

**BOARD
OF
DIRECTORS**

ASIAN DEVELOPMENT BANK

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**TECHNICAL ASSISTANCE TO THE LAO PEOPLE'S DEMOCRATIC REPUBLIC
FOR PARTICIPATORY POVERTY MONITORING AND EVALUATION**

The attached Report is circulated for the information of the Board. The President approved the technical assistance on 21 December 2000.

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Asian Development Bank

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TECHNICAL ASSISTANCE

TO THE

LAO PEOPLE'S DEMOCRATIC REPUBLIC

FOR

PARTICIPATORY POVERTY MONITORING AND EVALUATION

December 2000

CURRENCY EQUIVALENTS

(as of 30 November 2000)

Currency Unit	–	Kip (KN)
Re1.00	–	\$0.0001
\$1.00	–	KN 8,000

ABBREVIATIONS

ADB	–	Asian Development Bank
LAO PDR	–	Lao People's Democratic Republic
PPA	–	Participatory Poverty Assessment
SPC	–	State Planning Committee
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars

I. INTRODUCTION

1. In support of a key objective of the outcome of the Seventh Round Table Meeting and the Socioeconomic Development Plan (2001-2005) of the Government of the Lao People's Democratic Republic to address poverty, the Asian Development Bank (ADB) included advisory technical assistance (TA) to assess current poverty reduction programs and policies in the 2000 country assistance plan. Fact-finding for the TA was undertaken in October 2000. Discussions were held with representatives of the State Planning Committee, Office of International Cooperation (Prime Minister's Office), Ministry of Finance, Central Committee on Rural Development, National Statistics Center, Lao Women's Union, Ministry of Health, and Ministry of Education. Other key stakeholders were also consulted including multilateral and bilateral agencies, individuals associated with academic research and international nongovernment organizations. Based on this discussion, an understanding was reached with the Government on the objectives, scope, cost estimates, implementation arrangements, and terms of reference for the consulting services under the TA.¹ The TA framework is in Appendix 1.

II. BACKGROUND AND RATIONALE

2. The Lao PDR is a poor country ranking 140th out of 180 countries on the human development index of the United Nations Development Programme.² Compared with many other Asian countries, however, inequality is not high. The bottom 20 percent population had a share in per capita real consumption of 9.3 percent in 1992/93, whereas richest 20 percent, represented 38.4 percent. Unfortunately, the consumption share of the bottom 20 percent population declined to 7.8 percent in 1997/98 while that of the top 20 percent increased to 44.4 percent. The Gini index, which is an overall measure of inequality, increased from 28.6 percent in 1992/93 to 35.7 percent in 1997/98. Thus, inequality in the Lao PDR has deteriorated sharply over time. An increase in inequality implies that the benefits of economic growth have not been flowing to all segments of the population.

3. On the basis of new poverty thresholds developed by ADB in close collaboration with the National Statistics Center, 45 percent of the Lao population was found to be living in poverty in 1992/93. Fortunately, the percentage of poor fell to 39 percent in 1997/98.³ Although the rich have benefited proportionately more than the poor, the reduction of poverty at an annual rate of 3.1 percent, indicates that economic growth plays a dominant role in overall poverty reduction.

4. However, the incidence of poverty varies substantially across regions and provinces. Among the four major regions, the north has the highest incidence of poverty, while Vientiane Municipality has the lowest. After the northern region, the south has the highest proportion of poor. Among the 18 provinces, 5 had poverty incidence exceeding 50 percent. Of these five provinces, four are located in the north. More importantly, not only is the north the poorest region in the country, but its rate of poverty reduction is the lowest.

5. While it seems that the Lao Government should continue to follow growth-enhancing policies, it should, at the same time, target the specific groups in the society that are unable to reap the full benefits of growth. Many ethnic groups are unable to take part in the economic activities in the country. As a result, they continue to be poor despite high economic growth. How to integrate these people in the mainstream of economic activities is indeed a challenging task and an overarching policy issue. Economic growth alone will not be sufficient to achieve a

¹ The TA first appeared in *ADB Business Opportunities* in December 2000.

² United Nations Development Programme. 2000. Human Development Report. New York.

³ ADB. 2000. *Poverty in Lao PDR*. Manila

consistent reduction in poverty across districts. The Government clearly recognizes that it will need to better target specific groups in society that are unable to reap the full benefits of economic growth.

6. The recently completed TA, Participatory Assessment of Poverty (PPA)⁴ supports the statistical data in many ways. Economic inequality, as a factor of economic growth, not only between villages and ethnic groups, but also in the realm of gender is an important aspect of poverty revealed by the PPA. Thus the negative pull of inequality discussed by the quantitative methodology is unambiguous in the PPA as well.

7. Clear cases of disagreements between the qualitative and statistical analyses in the PPA have been few. Discrepancies are more a matter of omission or lack of specificity in one of the domains. The PPA findings confirmed the conclusions reached by the quantitative approach that the Government should (i) continue emphasizing economic growth and development and (ii) enhance the targeting of specific socially defined groups in specific environments where the poor are located. This will have the effect of lessening inequality and improving the living conditions of the poor.

8. A key objective of the Government of the Lao PDR is to monitor not only poverty trends, but policy effectiveness and relevance on a sustained basis over the coming years. If the national poverty reduction strategy is well designed, participatory mapping of trends and priorities should reveal a positive impact. If the strategy is misplaced or events overtake policy, the mismatch between past policy focuses and the poor's immediate concerns should be revealed through participatory identification of priority policy areas.

9. Within the country, interest in establishing poverty monitoring systems that combine participatory exercises with traditional household surveys is increasing. This would allow one set of findings to complement or supplement the other or inform the process of conducting it. The process attempts to combine the important quantitative and qualitative analyses of poverty, measurement and merge their findings into one set of policy recommendations. This approach explores the potential offered by methodological complementarity to enrich the poverty profile—descriptions and understandings of the nature of poverty—and advancing more substantial causal explanations that in turn can generate better poverty reduction strategies. Both approaches will generally be required to address different aspects of a problem, the quantitative approach will answer much of where poverty is, while the qualitative method will focus generally on why people are poor. The need to build better links between these two approaches is critical. The World Bank and other development partners support the approach proposed by ADB.

10. From the ADB's strategic perspective, the TA will

- (i) build on and operationalize previous ADB interventions supporting nationally owned socioeconomic and public investment policy planning and analysis;
- (ii) develop consistent and complementary poverty and process indicators;
- (iii) develop a system for annual evaluation of the public investment plan that allows the public and those making policy to participate widely in the assessment and planning of development; and
- (iv) establish a new poverty monitoring and evaluation system using regular participatory methods at the district level.

⁴ TA3407-Lao: Participatory Assessment of Poverty in the Lao PDR for \$150,000, approved on 3 March 2000.

III. THE TECHNICAL ASSISTANCE

A. Objectives

11. The principal objective of the TA is to strengthen the poverty monitoring and evaluation system in the Lao PDR by (i) developing poverty indicators (ii) enhancing the Government's capacity to develop effectively targeted poverty reduction programs and (iii) strengthening institutional capacity in the area of qualitative and quantitative poverty assessment.

B. Scope

12. The TA will include four major components.

13. **Data Collection and Management.** Activities of this component will include

- (i) assess the current data collection methodology and management;
- (ii) assist the Lao Expenditure Consumption Survey in designing the questionnaire to integrate core poverty indicators;
- (iii) expand PPA activities to include poor districts and villages on a nationwide basis as part of the planning process; and
- (iv) assist in setting up a data management system for effective monitoring of progress in poverty reduction, including, where possible, disaggregated data by gender, urban and rural, region, province, ethnicity, vulnerable groups, and minorities.

14. **Methodology, Analysis, and Monitoring.** This component will

- (i) develop new poverty lines, which take into account the different needs of households and regional costs of living;
- (ii) establish a poverty reduction monitoring system based on a selected number of key poverty indicators;
- (iii) based on the refined methodology and criteria to identify poor districts and villages, undertake economic and social analysis in the targeting of public and foreign investment interventions; and
- (iv) analyze patterns of public expenditure allocation in relation to impact on poverty.

15. **Institutional Capacity Building.** TA activities for this component include

- (i) provide training to the central, provincial, and district staff on designing, collecting, and analyzing PPAs;
- (ii) provide training to central staff on measuring and analyzing poverty indicators;
- (iii) conduct provincial workshops on survey instruments that include qualitative and quantitative methods and approaches to measure poverty; and
- (iv) develop guidebooks and manuals on data collection, methodology, and poverty analysis.

16. Dissemination and Consultation. Activities include

- (i) analyze the information needs of decision makers in support of the decentralization process;
- (ii) issue a regular newsletter to the Government, development partners, and civil society providing a detailed analysis of the important findings of the TA; this publication will be the main vehicle for disseminating information on poverty monitoring and evaluation; and
- (iii) conduct periodic seminars to discuss the main TA findings with Government officials, academics, private sector, and nongovernment organizations, and the assistance community.

C. Cost Estimates and Financing Plan

17. The TA is estimated to cost \$720,000, comprising \$465,000 in foreign exchange cost and \$255,000 equivalent in local currency cost. ADB will provide \$600,000 equivalent to cover the entire foreign exchange cost and \$135,000 of the local currency cost. The TA will be financed by ADB on a grant basis from the ADB-financed TA program. The Government will finance the remaining \$120,000 equivalent of the local currency cost by providing counterpart staff, office accommodation, and other related services and facilities. The detailed cost estimates are given in Appendix 2.

D. Implementation Arrangements

18. The State Planning Committee (SPC)⁵ will be the Executing Agency of the TA. The vice-president of SPC, who will be responsible for overall TA implementation, will appoint a TA manager to oversee day-to-day TA activities. SPC will also provide logistical support for TA implementation. The TA manager is expected to be a senior SPC officer. A project steering committee will be established consisting of senior officials (from SPC, Ministry of Health, Ministry of Education, Central Committee on Rural Development, National Statistics Center, Ministry of Agriculture, Lao Women's Union, and the Lao Front for National Construction) to provide guidance and coordination on TA implementation. The TA manager will be assisted by qualified technical and support staff from SPC. For the training component, SPC and selected line ministry and other agency staff will be given the opportunity to attend workshops and seminars to upgrade their technical skills and analytical expertise. The international experts will emphasize on-the-job training, particularly for the analysis of government public investment programs and poverty reduction activities. This will enable SPC to obtain experience with updated and current best practice on monitoring and evaluation techniques.

19. The TA is expected to commence in March 2001 and be completed by September 2002 (18 months) recognizing country-specific institutional capacity and ownership of the new methodological approach. International and domestic consultants will be selected on an individual basis. The consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB. About 25 person-months of international consulting and 12 person-months of domestic consulting are required. The international specialists will include a team leader with expertise in statistical poverty analysis (14 person-months) and a participatory social development specialist (11 person-months). The domestic consultant will be a rural development specialist (12 person-months). The outline

⁵ SPC is responsible for formulating the country's public investment program and the Socio-economic Development Plan (2001-2005). It also monitors the effectiveness of public investment implementation and impact.

terms of reference for the TA are presented in Appendix 3. The consultants will provide (i) an inception report within three weeks of TA commencement outlining the detailed framework of the activities; (ii) an interim report within 12 weeks of TA commencement, including data collection and preliminary analysis of each task and likely directions of the final outputs; and (iii) a draft final report 12 weeks before TA completion. The final report will be prepared only after a tripartite review meeting of the Government, the consultants, and ADB. Equipment items such as computers, software, audio-visual equipment, and other training materials will be procured by consultants under arrangements satisfactory to ADB and turned over to SPC at the end of the consulting assignment.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, on a grant basis to the Government of the Lao People's Democratic Republic in an amount not exceeding the equivalent of \$600,000 for the purpose of Participatory Poverty Monitoring and Evaluation, and hereby reports such action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators / Targets	Monitoring Mechanisms	Major Assumptions and Risks
1. Goal Reduce poverty.	<ul style="list-style-type: none"> Growth trends of poor population slowed or reduced Percentage of population classified as poor reduced 	<ul style="list-style-type: none"> Decreased growth trends of poor population as specified by Government statistics, studies and reports of bilateral and multilateral agencies Decrease of poverty in absolute and relative terms as specified by Government statistics, studies, and reports of bilateral and multilateral agencies 	<ul style="list-style-type: none"> The Government continues to pursue the policy of reducing urban poverty. Antipoverty initiatives are designed and implemented in key sectors.
2. Purpose The Government and external assistance agencies develop capacity to address urban poverty reduction.	<ul style="list-style-type: none"> Actions by Government and external assistance agencies 	<ul style="list-style-type: none"> Antipoverty national, state, and external assistance policies and programs 	<ul style="list-style-type: none"> Suggested sector policies and programs are implemented according to monitoring findings. External assistance agencies will provide recommended support.
3. Outputs Assessment of poverty monitoring completed National poverty reduction monitoring framework formulated Strategy at provincial level for poverty monitoring developed	<ul style="list-style-type: none"> Poverty monitoring analysis completed by May 2000 Framework formulated, discussed and submitted by July 2000 Strategy developed, discussed and submitted by September 2001 	<ul style="list-style-type: none"> Interim, draft final, and final reports Interim, draft final, and final reports Draft final and final reports 	<ul style="list-style-type: none"> TA stakeholders: Government, communities, community based organizations, nongovernment organizations, bilateral and multilateral agencies will cooperate with TA team

(Reference in text: page 1, para. 1)

Design Summary	Performance Indicators / Targets	Monitoring Mechanisms	Major Assumptions and Risks
4. Activities 4.1 Improvement in Government's poverty monitoring analytical capacity <p>(i) Review Lao expenditure and consumption survey for poverty focus and other relevant surveys</p> <p>(ii) Develop poverty criteria and indicators.</p> <p>(iii) Train central SPC staff on new software and analytical methodology.</p> <p>(iv) Develop training manuals, guidelines and checklists for poverty analysis and monitoring.</p> 4.2 Subnational poverty monitoring and training capacity building <p>(i) Develop and implement training of government official at provincial and district levels on participatory monitoring techniques.</p> <p>(ii) Formulate training modules/handbooks for provincial and district authorities on participatory monitoring.</p> <p>(iii) Help finalize TA report.</p>	<p>• Start: March 2001 Complete: June 2001 Responsibility: Team leader</p> <p>• Start: October 2001 Complete: March 2002 Responsibility: Team leader</p> <p>• Start: May 2002 Complete: September 2002 Responsibility: Team leader</p> <p>• Start: June 2002 Complete: September 2002 Responsibility: Team leader</p> <p>• Start: July 2001 Complete: October 2001 Responsibility: Participatory assessment specialist</p> <p>• Start: January 2002 Complete: March 2002 Responsibility: Participatory assessment specialist</p> <p>• Start: August 2002 Complete: September 2002 Responsibility: Team leader/ Participatory assessment specialist</p>	<p>Consultants' bimonthly report</p> <p>Consultant's bimonthly report</p> <p>Consultant's bimonthly report</p> <p>Consultant's bimonthly report</p> <p>Consultant's bimonthly report</p> <p>Consultant's bimonthly report</p> <p>Consultant's bimonthly report</p>	Activity Level <ul style="list-style-type: none"> Consultants and Government achieve consensus Strong commitment of Government Timely appointment of sufficient value of full-time qualified counterpart staff Relevant staff are available for the training courses, and the Government and State Planning Committee are able to retain staff

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	375	0	375
ii. Domestic Consultant	0	30	30
b. International Travel	25	0	25
2. Office Facilities and Equipment			
a. Computer	10	0	10
b. Software	5	0	5
c. Audiovisual equipment	5	0	5
3. Surveys	0	40	40
4. Workshops, Seminars, Training	0	20	20
5. Communications, Translation, and reports	0	10	10
6. Contingencies	45	35	80
Subtotal (A)	465	135	600
B. Government Financing			
1. Counterpart Staff	0	50	50
2. Office Accommodation	0	50	50
3. Support for Field Work (Provincial Officials)	0	20	20
Subtotal (B)	0	120	120
Total	465	255	720

(Reference in text: page 4, para. 17)

OUTLINE TERM OF REFERENCE FOR CONSULTING SERVICES

1. The consultants will work closely with the staff of the State Planning Committee (SPC), the Executing Agency of this technical assistance (TA). An international consultant serving as the team leader, will be responsible for overall quality of the work, and for consolidating the findings and preparing timely reports.

A. Team Leader / Poverty Reduction Analyst

2. The TA will be designed and implemented in a transparent and participatory manner, within a comprehensive consultative process involving the Government and civil society. The TA will be developed in cooperation with counterparts from international developmental agencies to ensure synergies and avoid overlap. The consultant will undertake the following tasks:

- (i) Develop an appropriate conceptual framework that is useful in formulating key poverty indicators, and focuses on a multidimensional concept of poverty.
- (ii) Develop a poverty reduction monitoring system based on the conceptual framework developed in (i). The system should include the following major components of wellbeing including access to public services, health and nutrition, education, vulnerable groups, gender issues, social safety net, and living conditions.
- (iii) develop new poverty lines, that are consistent in the sense that they imply the same standard of living across regions and over time. They should take into account the different needs of household members and regional costs of living.
- (iv) Develop appropriate methodologies to construct spatial price indices, that measure the regional costs of living as well as differences in costs of living between urban and rural areas.
- (v) Develop the consumer price indices that reflect the consumption patterns of the poor. Develop a methodology to measure the impact of prices on poverty so that prices can be used to monitor poverty at more frequent periods.
- (vi) Based on the refined methodology in identifying the poor, develop poverty profiles taking into account many socioeconomic and demographic characteristics of households.
- (vii) Undertake an economic analysis to target public expenditures and investments. This may require developing correlates of poverty that can be more effectively employed to target the most needy in society.
- (viii) Develop geographical targeting as a means for channeling public resources to the poor. This will require developing a model to incorporate both household expenditure surveys and census data.
- (ix) Consolidate national surveys and data information into an analytical framework for analysis.
- (x) Identify software requirements and supervise appropriate training.
- (xi) Provide training to the central staff in measuring, analyzing, and monitoring poverty. The emphasis should be on developing analytical skills.
- (xii) Help to write a regular newsletter to provide a detailed analysis of the important TA findings. These newsletters should become an important vehicle to generate public policy debate.

(Reference in text: page 5, para. 19)

- (xiii) Conduct periodic workshops and seminars to include Government officials, academics, and nongovernment organizations.
- (xiv) Cooperate with other international organizations to insure a wide dissemination.
- (xv) Help to identify poor districts for participatory poverty assessment surveys.
- (xvi) Provide inputs and assistance to the public expenditure review.

B. Participatory Assessment Specialist

3. The specialist, in cooperation with the State Planning Committee (SPC), will have the following responsibilities;

- (i) Undertake a systematic upgrading of methodologies in field research at the central and provincial levels with particular emphasis on qualitative and quantitative socioeconomic assessment and measurement. This will include preparation of handbooks and guidelines for training in methods of social research; concept formulation, and the design of questionnaires and poverty assessment and monitoring instruments; site selection procedures; compilation of data; content analysis, measurement and coding, inference and validation; secondary analysis of existing data; data management; and the report writing process.
- (ii) Conduct training for provincial officials in field methods, including rapid and participatory appraisal, the implementation of socio-economic assessment, interviewing techniques, sociological and anthropological considerations, and general participatory considerations in statistical field research.
- (iii) Design and implement provincial pilot testing in qualitative poverty assessment to support and complement quantitative socioeconomic or expenditure and consumption household surveys.
- (iv) Organize participatory consultation training and dissemination workshops at the central, provincial, and district levels.
- (v) Establish ongoing contacts with other government institutions and institutes, international organizations, and nongovernment organizations to ensure a wide dissemination and awareness of poverty monitoring activities, including the publication of a periodic newsletter.
- (vi) Prepare, in cooperation with SPC, presentations of survey results that will meet international standards in socioeconomic reporting and publication.
- (vii) Formulate, in cooperation with SPC, a social and geographic targeting system for poverty reduction programs based upon provincial survey and assessment results.
- (viii) Prepare inception, interim, and a final reports.

C. Domestic Consultant on Participatory Social Assessment

4. The consultant will have the following responsibilities;

- (i) Provide advice and assistance to the international consultants to facilitate their tasks in the institutional strengthening for SPC's research capacity, and, ensure the general continuity and momentum of the TA.

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