source of livelihood (i.e., crop failure, cattle disease) • Unemployment • Low income • Changes in prices of basic needs • Economic crisis and/or transition 	<ul style="list-style-type: none"> • Diversified sources of livelihood • Private transfers/extended family support, child labor • Depletion of assets/savings • Reduced consumption of basic goods • Debt • Migration 	<ul style="list-style-type: none"> • Sound macroeconomic and sector policies to promote economic opportunities • Particularly, regional and rural development policies, including microinsurance • Labor market policies • Education and training • Social funds 	<ul style="list-style-type: none"> • Employment-generating private sector investment • Agricultural/livestock insurance, reinsurance, microinsurance • Banking services to the poor, microfinance • Providing training
Environmental <ul style="list-style-type: none"> • Drought • Flood, rain • Earthquake • Landslide 	<ul style="list-style-type: none"> • Migration • Community action for resource management • Private transfers/extended family support • Assets/savings depletion 	<ul style="list-style-type: none"> • Environmental policy and infrastructure investment • Catastrophe prevention, mitigation programs, including insurance against natural disasters 	<ul style="list-style-type: none"> • Agricultural, livestock catastrophe insurance and reinsurance
Social/Governance <ul style="list-style-type: none"> • Exclusion, losing social status/capital • Extortion, corruption • Crime, domestic violence, social anomie • Political instability 	<ul style="list-style-type: none"> • Maintaining community networks (reciprocal gifts, arranging marriages, religious networks) • Community pressure • Women's groups • Migration 	<ul style="list-style-type: none"> • Promoting good governance, antidiscriminatory policies, and anticorruption practices • Public information campaigns • Providing security and equal access to justice 	<ul style="list-style-type: none"> • Nongovernment and community-based organizations • Good corporate governance securing fair employment opportunities and provision of services regardless of race, gender, age, social status, or political affiliation

that these provide a level of social protection to the population, and when possible, encourage community-driven interventions.¹

4. A summary risk and vulnerability profile can help assess country, regional, or project-specific risks, and appropriate responses. A description of major risks to the population (or particular groups), demographic structures, levels of urban–rural population, poverty, and relative sizes of the formal and informal sectors influence the type of development and social protection

¹ However, attention should be paid to possible negative interactions with other development policies—for instance, maintaining the informal responsibility for family welfare on women limits their capacity to develop in other social and economic areas.

strategies that are relevant. Where population projections show a significant number of children and new entrants into the labor market in the near future, development interventions should address the needs of the young. Where poverty and vulnerability are area-related, attention should be given to regional development policies and/or interventions. Where the most acute problems affect particular groups—e.g., ethnic minorities, migrant workers, victims of disasters, or other vulnerable population groups—development planning should accommodate their specific needs. The results will differ from one country to another.

5. Several key questions should be asked at this stage:

- Who are the most vulnerable groups in the population?
- What are the major risks affecting these groups?
- How severe are these risks?
- Are they frequently occurring, persistent, or preventable?
- What are the different types of mechanisms in place to reduce or mitigate these risks?
- How effective are they? What are the gaps in coverage?
- What would be the objective of a priority program to address these risks?

6. This short analysis can reveal gaps in the coverage of existing programs and the possible requirements for developing additional interventions. This approach generates a reasonably comprehensive list of needs or demands of all the identified vulnerable groups, usually quite long and large. It may not be exhaustive, however, as this will depend on the data available, and there would be a need for cross-validation of the vulnerable groups identified and the causes of their vulnerabilities. Tables A6.1.2–A6.1.4 are indicative complementary sample matrices to help identify vulnerabilities and risks.

Table A6.1.2 Sample Risk and Vulnerability Profile (by age)

Age Group	Number	Percent of Population	Percentage Poor	Gender-specific Risk(s)	Other Risks	Indicator of Risk	Coverage Gap	Ranking of Priority
Age 0–5								
Age 6–14								
Age 15–24								
Age 25–65								
Age 65+								

Table A6.1.3 Sample Risk and Vulnerability Profile (by region)

Geographical Region	Causes of Vulnerability and/or Risk			
	Life Cycle (hunger, illness, etc.)	Economic (unemployment, price increases, etc.)	Environmental (drought, flood, etc.)	Social/Governance (exclusion, corruption, etc.)
Region A				
Region B				
Region C				
Country				

Table A6.1.4 Sample Risk and Vulnerability Profile (by social group)

Social group/ Subgroup [some indicative categories]	Main Risk(s)	Indicator of Risk	Risk-reduction Measures (Informal)	Risk-reduction Measures (Formal)	Effectiveness/ Coverage of Existing Measures	Options for More Effective Risk Reduction
Ethnic group A						
Ethnic group B						
Households headed by women						
Landless households						
Slum dwellers						
Internally displaced persons						
Others						

A6.2 Affordability

1. Policy conditions associated with both investment and policy-based projects relating to public service or utility sectors frequently involve measures to increase the level of cost recovery, whether to reduce budgetary spending by the government or in preparation for privatization. This naturally entails increasing charges to users or, in some cases—as commonly with health and education, and even irrigation—introducing charges where previously there were none. Inevitably, such adjustment costs hit the poor hardest and may often lead to their complete exclusion from coverage unless remedial or mitigating measures are taken. The extent to which these may be needed, and the manner in which they should be delivered, will vary according to the sector and the precise circumstances. Above all, it will depend on the extent to which those identifiable as being at different levels of poverty, including those who may be just above the poverty line, can be shown to be willing and/or able to pay the additional charges.

2. To establish the likely scale of the problem, it is obviously necessary to collect data indicating the affected groups' attitude to the service concerned and their propensity to pay more (or anything) for it. In general, the scope for doing this will tend to be quite different as between utilities and social services (health and education), as will the type of remedial measures.

A. Utilities

3. By carrying out limited sample surveys of users at different income levels, it is often possible to gain an indication of their capacity or willingness to pay increased charges for such services as water supply, electricity, or telecommunications—especially when compared with national consumption and income patterns over time as revealed by household income and



expenditure data. As part of the exercise, it will also be desirable to examine the respondents' access to alternative sources of supply, particularly in the case of water, where, for example, free access to traditional wells may be an option. At the same time, a dynamic element can be introduced into the analysis by asking users, for example, whether they would be willing to pay more for a guaranteed, uninterrupted supply. A comparison of the responses between different income groups is quite likely to reveal particular constraints facing the poorest, especially in an urban environment. For instance, the only alternative to piped domestic water (for which they will often be unable to pay the basic connection charge) may be very expensive—i.e., water sold in containers by commercial vendors. In the light of such probable findings, it will be necessary to negotiate—in parallel to the cost-recovery measures adopted—that a rationalized utility (whether privatized or not) should be given a statutory obligation to provide minimum affordable facilities for poor or disadvantaged users and areas. This may include

- (i) in the case of urban water supply, an adequate number of public standpipes to provide minimum standards of access to those in poor areas;
- (ii) in the case of electricity supply, “lifeline blocks” of power supply to low users (who thus effectively identify themselves as poor), allowing those households using no more than a maximum of, say 20 kilowatt-hours per month, to pay only a low fixed charge;
- (iii) in the case of telecommunications, an adequate number of public telephones (with modest minimum charges) to provide adequate standards of access to those in poor areas; and
- (iv) where there may be technical or other problems entailed in delivering such subsidized services to poor users, it may be necessary to seek alternative ways of providing targeted assistance, ensuring some means-tested cash transfer or safety net program that would ensure access to the poor.

B. Social Services

4. In many countries, charging the poor for basic health and education services—where they even have physical access to them—is largely without precedent if only because these have been broadly regarded as public goods (i.e., such as law and order, which it is in the interest of the community to provide to all at its collective expense). To the extent that this view still prevails among the poor themselves, it may prove difficult—based on either ad hoc attitude surveys or revealed records of household expenditure—to establish any propensity to make even the smallest payment for such services. This will perhaps be particularly true of education, which many poor families perceive to have a significant opportunity cost in the shape of children's labor forgone. Where it is nevertheless thought appropriate to impose such charges, it may only be possible to do so by introducing them at very low levels while, at the same time, conducting awareness campaigns to enhance users' understanding of the long-term benefits of health care and education, particularly to the poor. Exemptions or stipends/subsidies for very poor users or for traditionally excluded groups (such as girls or ethnic minorities in remote areas who have not, historically, attended school) may also be necessary.

A6.3 Willingness to Pay

1. Willingness to pay is defined as the maximum price that can be charged to an individual for a resource or service, without making him or her worse off. Determination of willingness to pay for project purposes requires a series of data collection steps that assess
 - (i) awareness of the value of the resource or service;
 - (ii) availability of the resource or service at present;
 - (iii) actual cost of the resource or service;
 - (iv) alternate sources of supply, if any;
 - (v) attitude toward the quality of the resource or service provided from available sources;
 - (vi) acceptability of a range of improvement options;
 - (vii) affordability of a range of improvement options; and
 - (viii) appropriateness of government policies to support these improvements.
2. A process for integrating assessment of willingness to pay into overall project data collection and design activities is presented in Table A6.3.1.
3. The willingness to pay or the contingent evaluation survey itself simply asks male and female household members a structured series of questions to determine the maximum amount of money they are willing to pay for a resource or service.
4. Small group discussions can provide focused information on willingness to pay among different clientele subgroups. Skilled group facilitators prepare and present a standard set of discussion questions and prompts to a group of 5–10 selected participants. Responses from discussants are carefully recorded for analysis.
5. Representative clientele subgroups are identified and their membership quantified to obtain a population stratification. Lists of subgroup members are obtained from such sources as the electoral roll, phone book, house numbers or household registration, or membership rolls or lists prepared by village leaders or villagers. A sample frame is developed to determine the number of interviews for each subgroup (Table A6.3.2). Interviewees are then selected randomly from the list using a random number sequence.
6. Statistical random surveys calculate the sample frame (number of interviewees) for populations of known size. However, it is often impossible or prohibitively expensive to establish the size of otherwise un-enumerated populations, such as informal dwellers or mobile populations. A purposive sample is made where the characteristics of the groups to be surveyed are known, but not their specific numbers. The results of purposive surveys are rich and accurate descriptions of individual responses. However, they cannot be used to infer or predict the characteristics of non-surveyed group members with any degree of statistical confidence.



Table A6.3.1 Integrating Assessment of Willingness to Pay in the Design Process

<p>Project concept brief</p>	<p>Assess awareness of the value of the resource or service by examining the following:</p> <ul style="list-style-type: none"> • Political commitment to the resource or service and its users (e.g., ideological position, budget allocation, nature of existing price distortions in provision); • Policy commitment to legislation for resource or service management and consistency in its application (e.g., tariff structure); • Institutional capacity to accommodate political and policy requirements; basis for determining the level of resource quality or service to be provided; ability to collect fees, recover costs, and monitor compliance; nature and quality of affordability monitoring and complaint management; and • Public awareness of the value of the resource or service, including any known popular expectations of entitlement. <p>Review demand and sources of supply by examining the following:</p> <ul style="list-style-type: none"> • Current sources of supply and any anticipated developments, • Level of current usage and anticipated trends, and • Initial estimate of unmet demand.
<p>Initial poverty and social analysis</p>	<p>Assess the level of current availability and satisfaction by doing the following:</p> <ul style="list-style-type: none"> • Review existing survey and/or other data, including any media coverage, consumer-group activity, etc. • Conduct rapid field assessment. This may involve key informants or focus groups representing different types of users and nonusers, if applicable. Key questions relate to the perceived strengths and weaknesses of the resources or services currently available. • Separately assess the level of access and satisfaction of men and women.
<p>Design phase</p>	<p>Conduct overall user assessment.</p> <p>Project institutional assessments, stakeholder consultations, household socioeconomic baseline surveys, and/or community participatory rapid assessment activities should all provide information on the following:</p>
<p>Initial data collection</p>	<ul style="list-style-type: none"> • Awareness of the value of the resource or service, • Attitude toward resource or service entitlement, • Demand by service type, and • Sources and levels of supply accessed. <p>Assess perceptions of resource and service quality by examining the following:</p> <ul style="list-style-type: none"> • Current income and expenditure, • Direct and indirect prices paid for the resource or service, and • Method and form of payment.
<p>Initial design</p>	<p>Develop an initial model of price parameters.</p> <ul style="list-style-type: none"> • Derive a price series for different levels of resource or service quality and estimate the proportion of each form of mean household income. <p>Prepare supporting materials.</p> <ul style="list-style-type: none"> • These should contain information about the quality of the current resource or service, for example, or a description of proposed improvement methods and anticipated consequences, initially costed options for levels of improvement, and a sliding scale of the proportion these will form of different weekly or monthly incomes.
<p>Detailed data collection</p>	<p>Assess willingness to pay by doing the following:</p> <ul style="list-style-type: none"> • Define the survey population (e.g., stratified random sample, purposive sample). Determine the survey locations. Train interviewers or facilitators. • Select the survey instrument (e.g., preference assessment scoring cards, participatory rapid assessment matrices).
<p>Detailed design</p>	<p>Refine the pricing options model by doing the following:</p> <ul style="list-style-type: none"> • Revise the resource or service package (content and prices). • Devise a sliding affordability scale to incorporate the needs of poorer men and women. • Conduct feedback meetings with institutional and community representatives or members to <ol style="list-style-type: none"> (i) present revised findings, and (ii) explore policy and community agreed-upon options for extending access to poorer and vulnerable groups. <p>Prepare a final design.</p> <p>It should include mechanisms for</p> <ul style="list-style-type: none"> • initial publicity, • price and quality monitoring, • complaint channels, and • routine public dissemination and review of findings. This may involve creation of consumer watchdog groups, committees of stakeholder representatives, etc.

Table A6.3.2 Estimating Minimum Interview Sample Size

Total Number in the Group	Suggested Number in the Sample	Percentage
100	15	15
200	20	10
500	50	10
1,000	50	5

Source: Food and Agriculture Organization Field Programme Manual.

7. One method for ascertaining interviewee willingness to pay for service or resource improvements at different levels of cost uses a preference assessment scoring card (Table A6.3.3). The table shows both numeric and verbal likelihood preferences. Respondents are directly asked how likely they would be to agree to pay each amount shown. Respondents are asked to select a number as the likelihood or probability that they would agree to pay a specific price. If the respondent answers a series of such questions, a likelihood matrix can then be observed.

Table A6.3.3 Preference Assessment Scoring Card

How would you vote if the passage of this environmental plan meant your utility bill would increase by \$x per month for 1 year?											
		Definitely Yes		Probably Yes		Not Sure		Probably No		Definitely No	
Price											
0	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0
2	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0
4	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0
6	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0
8	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0
10	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0
12	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0
100	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0

Notes: A participatory rapid assessment (PRA) matrix or pocket chart, similar to the preference assessment scoring card, is prepared in a large visual format, using words or symbols easily recognized by participants with different levels of literacy. The matrix is prepared or shown in a public forum to solicit feedback and voting preferences from participants.

A6.4 Mitigation Plans

1. The following is an indicative format to help ADB project teams in preparing a mitigation plan during project design. It is not intended to be prescriptive and should be read together with the more detailed guidance provided on involuntary resettlement and Indigenous Peoples in *ADB Operations Manual* section on safeguard policy statement (OM F1/BP), retrenchment plans (Appendix 5.2), and affordability (Appendix 6.2).

A. Objectives

2. To prepare a mitigation plan that sets out strategies to alleviate the project's unintended adverse effects on the poor or other vulnerable groups. The mitigation plan will set the parameters for the entitlement package for those affected, the institutional framework, mechanisms for consultation and grievance resolution, the time frame, and cost estimates. A sample mitigation framework is attached.

3. The agreed benefit/entitlements package will include both compensation and measures to restore the economic and social base for those affected, in concurrence with ADB policies, to ensure that poor and vulnerable people—regardless of race, skills, gender, or religious/political beliefs—are not unfairly disadvantaged because of a project intervention.

B. Time Frame

4. The full mitigation plan should be completed during the due diligence process. A summary mitigation plan should be included in the summary poverty reduction and social strategy or as a document linked to the report and recommendation of the President.

C. Personnel

5. The input of [number] person-months for an international [resettlement/indigenous peoples/labor/social protection/other] specialist is allocated for preparation of the mitigation plan. The input of [number] person-months for a national specialist with similar expertise is also allocated for this purpose. The consultants will work in close cooperation with the project preparatory technical assistance (PPTA) team [or other due diligence team] and the executing agency, which will provide personnel to help in preparing the mitigation plan.

D. Costs

6. The total cost is estimated at [\$] equivalent, to be financed by ADB on a grant basis from the ADB-funded [source]. The details of the cost estimates and financing plan are attached. The government has agreed to meet the remaining costs of [\$] equivalent, which will cover remuneration, per diem, and domestic travel costs of counterpart staff; office space; and supplies.

E. Tasks

7. Document any steps taken during the concept phase of the project to reduce unintended negative impacts through changes in the alignment or scope of the project components. Prepare options for discussion with other team members to minimize negative effects through modifying the preliminary and final technical designs. Prevention of unintended negative impacts is an anticipatory intervention by identifying at-risk situations and a preferred option for ADB.

8. Conduct a PRA in the proposed project area. Identify key stakeholders and consult closely with them on their views about the likely impacts of the project. Identify any vulnerable groups (for example, those without assets/land title, those without alternative source of employment, single-parent households, indigenous peoples, isolated groups, or the elderly) who might require special assistance and consult them. Decide whether a process of social preparation is required for some, or all, of the people affected to build their capacity to address mitigation issues. If so, design a social preparation phase as part of preparing the mitigation plan. If not, choose methods to foster the participation of all key stakeholders in the process of mitigation planning and implementation.

9. Conduct a census/socioeconomic survey² of all of the people potentially affected, to determine the scope and magnitude of likely effects, and to list likely losses. Collect relevant data on (i) poverty incidence, (ii) household expenditure on basic goods and services whose prices would be affected by the loan, and (iii) labor market trends. Establish a baseline of incomes and expenditures, occupational and livelihood patterns, use of resources, arrangements for use of common property, social organization, leadership patterns, community organizations, and any other relevant topic to the plan.

10. Consult with the agencies responsible for the provision of entitlements and suggest a cutoff date for any proposed entitlements/benefits. Prepare an entitlements matrix listing all likely effects. Establish criteria for eligibility of affected communities/households/individuals. Prepare standards for compensation and restoration of the social and economic base of the people affected to replace all types of loss. Prepare a formula for setting replacement values for assets or entitlements lost, or the lack of capacity to access services in the future after reforms are passed. Establish options for culturally acceptable replacements for lost services; cultural sites; common property; or access to resources for subsistence, income, or community activities.

11. Prepare options for mitigation and livelihood restoration, which build upon the existing social, economic, and cultural parameters of the people affected. Make special provision for any vulnerable groups, including those without legal title to assets/entitlements. Where appropriate, prepare relocation plans—including selection and preparation of relocation sites—and make provisions for landownership, tenure and transfer, and access to resources. Where incomes must be restored, provide for needs assessment, employment generation, and credit disbursement. Where affected people are to change their occupation, provide for compensation/redeployment measures, such as training and vocational support mechanisms. Where lack of affordability may exclude poor people from access to goods/services, cross-subsidization measures or means-tested transfers to the poor will be analyzed as possible compensatory mechanisms.

12. Prepare a socioeconomic evaluation to analyze the trade-offs of the proposed mitigation plan and evaluate the social and economics costs of reforms. Mitigation options should always aim to adequately balance social fairness and economic sustainability. A number of requirements should be considered: (i) the social and economic trade-offs should be made transparent to help

² Sampling sizes may vary, depending on the number and location of affected people and the social risks involved. For example, for the preparation of resettlement plans, 20% is normally recommended.



in decision making; (ii) mitigation packages should be examined carefully to make sure that they are not unaffordable or collapsing other social expenditures, and that they do not lead to adverse selection problems; and (iii) mechanisms have to be put in place to prevent leakages to the nonpoor.

13. Prepare a framework for participation of affected people in the mitigation plan. Prepare special measures for consultation with women and any vulnerable groups. Specify mechanisms for the resolution of grievances and an appeals procedure.

14. Prepare an institutional framework that designates responsibilities to implement the mitigation plan, including consultation mechanisms and detailed benefit/entitlements inventories; provide compensation packages; take responsibility for income restoration; and supervise, manage, and monitor the implementation of mitigation measures. Recommend an institutional strengthening strategy and/or formation and training of a resettlement unit within the executing agency, if required.

15. Include provisions for monitoring and evaluation, identifying the responsibilities, time frame, and some key indicators. This will include ongoing monitoring by key agencies supplemented by an independent evaluation. Specify the time frame for monitoring and reporting.

16. Prepare a time frame and implementation schedule in conjunction with the agreed implementation schedule for the loan, showing how affected poor people will be provided for before they are affected by unintended negative impacts.

17. Prepare an indicative budget. Prepare budgetary allocation and timing. Specify sources of funding and approval process. Prepare an annual budget estimate by major category of expenditure.

Appendix 7

Sample Poverty and Social Indicators

1. ADB monitors and evaluates results in individual projects through its project performance management system (PPMS). The cornerstone of PPMS is the design and monitoring framework (DMF), which must be prepared for all loan, grant, and technical assistance projects. Including poverty/social targets and indicators in the DMF for a specific project helps ensure that poverty reduction and social development activities included in the project design will be implemented and that the poverty/social impacts of the project will be monitored.
2. Performance targets and indicators are included in the DMF to indicate the results sought at the impact, outcome, and output levels. These indicators should be specific, measurable, achievable, relevant, and time-bound (“SMART”). Indicators should also be practical and cost-effective to measure. To the extent possible, they should be based on data collected by government agencies or other in-country sources.
3. Poverty/social targets and indicators for loan and grant projects should be based on the poverty and social analysis, and consultations with stakeholders carried out during the project design phase. Because social change is a long-term process and may be difficult to measure directly, intermediate indicators and proxy indicators may be useful to monitor progress in achieving social development objectives over the course of the project. They should capture,
 - at the impact level, positive medium- to long-term social development impacts to which the project is expected to contribute, and mitigation of any negative social impacts of the project;
 - at the outcome level, effects of the project on clients/beneficiaries (e.g., in terms of their status, access to services/resources/opportunities, or attitude/behavior) and institutions (e.g., in terms of their inclusiveness or responsiveness); and
 - at the output level, social attributes of key goods and services provided through the project.
4. Sample performance targets and indicators for the main poverty and social dimensions discussed in the handbook are provided below. They represent only a small sample of possible targets and indicators. The poverty/social targets and indicators for a particular project should be tailored to the sector, the project objectives and scope, the country and local contexts, and the social issues identified and addressed in the design of the project (including any social action or mitigation plans developed to address these issues).



A. Poverty

- The average annual income of borrowers from microfinance institutions supported by the project increases from ____ in [base year] to ____ in [last year of project implementation].
- The number of poor households (with annual income below ____) participating in the conditional cash transfer program increases from ____ in [base year] to ____ in [last year of project implementation].
- The percentage of children under 5 years old in [project districts] who are suffering acute malnutrition falls from __% in [base year] to __% in [2015].

B. Gender

- A gender mainstreaming policy for [the relevant sector] is adopted by the executing agency by [date].
- Completion rates for girls and boys in secondary schools in [the project districts] increase from __% and __%, respectively, in [base year] to at least __% and __%, respectively, in [middle year of project], and to at least __% and __%, respectively, by [last year of project implementation].
- The number of female extension workers in [the project districts, or in all districts] increases from __% in [base year] to at least __% in [middle year of project], and to at least __% in [last year of project implementation].
- Representation of women in agricultural cooperatives in [the project area] increases from __% in [base year] to at least __% in [last year of project implementation].

C. Participation

- The Irrigation Code is amended by [date] to require proportional representation of small farmers in the membership and executive committees of irrigation user groups.
- The representation of slum dwellers in the municipal environmental committees of [the project municipalities] increases from __% in [base year] to at least __% in [last year of project implementation].
- The executing agency establishes a community liaison office by [date], and a community liaison officer meets at least [quarterly] with the village development committees in [the project districts].

D. Involuntary Resettlement

- At least __% of resettled households receive title to land plots in the resettled communities by [date].
- Water and sanitation infrastructure and services are provided to at least ____ resettled households by [date], and to at least an additional __ resettled households by [date].
- At least __ project-affected households receive compensation in accordance with the project resettlement plan by [date].

- Mediation committees, including at least ___% women, are established in each resettled community by [date] and meet at least [quarterly] thereafter.

E. Indigenous Peoples

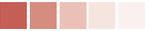
- Immunization rates for ethnic minority children under 5 years old in [the project districts] increase from ___% in [base year] to at least ___% in [last year of project implementation].
- The number of ethnic minority candidates in teacher training programs increases from ___ in [base year] to at least ___ in [last year of project implementation].
- Improved water facilities and services are provided to at least ___ ethnic minority households in [the project area] by [date], and to at least an additional ___ ethnic minority households by [date].
- By [date], at least ___ ethnic minority household members, including at least ___ women, participate in awareness-raising programs conducted in their own language on [HIV/AIDS risks, human trafficking risks, indigenous rights to land and natural resources, etc.].

F. Labor

- At least ___ retrenched workers in [the restructured ministry or industry] receive retraining and job counseling by [date].
- At least ___% of unskilled construction workers for [project civil works] are hired from local communities, and at least ___% of these workers are women.
- The average delay in payment of wages to [workers in the relevant sector] is reduced from [original time lag] in [base year] to [reduced time lag] in [middle year of project], and to [further reduction in time lag] in [last year of project implementation].
- The number of labor inspectors for [the relevant sector] increases from ___ in [base year] to at least ___ in [last year of project implementation], and annual labor inspections of [enterprises in the sector] increase from ___ in [base year] to ___ in [last year of project implementation].

G. Affordability

- The rate schedule for [water or electricity supply] is amended by [date] to provide a lifeline tariff to households with annual incomes below [amount].
- The number of [girls/children] from poor households (with annual incomes below _____) who receive secondary school scholarships increases to ___ by [middle year of project] and to ___ by [last year of project implementation].
- The number of poor women receiving free antenatal care in [the project districts] increases from ___ in [base year] to ___ in [middle year of project], and to ___ in [last year of project implementation].
- At least ___ poor households receive [free or subsidized] connections to the electricity grid by [last year of project implementation].



H. HIV/AIDS Risk

- At least ___ construction workers in project worksites receive HIV/AIDS awareness training by [date].
- At least ___ students in ___ schools in the project area receive HIV/AIDS awareness training by [date].
- Free HIV screening and counseling is provided to at least ___ persons in at least ___ primary health centers in [the project districts] by [date].
- Awareness of the methods of HIV transmission among [adolescents, women, construction workers, transport operators, and/or sex workers] in [the project area] increases from ___% in [base year] to ___% in [last year of project implementation].

I. Human Trafficking Risk

- At least ___ students in ___ schools in the project area receive instruction on safe migration by [date].
- Human trafficking awareness programs are conducted for at least ___ [police officers, border officials, local government officials, and/or community leaders in the project area] by [date].
- Safe migration desks are established and managed by local nongovernment organizations at [main border crossings] by [date].

Glossary

- affected groups – the term refers to the population receiving positive and/or negative impact of the intervention or project
- civil society organizations – a diverse range of organizations, including nongovernment organizations; labor unions; community-based organizations; consumer, user and self-help groups, news organizations, and academic and research institutions
- inclusive development – 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
- inclusive growth – 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
- marginalized groups – the term refers to the population or communities of people systematically deprived of access to rights, opportunities, and resources that are available to the majority
- participation – 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
- poverty – multidimensional condition characterized by lack of income and access to essential goods, services, assets, and opportunities to which every human being is entitled
- poverty and social analysis – 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



- 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; undue political influence and power given to elite groups
- social safeguards – policies introduced to protect individuals and groups from the negative impacts of certain development activities (such as involuntary resettlement or disruption of indigenous peoples’ traditional land use and livelihoods)
- social sectors – sectors that support the improvement of people’s basic capabilities (e.g., basic services sectors or subsectors such as education, health care, social protection, nutrition, family planning, water supply, and sanitation)

NOTE

In this report, unless otherwise indicated, the term “projects” refers to investment loans and grants, policy-based loans and grants, and technical assistance.

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Handbook on Poverty and Social Analysis

A Working Document

The Asian Development Bank (ADB) supports inclusive growth in the Asia and Pacific region by giving attention to the poverty impact and social dimensions of its operations. The *Handbook on Poverty and Social Analysis: A Working Document* contributes to this endeavor by providing practical guidance to ADB staff, government officers, project stakeholders, and consultants involved in programming, preparing, and implementing activities for them to effectively address poverty and social dimensions in ADB-financed operations. The handbook provides a road map to specific ADB policies and procedures related to poverty and social analysis, with the end view of achieving inclusive, equitable, and sustainable development outcomes.

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 two-thirds of the world's poor: 1.7 billion people who live on less than \$2 a day, with 828 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.

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