



# EFFECTIVE APPROACHES TO POVERTY REDUCTION

SELECTED CASES FROM  
THE ASIAN DEVELOPMENT BANK

VOLUME 1

---

NOVEMBER 2019



# **EFFECTIVE APPROACHES TO POVERTY REDUCTION**

**SELECTED CASES FROM  
THE ASIAN DEVELOPMENT BANK**

**VOLUME 1**

---

**NOVEMBER 2019**



Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO)

© 2019 Asian Development Bank  
6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines  
Tel +63 2 8632 4444; Fax +63 2 8636 2444  
[www.adb.org](http://www.adb.org)

Some rights reserved. Published in 2019.

ISBN 978-92-9261-872-8 (print), 978-92-9261-873-5 (electronic)  
Publication Stock No. TCS190535-2  
DOI: <http://dx.doi.org/10.22617/TCS190535-2>

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use. The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by ADB in preference to others of a similar nature that are not mentioned.

By making any designation of or reference to a particular territory or geographic area, or by using the term “country” in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

This work is available under the Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO) <https://creativecommons.org/licenses/by/3.0/igo/>. By using the content of this publication, you agree to be bound by the terms of this license. For attribution, translations, adaptations, and permissions, please read the provisions and terms of use at <https://www.adb.org/terms-use#openaccess>.

This CC license does not apply to non-ADB copyright materials in this publication. If the material is attributed to another source, please contact the copyright owner or publisher of that source for permission to reproduce it. ADB cannot be held liable for any claims that arise as a result of your use of the material.

Please contact [pubsmarketing@adb.org](mailto:pubsmarketing@adb.org) if you have questions or comments with respect to content, or if you wish to obtain copyright permission for your intended use that does not fall within these terms, or for permission to use the ADB logo.

Corrigenda to ADB publications may be found at <http://www.adb.org/publications/corrigenda>.

Note:

In this publication, “\$” refers to United States dollars.

Cover design by Cleone Baradas.

# CONTENTS

Table and Boxes	iv
Foreword	v
Acknowledgments	vii
Abbreviations	viii
<b>1. OVERVIEW</b>	<b>1</b>
<b>2. PROVIDING BROADER ACCESS TO ECONOMIC OPPORTUNITIES</b>	<b>5</b>
2.1 <b>SHANXI INTEGRATED AGRICULTURAL DEVELOPMENT PROJECT</b> People's Republic of China	<b>6</b>
2.2 <b>DRYLAND SUSTAINABLE AGRICULTURE PROJECT</b> People's Republic of China	<b>11</b>
2.3 <b>YUNNAN INTEGRATED ROAD NETWORK DEVELOPMENT PROJECT</b> People's Republic of China	<b>14</b>
2.4 <b>SURKHANDARYA WATER SUPPLY AND SANITATION PROJECT</b> Uzbekistan	<b>18</b>
<b>3. PROMOTING RESILIENCE</b>	<b>22</b>
3.1 <b>FOOD AND NUTRITION SOCIAL WELFARE PROGRAM AND PROJECT</b> Mongolia	<b>23</b>
3.2 <b>SOCIAL PROTECTION SUPPORT PROJECT</b> Philippines	<b>27</b>
3.3 <b>LOWER SECONDARY EDUCATION FOR THE MOST DISADVANTAGED REGIONS PROJECT</b> Viet Nam	<b>32</b>
<b>4. EMPOWERING COMMUNITIES THROUGH IMPROVED GOVERNANCE</b>	<b>36</b>
4.1 <b>STRENGTHENING PUBLIC MANAGEMENT PROGRAM</b> Nepal	<b>37</b>
4.2 <b>SMALL AND MEDIUM-SIZED ENTERPRISES LINE OF CREDIT PROJECT</b> Sri Lanka	<b>43</b>
<b>5. CONCLUDING REMARKS</b>	<b>47</b>
<b>Bibliography</b>	<b>48</b>

# TABLE AND BOXES

## TABLE

1	Preliminary Findings of the <i>Pantawid</i> Program	30
---	---	----

## BOXES

2.1.1	Communities Open Up to New Technology	7
2.1.2	Innovation	8
2.2.1	Agriculture Support Lifts Family Out of Poverty	11
2.2.2	Innovation	12
2.3.1	The Road to Better Business and Better Opportunities	15
2.3.2	Innovation	16
2.4.1	Improved Quality of Life Flows from New Water Supply	19
2.4.2	Innovation	20
3.1.1	Changing the System to Focus on the Poor	24
3.1.2	Innovation	25
3.2.1	Cash Transfer Gives Poor Children in the Philippines a Chance	28
3.2.2	Innovation	29
3.3.1	A Dream Fulfilled in the Remote Mountains	33
3.3.2	Innovation	34
4.1.1	Increased Sustainable Development Capacity in Poverty-Stricken Area	38
4.1.2	Innovation	39
4.2.1	From Aquariums to Fish Farms: Starting Small but Dreaming Big	44
4.2.2	Innovation	45

# FOREWORD

**T**he story of modern Asia is the story of poverty alleviation through economic growth. In a matter of decades, growth transformed a region defined by pervasive poverty into the single most economically dynamic place on the planet. Asia's remarkable success was driven by innovation and structural reform, and by a collaborative public sector that unleashed the dynamism of private sector solutions.

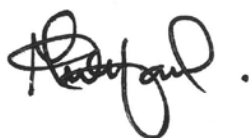
And yet, although over a billion Asians have as a consequence emerged from extreme poverty since 1990, much still remains to be done. More than 260 million people across the continent are today still mired in poverty, and over 1 billion subsist on less than \$3.20 a day.

It is the mission of the Asian Development Bank (ADB) to support the economic alleviation of the most vulnerable elements of society, and this volume presents nine specific examples of recent projects from our work that demonstrate effective approaches to poverty reduction through innovative interventions. Four of the projects (three from the People's Republic of China and one from Uzbekistan) described herein expanded access to economic opportunity in order to ensure that those from poor and the disadvantaged backgrounds share in the gains from economic growth. Those from the People's Republic of China were in sustainable agriculture, especially in dryland areas, as well as in the development of road networks in remote and poor regions. Higher crop productivity, improved market access for farmers, reduced travel time, and provision of safe and reliable water supply are just some of the benefits resulting from these interventions. The other project from Uzbekistan improved provision of reliable, safe, and affordable water supply and sanitation services thereby raising the living standards of poorer communities.

Three of the projects highlighted in the book focus on the most vulnerable communities and promote resilience in specific population groups. These include a social protection scheme in the Philippines, a food and nutrition social welfare program in Mongolia, and a lower secondary education project for the most disadvantaged regions of Viet Nam. These projects bridge the poverty gap by supporting beneficiaries as they cope with the shocks and crises that can arise from economic, social, financial, environmental, or climate change-related issues. By improving governance and helping provide easier access to credit, two ADB projects—one in Nepal and one in Sri Lanka—also helped to empower communities as well as borrowers from small and medium-sized enterprises.

Each of the projects showcased here was nominated by ADB for the Global Solicitation and Challenge Prize on Best Poverty Reduction Practices in the People's Republic of China.

ADB seeks to make the world a better place by supporting innovations like those described in these case studies, and by making information about these innovations available to other policy makers so that lessons can be shared and good practice replicated. There is no goal more noble for economic actors than that of poverty alleviation and we therefore hope that the lessons contained within this volume will contribute to the work of those engaged in development issues.

A handwritten signature in black ink, appearing to read 'Ahmed M. Saeed', followed by a period.

**Ahmed M. Saeed**

Vice-President

East Asia, Southeast Asia, and the Pacific

Asian Development Bank



# ACKNOWLEDGMENTS

**T**his report was produced by the Asian Development Bank through the collective efforts of staff from four regional departments—Central and West Asia, East Asia, South Asia, and Southeast Asia.

This would not have been possible without the support of ADB management, particularly, ADB Vice-President (Operations 1) Shixin Chen. Amy Leung, director general, and M. Teresa Kho, deputy director general, from the East Asia Department, provided guidance. We also wish to thank Hun Kim, director general, South Asia Department; Werner Liepach, director general, Central and West Asia Department; and Ramesh Subramaniam, director general, Southeast Asia Department, for their cooperation and support. Akiko Terada-Hagiwara, principal economist, East Asia Department, led the study, and supervised the production of the report.

We wish to thank the case study writers: Çiğdem Akın, Imelda Baleta, Shamit Chakravarti, Takuya Hoshino, Eiko Izawa, Jung Ho Kim, Mariangela Paz Medina, Marga Domingo-Morales, Rachana Shrestha, and Hsiao Chink Tang. The report would not have been possible without the excellent work of the contributing authors who provided valuable case studies and helped ensure this work will be available to the widest audience possible. We are also grateful to Altantuya Jigjidsuren, Jan Hinrichs, Cai Li, Suzanne Robertson, Wendy Walker, and Sakiko Tanaka for their careful review.

Several others deserve special mention for their valuable help. Marga Domingo-Morales coordinated the report production. Ma. Theresa Mercado edited the report, and Joe Mark Ganaban did the layout and typesetting.

Finally, we appreciate the support of the Department of Communications for their help in getting the report published.

# ABBREVIATIONS

ADB	–	Asian Development Bank
CAC	–	community awareness center
CCT	–	conditional cash transfer
DFID	–	Department for International Development of the United Kingdom
DMC	–	developing member country
DSWD	–	Department of Social Welfare and Development
EARD	–	East Asia Department
e-GP	–	electronic government procurement
FDS	–	family development session
FRRAP	–	Fiduciary Risk Reduction Action Plan
ha	–	hectare
HSE	–	health, safety, and the environment
IT	–	information technology
km	–	kilometer
LGCDP	–	Local Governance and Community Development Program
LIBOR	–	London interbank offered rate
LIP	–	Livelihood Improvement Program
LRHC	–	Longling–Ruili highway corridor
LSE	–	lower secondary education
PEFA	–	public expenditure and financial accountability
PFM	–	public financial management
PMT	–	proxy means test
PRC	–	People’s Republic of China
SARD	–	South Asia Department
SERD	–	Southeast Asia Department
SESMP	–	Secondary Education Sector Master Plan
SME	–	small and medium-sized enterprises
SPMP	–	Strengthening Public Management Program
TA	–	technical assistance
UNDP	–	United Nations Development Programme
UNICEF	–	United Nations Children’s Fund
WCF	–	ward citizen forum
WSS	–	water supply and sanitation
YDS	–	youth development session
YPHB	–	Yunnan Provincial Highway Bureau

## CURRENCY UNITS

People’s Republic of China	–	yuan (CNY)
Philippines	–	peso (₱)
Sri Lanka	–	Sri Lanka rupee (SLR)
Uzbekistan	–	sum (SUM)
Viet Nam	–	dong (D)

# OVERVIEW

# 1

## Background

Developing Asia has achieved remarkable progress in raising prosperity and reducing poverty. More than 611 million people have been lifted out of extreme poverty from 2005 to 2015 (international poverty line of \$1.90 a day in 2011 purchasing power parity) (ADB 2019). Four-fifths were in the People's Republic of China (PRC) (234 million) and India (253 million). Despite this progress, more than 260 million people remain in extreme poverty, most of them found in South Asia (202 million people) (ADB 2019). In addition to the 836 million people living on between \$1.90 and \$3.20 a day as of 2015 (ADB 2018c), many people are at risk in falling back into poverty due to economic downturns, huge infrastructure deficits, inequality, rapid urbanization, environmental pressures, and limited governance and institutional capacities.

Asian governments pursued the goal of improving people's lives through various national poverty reduction strategies and approaches. Among these approaches, achieving rapid economic growth has helped to significantly reduce poverty. Increased delivery of social services also contributed substantially to poverty reduction.

---

Prepared by Akiko Terada-Hagiwara, principal economist, East Asia Department (EARD).

The experience of the PRC in this sphere, from one of the world's poorest to one of the upper middle-income countries, is increasingly being mentioned as a leading example. These strategies and approaches were intertwined with others and focused on developing the lagging areas, increasing investments to generate jobs, promoting small and medium-sized enterprises, redistributing incomes, balancing rural–urban growth, and developing social protection interventions.

The Asian Development Bank (ADB) is committed to support its developing member countries (DMCs) in their efforts to address remaining poverty and reducing inequalities. This is one of the operational priorities under its new strategic framework, Strategy 2030. Under the strategy, ADB is working closely with countries in the region to achieve the 17 Sustainable Development Goals (ADB 2018c). To achieve inclusive and sustainable economic growth, a substantive share of ADB's operations seeks to

- (i) create jobs and economic opportunities,
- (ii) reduce inequality in access to opportunities, and
- (iii) prevent and mitigate the effects of social and economic shocks through social assistance.

During 2016–2018, ADB and its DMCs committed 64% of operations (loans and grants) focusing on inclusiveness, one-third on creating jobs and economic opportunities, and nearly 5% on developing resilience (ADB 2019). While achievements in reducing poverty have been gained and many more poverty reduction projects are being implemented, much more needs to be done to ensure that all members of the society, particularly vulnerable groups, benefit from development.

This report presents nine selected case studies of poverty reduction projects financed by ADB. These projects were presented to the Global Solicitation and Challenge Prize on Best Poverty Reduction Practices sponsored by the International Poverty Reduction Center in the PRC, and the PRC Internet Information Centre. This global knowledge-sharing initiative sought to collect 100 case studies of poverty reduction experiences and policies from the PRC and the international community. All nine ADB project case studies have been recognized as innovative and impactful out of nearly 1,000 submissions from international financial institutions and provincial governments and academe in the PRC.

The nine case studies were implemented in the various countries in the Asia and Pacific region, namely the PRC, Mongolia, Nepal, the Philippines, Sri Lanka, Uzbekistan, and Viet Nam. The projects were approved and implemented in various periods. The earliest approved was in 2007. Most closed during 2015–2017, and, as an attestation to their sustainability, a number of these projects have been provided additional financing and are ongoing to date.

## Defining Approaches to Poverty Reduction

Despite the geographical and time variation, interestingly a few common approaches were applied to deliver the outcome in these projects. They are:

- (i) providing broader access to economic opportunities,
- (ii) promoting resilience, and
- (iii) empowering communities through improved governance.

## Providing Broader Access to Economic Opportunities

Projects are expected to provide broader access to economic opportunities to ensure that the poor and disadvantaged are able to access these opportunities and benefit from economic growth. Investments in critical capital assets and human resources have been the major driver in this approach to generate livelihoods and jobs through enhanced productivity of the resources.

Providing and improving access to economic opportunities have been adopted most commonly among the selected nine cases. Four projects fall under this theme, three of which were in the PRC and the other in Uzbekistan. This is consistent with the existing literature in that the first wave of PRC's poverty reduction was achieved mainly through macro-level intervention such as through large volume of investment in the transport sector and productivity enhancement of the agricultural sector (Wihtol 2018).

Two agriculture projects—PRC’s Shanxi Integrated Agricultural Development Project and the Dryland Sustainable Agriculture Project—broadened access to economic opportunities and developed a sustainable agriculture sector that helped reduce rural poverty. Shanxi Integrated Agricultural Development Project enhanced farmers’ skills by training in agriculture innovations, sustainable production, and marketing; and enhanced access of women’s groups to microfinance. This project enabled farmers to move to high-value perennial and livestock production, leading to increased rural incomes. The Dryland Sustainable Agriculture Project expanded farmers’ access to markets through established partnerships with private agro-enterprises and contract farming. Such arrangements also increased farm productivity and enhanced processing and marketing capacities of farm households, helping vulnerable and poor households secure stable prices and incomes out of higher-value agricultural products, and letting them escape from and remain out of poverty.

Also in the PRC, the Yunnan Integrated Road Network Development Project expanded the poor’s access to opportunities by investing in expressway constructions and improving the local road network. As Yunnan Province is a mountainous, poor, and remote area, improving transport links is key to economic development and poverty reduction. When the improved roads were opened to traffic, travel time between counties was reduced by half, additional businesses increased employment opportunities particularly for ethnic minorities, and rural poverty incidence declined.

In Uzbekistan, the Surkhandarya Water Supply and Sanitation Project improved the provision of reliable, safe, and affordable water supply and sanitation services to the poor and the disadvantaged. Raising living standards through the delivery of basic services such as water

supply and sanitation is vital to ensuring that poor people not only participate in, but also benefit from growth.

## Promoting Resilience

Socioeconomic resilience is the ability to cope with shocks or crises—be these economic, social, financial, environmental, or climate change-related, which negatively impacts people’s lives. Targeted support to the most vulnerable has been another important approach promoting resilience of the identified group. Three cases out of the nine fall under this approach, two of which were in the Southeast Asia region—Viet Nam and the Philippines. Mongolia also benefited from one ADB project. This approach is considered cost effective and efficient particularly for vulnerable groups who would not otherwise receive adequate social and economic benefits.

In Mongolia, the Food and Nutrition Social Welfare Program and Project was designed to mitigate the effects of economic shocks and serious threats to nutritional welfare. Under this project, the government established a food subsidy program specifically targeted to alleviate the impact of inflation on the poorest and most vulnerable population. The program, which has reached more than 120,000 beneficiaries in 2013, is now used by the government as a regular social assistance benefit for the poor. In the Philippines, the Social Protection Support Project showcased a successful example of a conditional cash transfer program for the poor. In 2019, the program has provided conditional health and education grants to about 4.18 million poor families. Another project—the Lower Secondary Education for the Most Disadvantaged Regions Project in Viet Nam—enhanced access of ethnic minorities and girls to education, leading to greater social and economic inclusion.

## **Empowering Communities Through Improved Governance**

Poverty reduction is not sustainable without motivation from the poor. The approach of empowering communities is a framework that enables them to participate in decisions that affect their lives. Two ADB projects, one in Nepal and one in Sri Lanka, are presented in this report.

Nepal's Strengthening Public Management Program supported interventions that helped enhance local public financial management and institutional mechanisms to improve efficient allocation of resources for the poor and disadvantaged. The program effectively empowered communities by actively engaging

citizens in identifying, planning, and managing the projects. In Sri Lanka's Small and Medium-Sized Enterprises (SME) Line of Credit Project, ADB introduced an innovative mechanism of incentives and penalties that facilitated participating banks to reach out to underserved SMEs, such as SMEs led by women, located in rural areas.

The remaining part of the report is structured as follows. Chapter 2 discusses the four cases that provided broader access to economic opportunities. Chapter 3 discusses the three cases that focused on promoting resilience. Chapter 4 presents the two cases that emphasized empowering communities through improved governance. The last chapter provides concluding remarks.

# PROVIDING BROADER ACCESS TO ECONOMIC OPPORTUNITIES

# 2



## SHANXI INTEGRATED AGRICULTURAL DEVELOPMENT PROJECT

People's Republic of China

- 7,724 hectares with higher crop productivity
- 39,829 farm households increased incomes



## DRYLAND SUSTAINABLE AGRICULTURE PROJECT

People's Republic of China

- 320,000 farmers with improved market access
- 8,524 jobs created by agro-enterprises



## YUNNAN INTEGRATED ROAD NETWORK DEVELOPMENT PROJECT

People's Republic of China

- travel time from Longling to Ruili reduced from 4 hours to 2 hours
- roads speed increased from 35 kilometers per hour to 60 kilometers per hour



## SURKHANDARYA WATER SUPPLY AND SANITATION PROJECT

Uzbekistan

- 90% of the population served with safe and reliable water supply
- waterborne diseases decreased by about 70% for children under 14 years of age



## ► 2.1 SHANXI INTEGRATED AGRICULTURAL DEVELOPMENT PROJECT

People's Republic of China

### Background

Shanxi Province has geographical, natural, traditional, technical, and financial characteristics that make agricultural production difficult. Located in the northern PRC, Shanxi Province has about 3.8 million hectares of dependable arable land for its 23 million rural population. Low rainfall, high evaporation, frequent natural disasters, and soil erosion have led to unstable agricultural production. Although the implementation of the national reform and opening-up policy in 1980 improved the agricultural service system, farmers' technical capacity remained weak and small-scale agriculture plots remained common. Most farmers mainly grew wheat and maize (corn) that generated low income and required extensive use of water and agrochemicals. Free-range livestock grazing and untreated disposal of animal waste added to soil and water pollution. This unsustainable practice damaged the environment and kept most farmers in poverty. Most farmers were also largely unorganized and did not have good access to the market and finance. Access to credit was a key constraint preventing the move from traditional to high-value farming. Lending institutions offered limited range of products, were inexperienced in providing long-term lending, and had weak capacity to assess credit risk. Women's participation remained marginal, and their social and economic rights were usually ignored.

### Providing Sustainable Production Bases and Improving Access to Markets

In 2009, ADB approved a \$100 million loan for the Shanxi Integrated Agricultural Development Project

to raise farm productivity and farmers' income through high-value agricultural production in 26 counties in Shanxi Province. The project was designed to reduce rural poverty and develop a sustainable agricultural sector. The project aimed to help farmers move to high-value farm products using environmentally sustainable technologies and practices that increase farm incomes; strengthen farm-market linkages through on-farm processing capacity and establishing contracts between farmers and agro-enterprises; build capacity and train farmers, farmer associations, and technical support agencies on high-value production and processing; and promote project management for efficient project implementation.

The project supported agro-enterprises and farmers to develop sustainable production and improve access to markets. It also helped strengthen the municipal and county governments' capacities to expand agricultural value chains, add value to agricultural products, and increase income through the "enterprise + production base + farmer" model.

The project built processing and storage facilities and helped establish buyback contracts and loan guarantee contracts for the farmers. Two hundred twenty-three date-drying units were built, which ensured product quality, prolonged storage life, and increased value. A 2,000-ton thermostatic storehouse was also built, which further boosted the capacity to provide higher-quality produce. In addition, 14,861 farmer households (37.3% of the total) signed product buyback contracts with various enterprises, and 9,161 farmer households (23%) signed loan guarantee and technical service contracts

---

This case study was prepared by Hsiao Chink Tang, senior economist, EARD, ADB. Reviewed by Suzanne Robertson, senior environment and agriculture specialist, EARD.



with enterprises. ADB helped to establish formal relationships between the beneficiary (borrowing) farmers and 32 agro-enterprises through contract-farming agreements. Through these agreements, the farmers gained access to stable markets and received premium prices for their produce, and agro-enterprises provided credit guarantees for farmers' subloan repayments. The agro-enterprises benefited by ensuring access to stable and quality farm produce and by operating at full capacity.

Training programs were organized and were tailored to farmers, farmer associations, and technical service agencies. Farmers were, in turn, trained to provide further training for other farmers in townships and villages. Workshops were provided in modern farm production technologies and practices, water-saving irrigation practices, pest management, animal waste disposal, and marketing. Apart from the farmers, villagers also became recipients of the training as members of the community.

### Box 2.1.1: Communities Open Up to New Technology

Farmers in Shanxi Province, People's Republic of China, are experiencing reduced water security for the agriculture sector. They constantly battle with conditions that make farming untenable. In Xiaoshentou village, Lishi, farmers have to contend with the cold temperature of its irrigation water, where irrigation water for a large part of the winter is close to or below 0°C.

In the village of Xiliuzhi in Qixian, farmers still relied on flood irrigation. Shanxi's groundwater tables have been declining since 1956, a problem compounded by the impacts of climate change. About a quarter of the province's land area, especially the fertile valleys, is experiencing falling groundwater tables. Rainfall has decreased by 12% over the last 50 years.

Today, through the Shanxi Integrated Agricultural Development Project, more than 600 farmers in four counties in the province use modern and efficient horticultural irrigation systems.

Farmers in Xiaoshentou village in Lishi now use a drip sprinkler irrigation system, along with warming ponds in greenhouses. In Xiliuzhi, Qixian county, drip irrigation is also used. The new systems now have pressure meters, dual distribution lines, and a centrifugal filter to remove impurities from water. Farmers in Xi county now use microirrigation pipes that do not clog easily.

Communities were highly involved in the pilot sites of the project. While it took time to convince some farmers of the benefits of pressurized irrigation systems due to their

novelty, intense dialogue with the farmers, coupled with training courses on the use of the technology helped farmers understand and finally accept the new systems. In 2012, the new irrigation systems became operational. Farmers saw the effects of improved groundwater management firsthand, and today, water associations promote the irrigation systems together with county authorities.



Greenhouses with improved groundwater irrigation system in Yongji City (photo by ADB).

Source: ADB. 2013. *Shanxi Farmers Embrace Modern Irrigation Methods to Adapt to Climate Change*. Manila.

In total, about 40,000 farmer households participated in technical training or agricultural demonstrations, including sustainable production and marketing skills. Three hundred twenty-eight farmer households in Lishi, Pingshun, Qixian, and Xi'xian counties received subsidy for installing drip-irrigation systems, and 6,500 farmers were trained in water-saving techniques. After receiving training, Daning and Liulin counties set up 20 women's groups and cooperatives and dispensed microcredit worth \$86,000 to four villages, benefiting 117 households and enabling 294 women to be trained.

Five farmer associations selected by the provincial government were trained on how to market farm produce, disseminate farm technologies and practices, and improve their organizational skills. Study tours were conducted to learn from better-organized farmer associations. In addition, members of farmer cooperatives were also trained in organizational, marketing, and technical skills, and undertook study tours, which benefited more than 900 people. Finally, technical service agencies' capacities involving close to 8,000 person-times were also enhanced through trainings in livestock production, water-saving irrigation and water balance monitoring, integrated pest management, environmental monitoring, participatory approaches, and gender awareness. Three practical manuals for farmers were also published and disseminated.

## Results

Through ADB's interventions, farmers started to grow perennial and annual crops, and increased their livestock productions. As of end-2016, 21,106 households cultivated perennial crops (walnuts, dates, apples, pears, prickly ashes, asparagus, fast-growing poplars, and Chinese herbs) occupying about 7,000 hectares; 9,282 households planted annual crops occupying about 760 hectares; and 9,218 households bred livestock.

A more environmentally sustainable practice was promoted through the project (Box 2.1.2). Farmers were provided credit to buy materials and equipment to plant high-value crops. They were taught to plant crops such as walnuts, pears, and apples on sloping lands, which mitigated soil erosion. In rain-fed areas, hardy and high-value dryland crops such as Chinese medicinal herbs and walnuts were promoted. Greenhouses were built to produce high-value vegetables such as cucumber, vegetable marrow, and tomato, which used less water and fertilizers, thus improving soil conditions and food safety. Previously inside farmers' homes, pig sheds were now built in separate structures. Five to six households shared pig sheds with proper structures that disposed animal waste, either by turning it into compost or biogas, which was also a source of rural clean energy. Farmers were provided credit to breed and fatten pigs and cattle,



### Box 2.1.2: Innovation

The environmental benefits and impacts are key highlights of the Shanxi Integrated Agricultural Development Project. The project taught farmers modern agricultural technologies and sustainable practices. The expansion of high-value perennial and annual crops reduced soil erosion in sloped areas, improved water-use efficiency, reduced the use of agrochemicals in favor of green and organic fertilizers, and produced high-quality and safer products. The annual water savings was estimated to total about 3.8 million cubic meters. Fertilizer use was expected to fall by about 2,300 tons per year. Water savings mean more food using less water. In the four counties covered by the groundwater management grant, farming cooperatives cut the water used for irrigation by half, while their yield of cucumbers increased by 15%–20%. The same grant allowed 328 farmer households in Lishi, Pingshun, Qixian, and Xi'xian to receive subsidies for installing drip-irrigation systems and directly and indirectly provided water-saving training. It is expected that the experiences in the four counties will be replicated in other counties and provinces.

Source: ADB. 2018. *Completion Report: Shanxi Integrated Agricultural Development Project in the People's Republic of China*. Manila.

breed broiler and layer chickens, sheep, and goats for cashmere. Previously, other livestock, such as goats, sheep, and cattle, mostly grazed on the range littering it with animal waste and causing extensive damage to grasslands that became prone to erosion and land degradation. Farmers were also taught to adopt pen-feeding, which improved livestock productivity through proper feeding, guarded against infectious animal diseases, and allowed safe and productive animal waste disposal.

The project's poverty reduction impact was attributed largely to improved income. In the 26 project counties, rural poverty rate declined to 9.2% in 2016, lifting just over 570,000 people out of poverty. During the project period, from 2009 to 2016, rural net income per capita in the project counties grew to 192.1%, while their gross domestic product per capita grew to 131.5%.

Income surveys showed the average total income of beneficiary households increased by 270.9%, exceeding that of the nonbeneficiary households living in the project area by almost 180%, and those outside the project area by about 117%. Largest increases in income came from cash crops, economic forests, and vegetable crops. One outcome is that the beneficiary households' income structure improved. Income derived from agriculture increased, and that from outside labor decreased.

The boost in income owed much to the project's initiatives that supported farmers and agro-enterprises. They were taught—and later adopted—modern and environmentally sound technologies that generated higher-value products. In addition, they started to practice sustainable management of agricultural and plastic waste in common farming areas and greenhouses. This spurred off secondary businesses by livestock cooperatives that collected and sold organic manure either directly or through brokers to farming households. Farming cooperatives also started to use organic certification, thus phasing out synthetic fertilizers

and pesticides that improved food safety. More important, farmers' incomes were also boosted by initiatives that provided a steady income flow and stable produce prices. These came from product buyback contracts and loan guarantee and technical service contracts signed with enterprises. As a result, several cooperatives, such as, Special Jujube Cooperative in Zhangzhuang Village (Linyi County, Yuncheng Municipality) were selling their dates in and outside the PRC.

By limiting free-range grazing, farmers collectively managed their herds in larger facilities. This helped improve their living conditions by providing cleaner surroundings. Soil degradation was avoided, as livestock waste was disposed of safely by composting or through biogas digesters. Farmers were trained in adequate treatment and waste disposal procedures to mitigate the increase in waste production. In many instances, agricultural waste became a source of income as it was treated and dried, then sold.

## Lessons

Giving the poor access to finance allows them to seize opportunities to increase their incomes and improve their livelihoods. The project achieved its objective to increase rural incomes through improved production by giving loans to poor rural households, which allowed them to invest in perennial, annual, and livestock production. These loans suited the poor rural farmers because they had lower interest rates and longer tenors than a typical bank loan. They were more in line with the return on investments from agriculture, which made repayment less onerous.

Aside from access to loans, farmers appreciated the technical support and training provided under the project. Their capacities were built through knowledge of, and additional skills in, applying good practices and using latest technologies. This included water-

efficient irrigation systems and integrated pest management, which resulted in products that were of high-quality.

Market links that benefit the poor must be established. Awareness about markets and access to market information meant the farmers could make informed decisions. With buyback contracts signed with agro-enterprises, farmers benefited from a secured income source and higher prices than those available in the open market. Agro-enterprises benefited from access to commodities that were of the required quality and that strengthened their resource base. The “enterprise + production base + farmer” model that was applied was successful.

Another key element of the project’s success was the preparation of templates for the production-base contract, the loan guarantee contract, and the on-lending contract, which standardized the implementation of activities. Although at first, they took a long time to prepare, once completed they were easy to implement.

### Project at A Glance

**Approved:** 16 December 2009

**Closed:** 6 September 2016

**Approved Cost:** \$189.31 million

- **Asian Development Bank:**  
\$100.00 million (ordinary capital resources loan)

- **Water Financing Partnership Facility:**  
\$0.50 million

- **Gender and Development Cooperation Fund:**  
\$0.20 million

- **Local Government:**  
\$26.56 million

- **Farmers:**  
\$59.33 million

- **Agro-Enterprises:**  
\$2.46 million

- **Farmer Associations:**  
\$0.26 million

**Executing Agency:**  
Shanxi Provincial Government



## 2.2 DRYLAND SUSTAINABLE AGRICULTURE PROJECT

### People's Republic of China

#### Background

During the mid-2000s, the PRC experienced land degradation that was one of the worst in the world, with dryland areas of about 70% of 350 million hectares of total land. Dryland areas have low water resources, depend highly on rain, have infertile soil that produce low yields, and degraded lands and environment. As a result, poverty was generally higher in these rural areas.

Agriculture is the main livelihood of the poor in these areas, but farms were very small, with an average size of only about 0.28 hectares each. Farming comprised about 60% of the household income. Rural unemployment and underemployment were prevalent. The average rural household income was only two-thirds

of the national average. Farmers have limited access to markets and technology to diversify into higher-value crops. Over the years, poor farming practices have degraded the land and water, which resulted in a vicious cycle of declining farm productivity and decreasing farm incomes.

#### Improving Agro-Enterprises and Farmer Partnerships to Connect with Markets

From 2009 to 2016, ADB implemented the Dryland Sustainable Agriculture Project with \$83 million approved funding. The project aimed to reduce rural poverty in Gansu, Henan, and Shandong provinces by improving agricultural productivity and promoting financially and environmentally sustainable agriculture in dryland areas.

#### Box 2.2.1: Agriculture Support Lifts Family Out of Poverty

Forty-year old Zhang lives with her sick husband, her two children, and her mother in Zhaogezhuag Village of Gaomi County, Shandong Province. Her family cultivates 0.8 hectares of wheat and corn, which is their major source of income. Because of a dearth of workers and poor management practices, the income they generated from the cropland was less than CNY8,000 in 2008.

Since her family signed a buyback contract with Mishui Grape Company in 2008, life had improved for Zhang and her family. With funds provided by the Asian Development Bank under the Dryland Sustainable Agriculture Project, the company provided production inputs such as grapevine and fertilizer on credit, and offered free technical support to Zhang's family. The grape yield has been in full production since 2011 and has lasted for many years. The family's cost of planting the grapevine was recovered between 2010 and 2011. In addition, Zhang and her family earned

about CNY25,000 (around \$3,600) net income in 2011. Thanks to the project, she and her family now live more comfortably, and their lives have been lifted out of poverty.



■ ADB is helping farmers shift to higher-yielding and higher-value commercial crops such as Chinese herbs, grapes, and sweet potato (photo by the Department of Agriculture, Henan Province).

Source: Asian Development Bank.

This case study was prepared by Imelda Baleta, consultant; and Marga Domingo-Morales, senior results management officer, EARD, based on ADB. 2018. *Completion Report: Dryland Sustainable Agriculture Project in the People's Republic of China*. Manila. Reviewed by Jan Hinrichs, senior natural resources economist, EARD.



The project strengthened agro-enterprises by helping to establish an organic fertilizer mixing plant, a farm machinery plant with 30 service stations, a seed production center facility, an agricultural product quality testing center, and two agricultural information centers in Henan and Shandong provinces. Support services were provided to avoid further degradation of the land and water resources. The project ensured sustainability and profitability through higher-value agricultural production and processing.

The project area comprised parts of 27 counties across three provinces: Gansu (7 counties), Henan (12 counties), and Shandong (8 counties). Farmers and agro-enterprises developed partnerships. Financing agro-enterprise investment in processing was also provided, and agricultural support services that included farm input and technology supply, extension, and information centers; wholesale markets; and product quality testing were enhanced.

## Results

Farm households benefited from a shift in production from low-yielding, low-value food crops to higher-value, more marketable horticultural and commercial crops such as greenhouse vegetables, asparagus, mushroom, grapes, gingers, detoxified sweet potato, and Chinese herbs.

Farm productivities increased and favorable prices were secured by farmer–enterprise partnerships. (Box 2.2.2) For example, a pharmaceutical company in Henan Province contracted about 873 hectares (ha) of wheat–corn farmland for producing herbs, which were further processed as Chinese medicine. The company provided contract farmers with technical support and bought back the herbs at a price higher than market price by 3%. The net income per ha of *Rabdosia rubescens* (a Chinese herb) was CNY43,500 in 2016, much higher than net income of CNY8,250 per

ha of wheat plus corn in the same area the same year. Contract farming covered 81,459 ha of farmland in 2016, which was cultivated by 200,468 households. Of these, 28.7% were poor households. The increase in production of value-added products as a result of the projects is estimated to have reached 629,000 tons by 2015, higher than the target of 500,000 tons.

To enhance public support to farmers and project management, the project trained 68,000 participants on sustainable agriculture and participatory soil and water management. The participants included extension staff of provincial and county agriculture bureaus who were to provide farmers with advisory services covering 66,200 farm households.



### Box 2.2.2: Innovation

The project improved agro-enterprise and farmer partnership and support services to farmers in 26 counties. It established 27 partnerships between 49 agro-enterprises and 672,850 farmers following a tried and tested model of contract farming adapted by the People's Republic of China. Called the “dragon-head model,” this mode of contract farming is a variant of the vertically integrated contract farming model. The largest and strongest agribusiness enterprises are given support to accelerate development of sustainable commercial partnerships between the enterprise and farmers. A partnership is a grouping of entities formed mainly to enhance administrative convenience. It may include farmers, agro-enterprises, input suppliers, service providers, or local government agencies. These partnerships strengthened processing and increased production in the three provinces to meet the growing demand for high-value agricultural products in the domestic and export markets.

The project strengthened farmers' access to agricultural extension advice, new technologies, inputs, and market outlets. This facilitated the adoption of improved seeds, planting varieties, and breeds; and conservation agricultural techniques.

Source: ADB. 2018. *Completion Report: Dryland Sustainable Agriculture Project in the People's Republic of China*. Manila.

The project benefited more than 320,000 farm households and had lifted about 304,100 people out of poverty in the project area through rehabilitating dry land. Higher income coupled with enhanced technical skills and increased production capacity have helped vulnerable and poor households escape from and remain out of poverty.

More than 68,000 people were either directly employed in project-supported agro-enterprises or indirectly employed in other value chain entities and industries compared to the target of 32,000 people. The annual average household income from farming in the project area increased by 147% from CNY8,221 in 2009 to CNY20,316 in 2015. For beneficiary farmers, the yearly average per capita income increased from CNY3,357 in 2009 to CNY9,371 in 2015, an average annual growth rate of 19%.

Project-supported agro-enterprises increased their output of value-added products to 629,000 tons in 2016. Revenues from 44 agro-enterprises indicated agro-processing increased by about \$490 million per year.

The project has significantly contributed to improving the incomes of ethnic minorities. About 8,000 ethnic Hui farm households were directly engaged in partnerships with the three project-supported agro-enterprises in Zhangjiachuan, the Hui's home county in Gansu Province. This exceeded the target 6,000 households. Average household farming income increased by 280% during 2009–2015.

Overall the project's development impact is encompassing. The project secured access to markets for farmers in the project area and its associated benefits of stable prices and incomes. Farmers diversified from traditional rain-fed, low-yielding wheat and corn to cultivation of cash crops, herbs, fruit, and vegetables. Agro-enterprises' investments in processing facilities, cold storage, warehousing, and related

postharvest infrastructure enhanced value chain links between farmers and consumers and added greater value to farmer's products.

## Lessons

A major lesson from the project is that contract farming in the PRC-style, which links farmers with agro-enterprises and associated market outlets, has significant potential to raise the income of poor farm households and lift them out of poverty.

The project significantly contributed to promoting inclusive social impacts in cropping system, shifting traditional wheat–corn domination to diversify agricultural production and increase productivity and incomes of poor, ethnic minority people and other households. Helping farmers obtain a secure price for their produce and sure markets are indeed crucial for income generation and for poverty reduction.

## Project at A Glance

**Approved:** 25 November 2008

**Closed:** 22 September 2017

**Approved Cost:** \$204.69 million

- **Asian Development Bank:**  
\$83.00 million (ordinary capital resources loan)
- **Spanish Cooperation Fund for Technical Assistance:**  
\$0.35 million
- **National Government:**  
\$0.90 million
- **Provincial and County Governments:**  
\$9.01 million
- **Agro-Enterprises:**  
\$97.83 million
- **Farmers:**  
\$13.60 million

**Executing Agency:**  
Ministry of Agriculture



## ► 2.3 YUNNAN INTEGRATED ROAD NETWORK DEVELOPMENT PROJECT

People's Republic of China

### Background

Yunnan Province located in southwestern PRC bordering Myanmar, Lao People's Democratic Republic, and Viet Nam, is mountainous, poor, and remote. Mountains and hills cover about 94% of its land area. Poverty prevalence was related to high population density surviving on limited arable land (only 10.6% of the province's area), and poor transport links between urban centers and poorer areas. More than 40% of Yunnan's rural population did not have direct access to paved roads.

Road is the most widely used transport mode in Yunnan Province—making it a key driver of economic development and poverty reduction—but remained inadequate and of low quality. Since the 1990s, Yunnan has been investing in expressway constructions and road network expansions, supported by the central government's Western Development Strategy and ADB. By 2008, Yunnan had completed 2,512 kilometers (km) of expressways, nearly half of the 6,000 km expressway network targeted under the National Expressway Network Plan. Still, its road network remained of low quality. In 2008, its total road network was just over 200,000 km, but less than 4% of that were class II or above (compared to 10.7% nationally), 5% were class III, and the remaining 91% were class IV (least developed roads) and unclassified (see ADB 2014a for further information on road classifications).

This case study was prepared by Hsiao Chink Tang, senior economist, EARD, based on ADB. 2017. *Completion Report: Yunnan Integrated Road Network Development Project in the People's Republic of China*. Manila. Reviewed by Cai Li, deputy country director, Bangladesh Resident Mission, South Asia Department, ADB.

Maintenance funding for non-tolled roads was also inadequate in contrast to tolled roads. A 2009 study on most of the 24,000-km non-tolled core network administered by the Yunnan Provincial Highway Bureau (YPHB) found that only 35% of the roads were in good-to-excellent conditions, and 31% in very poor conditions. The situation was worse for rural roads. Rural roads accounted for 87% of the total road network, of which 98% were class IV least developed roads or unclassified. The majority (81%) were unpaved—gravel or earthen—roads. In Dehong Dai and Jingpo Prefecture (hereafter Dehong Prefecture), ADB's project focus area, only 40% of county roads, 27% of township roads, and 19% of village roads were in good condition.

### Upgrading Highway Corridor and Local Roads

Against this background, ADB's \$250 million project loan was used to build the Longling–Ruili highway corridor (LRHC); rehabilitate local roads in Yunnan; establish maintenance groups for rural roads in Dehong Prefecture, and improve capacity of local road agencies.

The construction of LRHC was completed and opened to traffic in phases from May to December 2015. It was 163.3 km long, consisting of 134.1 km expressway and 29.2 km class II highway. Bridges and tunnels accounted to about 53% of the total length reflecting its mountainous terrains. The expressway also included ancillary facilities such as a traffic monitoring center, three tunnel management stations, three service areas, two vehicle parking areas, and eight toll stations. The expressway was landscaped, and incorporated cultural features of Yunnan's ethnic minorities.



In addition, 636.45 km of national and provincial roads in the targeted nine prefectures and cities were reconstructed and paved, over 31 km of the target. Over 17,000 trees and 17,000 square meters of grass were planted along road sections that required greening. Local road safety and international safety audits made recommendations and improvements especially at accident prone areas.

Capacity of road agencies and maintenance groups was improved. The firm provided on-the-job training on contract management, prepared reports, and trained staff of three road agencies and contractor teams on road safety. Two overseas trainings on expressway construction management and road safety to Canada and the United States were organized. In addition, about 100 domestic trainings on leadership, construction safety and quality, bridge and tunnel engineering, earthquake emergency response, and measurement and contract management were organized benefiting about 5,000 people. For rural road maintenance,

over 1,600 poor people, of whom 90% were women, were trained on maintenance techniques. Trainings and awareness campaigns on HIV/AIDS risks were provided to all construction sites, communities along the LRHC, and migrants from Myanmar.

## Results

At completion of the project, travel time from Longling to Ruili was reduced from 4 hours to 2 hours. With the rehabilitated local roads, speed increased from 35 km per hour to 60 km per hour. The percentage of non-tolled ordinary roads in good condition increased to 83% in 2015, exceeding the target of 50% and one year ahead of schedule. Dehong Prefecture increased the percentage of township roads in good condition to 50% in 2014, 2 years ahead of the timeline.

The LRHC's economic internal rate of return, a measure of the economic costs and benefits, was 12.6%—higher than ADB's threshold of

### Box 2.3.1: The Road to Better Business and Better Opportunities

Shii Yansuobao, 24, who is a member of the Dai ethnic minority, runs Zhefang Kantuo Shi Family Restaurant with his family on the roadside of Longrui expressway in Kantuo Village near Mangshi City.

“After the opening of Longrui expressway, the traffic increased and the business became much better. It's mainly because our village is located on the only way to the expressway and we have rural roads leading directly to the village entrance. Therefore, it is very convenient for passing vehicles to stop off in the village for rest and meals. Our restaurant has 100 customers on average every day.”

The project has reduced average travel time by at least 40% on the roads it improved. Travel time by road between the cities of Longling and Ruili was reduced from 4 hours in 2010 to 2 hours in 2016, with average travel speed on improved local roads increasing from 10–20 km per hour in 2010 to 30–40 kilometers per hour in 2016.

Source: ADB. 2018. *Together We Deliver*. Manila.



■ Shi Yansuobao (second from right), who lives with his family in Kantuo village, Dehong Prefecture, runs a restaurant near the Longrui expressway (photo by Lu Jingwen).

12% and the national threshold of 8%. For the rehabilitated local roads, its economic internal rate of return was 77%, indicating very strong economic viability.

The socioeconomic impacts have been notable. Yunnan's road conditions improved and contributed to its strong output growth, averaging 11% from 2011 to 2015. Dehong Prefecture, where the major project components were located, benefited much. Construction of the LRHC alone contributed at least CNY2.76 billion to Dehong's economy through employment and purchase of local materials and food. Combined with other government poverty reduction efforts, the rural poverty incidence in Dehong Prefecture declined to 6.15% in 2015.

Living standards of the affected 29,859 people from 7,077 households improved, supported by resettlement and ethnic minority development measures. Surveys conducted at project completion showed that all households had restored their income by 2015 and the average per capita income increased by over 50% from 2011 to 2015. Cash was used to compensate land, and house and house plots lost. Affected households were paid before land acquisition and house demolition, which facilitated the resettlement process. Measures introduced to improve livelihood included technical training to plant more cash crops and teach nonagricultural skills; priority for ethnic communities for construction work; and endowment insurance for eligible landless farmers. Severely affected households also received additional cash subsidy and priority in training and jobs.

The welfare of ethnic minority communities also improved. They represented 62% of the nonskilled laborers sourced locally. They earned an estimated income of over CNY75 million or the equivalent of total annual income of 8,850 rural people in Mangshi county in 2015. In addition, 1,300 ethnic minority households had better quality houses. Also, the rural road maintenance group was

piloted by 20 ethnic minority women groups in 2013, before being expanded to 69 groups covering Mangshi, Ruili, Langchuan, and Lianghe counties in the Dehong Prefecture by 2015. These created jobs for 261 poor people, of which 90% were women, and brought in CNY2.4 million income (Box 2.3.2). Longling, Mangshi, and Ruili experienced significant economic growth and urbanization over 2011–2015. Together with their own and government efforts, there was significant progress in poverty reduction for the ethnic minorities. About 29,000 people, who are mostly ethnic minority Jingpo and De'ang, moved out of poverty. In Ruili, 6,800 people, of mostly the same ethnic minority were moved out of poverty. In Longling, the reported rural poverty incidence was reduced to 39.3% by 2015.



### Box 2.3.2: Innovation

The Yunnan Integrated Road Network Development Project's innovation lay in a performance-based contract that had a gender dimension in rural road maintenance. This created income-earning opportunities for poor women in rural areas and may have helped them realize their values other than household work.

Women accounted for 38.5% of the local workforce for constructing the Longling–Ruili highway corridor, and 51.5% of the workforce for operation and maintenance of the expressway. Of the 69 maintenance groups with 261 members established under the rural road maintenance, 90% were women and 56% were ethnic minorities. They were contracted to maintain 655.9 kilometers of township and village roads.

The practice has been rolled out by all five county communication bureaus in Dehong Prefecture to maintain all the 4,714 township and village roads, involving 438 village maintenance groups. The share of the rural population with access to all-weather roads in Dehong Prefecture had been increasing yearly and reached 76% in 2014 and 80% in 2015, meeting the target.

Source: ADB. 2018. *Completion Report: Yunnan Integrated Road Network Development Project in the People's Republic of China*. Manila.

Business practices of local road agencies also improved. YPHB refined their procurement rules based on ADB international best practice guidelines. YPHB also hired full-time staff to handle environmental, social protection, and road safety responsibilities to ensure proper implementation. For rural road maintenance, although a performance-based payment already existed, a performance-based contract established through the support of an ADB-financed technical assistance (TA) project provided more scientific performance indicators and systemized the practice. It also saved costs. The previous volume-based contract required 5–8 persons to manage 100 km, while the performance-based contract only required 2–3 persons. As a result, the approach was rolled out to the whole province and being considered by other provinces in the PRC, the Kyrgyz Republic, and Viet Nam.

## Lessons

Numerous factors contributed to the project's success. The project was well-designed, catering to the needs of different road users, and contributed to inclusive and balanced development. The good combination of building a major trunk expressway, rehabilitating the national and provincial highways, and maintaining the rural roads drew the cooperation of the road authorities from the county to provincial levels. Third, Yunnan Province's ownership of the project was reflected on the strong dedication of LongRui Expressway Company and YPHB. In addition, the organization's strong contract management and

work process and documentation standardization with contractors enhanced construction quality and improved efficiency. Fourth, the resettlement and ethnic minority plans supported the welfare of those affected which contributed to popular buy-in.

However, despite improved road conditions in Yunnan, road crash fatalities were on the rise. Road crash fatalities in Yunnan went up from 4.8 per 10,000 registered vehicles in 2008 to 5.47 per 10,000 registered vehicles in 2015. While engineering interventions were helpful, poor vehicle conditions, overloading, and speeding were major causes of the crashes. As such, better enforcement and education would be important to mitigate this risk.

## Project at A Glance

**Approved:** 2 December 2010

**Closed:** 14 October 2016

**Approved Cost:** \$1,753.00 million

• **Asian Development Bank:**  
\$250.00 million (ordinary capital resources loan)

• **Domestic Bank Loans:**  
\$983.30 million

• **Ministry of Transport:**  
\$179.90 million

• **Yunnan Provincial Government:**  
\$339.80 million

**Executing Agency:**  
Yunnan Provincial Department of Transport



## ▶ 2.4 SURKHANDARYA WATER SUPPLY AND SANITATION PROJECT

Uzbekistan

### Background

Uzbekistan in the early 2000s experienced challenges in its water supply and sanitation (WSS) sector. Its sector strategy and planning were outdated and had inappropriate standards, financial resources were limited, and institutional capacity was weak. While its WSS network coverage was high, households were supplied with water for only 6–16 hours a day in urban areas and 2–10 hours a day in rural areas. Unaccounted-for-water was above 50% throughout the country. Nonperforming infrastructure, power outages, and lack of revenue hindered better service. The WSS systems in Uzbekistan have reached the end of their economic life and require extensive rehabilitation.

Surkhandarya has network coverage of 76%. Water supply in the province is available for 6–16 hours a day in the urban areas and 2–10 hours in the rural areas. Deteriorated and leaking infrastructure, power outages, and lack of revenue prevent better service. Improving the health and living conditions of the people by providing them with better access to safe and reliable water supply and better sanitation is therefore the government's top priority.

### Providing Safe, Reliable, and Sustainable Water Resources

Against this backdrop, in 2009, ADB approved the Surkhandarya Water Supply and Sanitation Project. ADB supported the Government of Uzbekistan in strengthening the central WSS sector planning and management and improving WSS services at the provincial level.

The project aimed to improve living standards, environment, and public health in the urban centers of Surkhandarya Province by providing safe, reliable, inclusive, and sustainable WSS services, and improving community hygiene for 340,000 people living in the seven districts of Kizirik, Angor, Muzrabad, Shurchi, Kumkurgan, Jarkurgan, Sariasiya, and the city of Termez.

A sector strategy, a road map, and an investment plan up to 2020 were prepared. Water supply systems were rehabilitated and constructed in seven districts and Termez City. The *vodokanals'* (operating agency of water supply and sanitation agency) capacity was strengthened to improve technical and financial efficiency, and develop a commercial approach to customer services.

In particular, three pro-poor strategies to address the specific needs of the poor (which represent 32% of the projected 2014 population) were adopted. First, connection fees were covered by the project, thus removing a significant barrier to access by the poor. Second, meters were mandatory and provided by the project and to be repaid over 3 years. Finally, a social, poverty, and gender expert ensured that poor and vulnerable groups are able to gain access to project benefits.

A rehabilitated water supply infrastructure was provided in urban centers of seven districts and the city of Termez. Both rehabilitated and newly constructed infrastructure resulted in savings on purchasing water for basic needs and on time. Access to a water supply system improved the quality of people's lives in small and medium-sized cities of Surkhandarya Province. The main beneficiaries were 3,079 low-income families, including 47% of households headed by women. This project provided equitable access to safe and reliable water supply to urban and poor rural communities and vulnerable groups.

---

This case study was prepared and reviewed by Jung Ho Kim, senior urban development specialist, Central and West Asia Department, ADB.



### Box 2.4.1: Improved Quality of Life Flows from New Water Supply

Safargul Turanova lives in Jarkurgan, a subproject of the Surkhandarya Province. She has three children and takes care of her family.

Before the Asian Development Bank's Surkhandarya Water Supply and Sanitation project, she used containers for saving water and purchased water for \$3.57–\$5.95 (SUM30,000–SUM50,000) monthly, as other households do. Also, she used to spend \$2.38 (SUM20,000) on average per month buying clean water usually in the summertime for her family to prevent waterborne diseases. Now her household is connected to the new water supply system, and a water meter is installed in her house. According to her, now she pays monthly SUM5,000 for safe and stable water supply services. On average, now she saves about \$3.5 (SUM30,000) per month.

Source: Asian Development Bank.



■ Safargul Turanova's household is now connected to clean water system installed by an ADB project (photo by ADB).

The change in sanitation practices is the major output, particularly for women. Women, men, and children in schools now have access to safer and more adequate sanitation facilities. A majority of the teachers at the schools are women and about 50% of schoolchildren are girls. This provided women and girls with the opportunity to attend schools with adequate sanitation facilities. In general, the project has reduced medical costs due to poor water and sanitation.

Women were actively involved in the project through the health, safety, and the environment (HSE) program. The HSE program included workshops; orientation and training of rayon and village health staff, village leaders, schoolteachers and schoolchildren in all selected communities; equipping of selected health posts and schools with materials and software required for training; development and implementation of the HSE program in schools and communities (*makhallas*). Gender-sensitive hygiene promotion activities were carried out in all schools and *makhallas* in the project areas through the *makhalla* and mass-media channels.

A national WSS sector strategy, road map, and investment program for the Republic of Uzbekistan until 2020 were prepared in 2012. The strategy strengthened the sector reform agenda and created a platform for the government to establish its mid- and long-term vision and strategy for the WSS sector development in 13,235 rural settlements and towns and about 65 cities.

### Results

About 3,000 low-income families of which 47% were headed by women, benefited from the project. The project funded the rehabilitation and construction of infrastructure, which cut the cost and time for buying water. Buying water consumes about 30% of the family monthly income, and this saving is significant. The project increased the time for other more productive and enjoyable activities, improved health, and reduced expenses on health care for the poor.

About 367,000 residents were provided with safe, reliable, and inclusive piped water supplies. The safe drinking water and ventilated pit latrines and septic tanks provided in 17 public schools

in the 7 districts, improved sanitation and promoted positive hygiene behavior among the population, especially schoolchildren.

Socially inclusive processes built into the project ensured that everyone benefited from the project equally. Households were not required to pay a connection charge. The costs of the meters will be payable in installments over 3 years. This helped make safe water supply more accessible to the poor. The recommended tariffs were affordable even to the poor as well.

Overall, 90% of the population will be provided with safe and reliable water over 20 hours a day by 2020, if an uninterrupted electricity supply is ensured. *Vodokanals* have expanded the capacity to provide safe and reliable 24/7 water supply in the subproject areas. As of March 2015, the connection of water supply per day in subprojects varied from 15 hours to 22 hours compared to 2–6 hours before the project implementation.

## Lessons

This project established improved sanitation practices and positive hygiene behavior among schoolchildren to prevent disease and ensure maximum health benefits from the improved infrastructure services. Safe drinking water was provided to all schools in the project district capitals. All schools in the project areas were provided with piped water supply. Also, the benefits from the project are not limited to the project area, but could be extended to additional peri-urban settlements near the water distribution network.

A number of significant policy changes were made during the project period. The strategy and road map produced under the project were intended to support government policy

development. One such policy was far-reaching by bringing the district *vodokanals* under the responsibility of their provincial *vodokanal* or water utility, with the provincial water utility reporting to the central government. Two decrees issued in 2017 have had a major impact on WSS. These decrees have restructured the sector, through the formation of a new Ministry of Housing and Communal Services and the establishment of *Uzkommunhizmat*—Communal Services Agency to help promote investment (including from international financial institutions) in place of the executing agency (Box 2.4.2).



### Box 2.4.2: Innovation

The government has taken a phased approach in implementing sector reforms under the Surkhandarya Water Supply and Sanitation Project. It has developed an integrated midterm action plan for the Water Supply and Sanitation (WSS) Program 2015 and enacted a number of Resolutions of the Cabinet of Ministers. The reforms focused on the improvement of WSS sector performance by sector reforms, improving financial management and tariff structures, and upgrading technology and equipment. The institutional restructuring has provided a greater role and responsibility to the Uzbekistan Communal Services Agency at the central level and to the *vodokanals* at the local level. The government has also developed a detailed investment plan, that is supported by the development partners, which include the Asian Development Bank, the World Bank, the Islamic Development Bank, and the governments of different countries. In October 2015, the government approved the Sector Strategy Action Plan 2015–2019, a road map, and an investment plan for the WSS sector until 2020. A public–private partnership framework was also prepared together with the sector strategy to enable the government to promote private sector involvement in the sector more effectively.

Source: Asian Development Bank.

Due to the better-established policy and legal framework for water supply and the production of good quality water, the provincial courts usually have been funding in favor of water utilities relative to overdue payments. From 2017, the newly created Bureau of Forced Execution under the General Prosecutor's Office of Uzbekistan is entitled to collect debts for communal services from households. The water utility is entitled to disconnect customers who are 3 or more months in arrears. This is the main reason for an increase in the collection rate and should in time allow most water utilities to reach close to 100% tariff collection.

### Project at A Glance

**Approved:** 3 November 2008

**Closed:** 10 March 2015

**Approved Cost:** \$40.00 million

- **Asian Development Bank:**  
\$30.00 million (concessional ordinary capital resources loan)
- **Multi-Donor Trust Fund under the Water Financing Partnership Facility:**  
\$1.50 million
- **Government:**  
\$8.50 million

**Executing Agency:**

Uzbekistan Communal Services Agency

# 3

## PROMOTING RESILIENCE



### FOOD AND NUTRITION SOCIAL WELFARE PROGRAM AND PROJECT

Mongolia

- 124,371 beneficiaries (65,972 females) received food assistance
- better health and education for children



### SOCIAL PROTECTION SUPPORT PROJECT

Philippines

- 4.18 million poor households provided with cash transfers
- 8.66 million children benefited from health and education grants



### LOWER SECONDARY EDUCATION FOR THE MOST DISADVANTAGED REGIONS PROJECT

Viet Nam

- 99,075 students improved access to lower secondary education
- 220,466 teachers (54% female) trained in quality learning standards





### ▶ 3.1 FOOD AND NUTRITION SOCIAL WELFARE PROGRAM AND PROJECT Mongolia

#### Background

Mongolia is still considered one of the poorest countries in Asia despite rising living standards. In 2006, it had an overall poverty rate of 32.6% of the population, where about 5% were categorized as extremely poor.

Around mid-2000, the government and United Nations Food Security Assessment team assessed that about 800,000 people (about 30% of the estimated population) were affected by food insecurity, which was on the increase in the largest cities of Darkhan, Erdenet, and Ulaanbaatar. ADB and World Bank 2006 poverty assessment in Mongolia found that the poor are much less likely to cope with, and/or recover from adverse circumstances because of overall reduction in and degradation of physical and social assets. This will have adverse impacts on health and education (particularly for women and children) and will result in increased poverty.

By the end of September 2008, the inflation rate in Mongolia had reached 32.2% year-on-year. The prices of imported wheat and locally produced meat contributed to nearly half of the overall inflation. Oil prices accounted for a small but growing proportion of this. The soaring food prices in Mongolia posed a serious threat to nutritional welfare.

To help reduce the adverse impact of the high inflation, the government established a food subsidy program targeted to the poor. The

emergency nature of the food crisis highlighted several challenges and opportunities for the social protection sector. This included the need to address inadequate systems for delivering assistance to the poor, define social welfare strategies, enhance capacities, and address the need to respond to emergency situations.

#### Ensuring Food for All

ADB approved a \$12 million grant from its Asian Development Fund for the Food and Nutrition Social Welfare Program and Project, in response to the food crisis. Of this amount, \$9 million was allocated for the food stamp program and \$3 million for capacity development and social welfare communication strategies and systems.

Vulnerable and poor households had improved access to food through a targeted food stamp program and strengthened social welfare systems. The project also involved capacity development and a communication strategy, and social welfare strategies and systems.

To respond quickly to an emergency in a rapidly changing economic and political environment, the project held continuous policy dialogue with the highest levels of government to ensure common understanding and actions on needed policy reforms. To avoid additional burden and ensure sustainability, the project built on existing institutions and systems and integrated government ideas.

The project used existing delivery mechanisms and institutions that were found to be effective, and enhanced the institutions' capacities. Local governments, particularly at the *aimag* (province) and *soum*

---

This case study was prepared by Imelda Baleta, consultant; and Marga Domingo-Morales, senior results management officer, EARD. Reviewed by Wendy Walker, chief of social development thematic group, Sustainable Development and Climate Change Department, and Altantuya Jigjidsuren, senior social sector officer, EARD, ADB.

### Box 3.1.1: Changing the System to Focus on the Poor

Namjilsuren Gombo and her five daughters live in a simple *ger*, a traditional one-room tent home—along a hardscrabble mountainside on the outskirts of Ulaanbaatar, Mongolia’s capital city. With an 8th grade education and no husband, 42-year old Namjilsuren has struggled for years to take care of her daughters with her meager income. Some months, just keeping them fed meant giving up other necessities. Before enrolling in a government food stamp program, Namjilsuren Gombo used to struggle to provide for her five daughters.



“Sometimes we did not have notebooks for them to use in school,” she recalls. Adding later, “There were times before when I used to cry because I felt helpless.”

These days, life is better for Namjilsuren and her five daughters. They have been enrolled in a government food stamp program, which is a welfare benefit that helps them to buy enough flour, rice, and other basic commodities to get them through the month. Using the stamps to cover food expenses frees up money to spend on other necessities. “We now get to satisfy our daily food consumption needs,” she says. “With full stomachs, the children are much happier going to school and their grades have improved. They never miss school, they are better fed, and they have something to wear. They are happy attending their classes.” Namjilsuren and her five daughters benefited from the Food and Nutrition Social Welfare Program and Project, a partnership between the Government of Mongolia and the Asian Development Bank.

Source: ADB. 2014. *Together We Deliver*. Manila.

■ Before enrolling in a government food stamp program, Namjilsuren Gombo used to struggle to provide for her five daughters (photo by ADB).

(administrative subdivisions of the aimag) or *khoroos* (administrative subunit of urban districts) levels, and the *soum* or *khoroos* livelihood support councils, helped prepare and implement the food stamp program.

The program helped ensure that allocated resources would go to their intended purpose. The program developed detailed food stamp operational guidelines, provided capacity development measures at various levels, and implemented a communication campaign to inform the public and ensure transparent implementation. ADB helped develop a communication strategy that ensured transparent implementation of the food stamp program by producing radio and TV advertisements, manuals, guidelines, and information packets that clearly enhanced program effectiveness and raised awareness of the

public. Contracts signed with printers, food stamp distributors, and shopkeepers, included sanctions for misbehavior. The program ensured strategies to minimize food stamps being distributed to ineligible beneficiaries.

In addition, the project successfully launched in 2010 community-based pilot programs to support 106 poor households in developing alternative food sources. The project provided them with valuable skills such as backyard gardening, greenhouse construction and maintenance, and food storage and preservation. As of June 2014, at least 80% of these beneficiaries have sustained their backyard gardening activities with many of them reporting significant earnings from vegetable production. Other nonbeneficiary community members also followed the example and learned the skills from project beneficiaries.

## Results

The food stamps supported the consumption of basic foods by extremely poor households or among the poorest 5% of Mongolian households. The food stamps enabled recipient households to buy a specific range of high-protein foods. The food stamps ensured the poor households to have adequate food and diverse diets, reduced financial reliance on others and on credit, and favorable self-assessment of households' living standards.

Both adults and children had more diverse diets. They borrowed or use credit less to buy food. Beneficiaries also received adequate nutrition equivalent to an additional 2 more months through the food stamp program. Most households were satisfied with the variety of food items they could purchase using food stamps. The average waiting time to collect stamps were short and there were no reports of bribery or unofficial payments.

At the policy level, the reform institutionalizing targeting through a proxy means test (PMT) (Box 3.1.2) and the food stamp program was approved as part of the amended Social Welfare Law in January 2012. The food stamp program has become a regular social welfare intervention and the use of PMT as a tool for poverty targeting. The law also enabled the General Office for Social Welfare Services to take over program implementation, thus making the food stamp program now fully financed by the state budget and administered nationwide.

The project directly contributed to poverty reduction by mitigating the effects of the food and financial crises on poor households and vulnerable individuals. In 2013, the program has reached more than 120,000 beneficiaries, half of which are females, surpassing the target of 100,000 beneficiaries. The poor gained most from the program by getting well-identified for social assistance giving them easier access to

the food stamps, incurring less out-of-pocket expenditures for food and other basic services and thus gaining better health and education for their children in the long term. Women have attained more control in the household budget and in ensuring food consumption for children thus increasing the role of women in leadership and decision making with the household.

## Lessons

The government's adoption of the food stamp program as a regular social assistance benefit for the poor and the PMT as a methodology for identifying and targeting poor households helped sustain efforts to prevent and reduce poverty. The necessary resources, mechanisms, and legal



### Box 3.1.2: Innovation

The Food and Nutrition Social Welfare Program and Project successfully developed and adopted a targeting methodology, or the proxy means test (PMT)—which was a relatively new concept in Mongolia. PMT is statistical model that estimates household income using proxy variables. PMT and the food stamp program were pilot-tested in 2009. All the beneficiaries were identified using this method. All PMT data were disaggregated by sex. The Food and Nutrition Social Welfare Program and Project provided a highly significant milestone in introducing reforms in the social protection sector in Mongolia by piloting the food stamp program and its PMT for poverty targeting.

Despite the relatively small country population, phasing of PMT implementation has been proven to be a crucial strategy to provide allowance for important factors such as population densities and geographic distribution and weather-related challenges and households' and service providers' limited understanding of the new concept and methodology.

Sources: Asian Development Bank; World Bank. *Measuring Income and Poverty Using Proxy Means Tests*. <https://olc.worldbank.org/sites/default/files/1.pdf>.

environment (i.e., the Social Welfare Law and related government regulations, ministerial orders, and guidelines) for the sustenance and further enhancement of both the food stamp program and the PMT were put in place.

Capacities developed through the program are likely to be sustained and expanded as strongly indicated by massive recruitment and training activities undertaken by the government in relation to the food stamp program and PMT in 2013–2014. The additional financing will continue the social welfare reforms and strengthen the social services in Mongolia (ADB 2013c). It will improve information technology (IT) systems and institutional capacity to deliver efficient and transparent social welfare and insurance services.

There is a need for sustained engagement in social protection. The enduring relevance of the food stamp program, for example, shows the importance of building social protection systems in noncrisis years. Social protection systems should not be built by a one-off response to a crisis.

Despite the relatively small country population, phasing of the PMT has been proven to be a crucial strategy to provide allowance for important factors such as population densities and geographic distribution and weather-related challenges and households' and service providers' limited understanding of the new concept and methodology.

Additional funding was necessary to incorporate international experience and best practices on social protection reform combined with local knowledge and expertise. The additional support provided together with the program has proven to be critical in facilitating achievement of the outputs particularly in providing guidance to the government on the necessary steps and their implications.

### Project at A Glance

**Approved:** 10 December 2008

**Closed:** 30 June 2013 (program)  
5 January 2015 (project)  
(Additional financing is ongoing.)

**Approved Cost:** \$17.00 million (program)  
\$3.33 million (project)

#### a. Program: \$17.00 million

- **Asian Development Bank:**  
\$9.00 million (Asian Development Fund grant)
- **Government:**  
\$8.00 million

#### b. Capacity Development Project: \$3.33 million

- **Asian Development Bank:**  
\$3.00 million (Asian Development Fund grant)
- **Government:**  
\$0.33 million

**Executing Agency:**  
Ministry of Finance

**Implementing Agency:**  
Ministry of Social Welfare and Labor



## ► 3.2 SOCIAL PROTECTION SUPPORT PROJECT

### Philippines

#### Background

Poverty incidence in the Philippines was fairly high at 26.6% in 2006. Key causes of poverty included high inequality and chronic underinvestment in physical and human capital, especially health and education. The Philippines was lagging in terms of meeting its targets for universal primary education, maternal mortality, and access to reproductive health services. Net enrollment in elementary school declined from 98.4% in 1990 to 86.8% in 2005. Only 70.4% of students who entered grade 1 stayed until grade 6, and one in five children 6–11 years old was not in school.

The Government of the Philippines estimated that about 45% of Filipinos were vulnerable to falling into poverty if confronted by external shocks such as family health problems and deaths, loss of employment, natural disasters and price increases. Due to the absence of appropriate social safety nets, households had to develop coping mechanisms such as increasing working hours, changing eating patterns, withdrawing children from school, or foregoing critical health care.

#### Bridging the Poverty Gap

To respond to these challenges, the Government of the Philippines launched the *Pantawid Pamilyang Pilipino* Program (4Ps) conditional cash transfer (CCT) program in 2008 with assistance from ADB, the World Bank, and other donors. It is a nationwide program and covers 17 regions, 80 provinces, 145 cities, 1,482 municipalities, and around 42,000 barangays in all.

Poor households with children less than 14 years old, as included in the first round of *Listahanan* conducted in 2009 (or National Household Targeting system for Poverty Reduction), were initially included as *Pantawid* CCT beneficiaries. The *Listahanan* is an objective targeting system that ensures that the errors of exclusion or under-coverage of the poor are minimized. A PMT is run to estimate household incomes using proxy variables. Since 2015, poor households with children up to 18 years have been made eligible for the CCTs. The coverage has increased from 337,418 poor households in 2008 to 3.1 million in 2012, and 4.18 million households in 2019. Eligible households received ₱500 per month as health grant. The education grant amounted to ₱300 per month for 10 months for children in elementary and secondary school (i.e., up to grade 10), and ₱500 per month for 10 months for those in high school (grades 11 and 12). There is a cap of three children per household for the education grant.

The conditions for maintaining eligibility for the cash grants are:

- pregnant women must avail pre- and post-natal care and be attended during childbirth by a trained health professional;
- parents must attend regular family development sessions (FDS);
- children aged 0–5 years must receive regular preventive health check-ups and vaccines;
- children aged 6–14 years old must receive deworming pills twice a year; and
- all child beneficiaries (6–18 years old) must enroll in school and maintain a class attendance of at least 85% per month.

This case study was prepared and reviewed by Shamit Chakravarti, principal social sector specialist, Southeast Asia Human and Social Development Division, Southeast Asia Department (SERD), ADB.



### Box 3.2.1: Cash Transfer Gives Poor Children in the Philippines a Chance

Life is hard for the Ewican family on the Philippine island province of Bohol. Things changed for the better when a conditional cash transfer program, known as *Pantawid Pamilyang Pilipino*, was introduced in Barangay Alegría, in the municipality of Carmen, where Norma and Genaro Jr. Ewican live. The Ewicans now receive ₱3,000 (\$65) every 2 months for their two daughters Jennifer, 16, and Joan Grace, 14, who are still in school. The money is handed to the family on condition that it is spent on the children's school needs. A school attendance rate of at least 85% a month is required.

The impact on the children has been remarkable. Jennifer is into dancing, while her sister Joan is into drawing: they both are at the top of their class. Their academic achievements are not unusual in their family. All together, the six children in the family won 80 medals in school. Many of them graduated at the top of their class, which allowed them to move up in life. For example, Jason, 18, is now studying agricultural technology in Bohol Island State University, supported by an education grant from the country's Commission on Higher Education.



■ Jennifer Ewican (front) received educational allowances as part of the project's conditional cash transfer scheme (photo by ADB).

Source: ADB. 2015. *Project Result Case Study*. Available at <https://www.adb.org/results/cash-transfer-gives-poor-children-philippines-chance-good-education>.

In addition to providing cash grants to the identified poor households, the CCT program also includes regular family development sessions (FDS) (Box 3.2.2). The FDS aim to deepen the understanding as a partner beneficiary and encourage peer support and monitoring; strengthen the capabilities of *Pantawid* parents toward being more responsive to the needs of their children and family; promote deeper social awareness and encourage more active involvement in different community development activities; strengthen household capacities in networking, cooperation, collaboration, and accessing of support services; and provide a venue for other social services and interventions.

The parent group composed of 20–40 household grantees in a neighborhood, is headed by a parent-leader. As of end 2018, about 160,637 parent-leaders had been trained in their roles under the project. The parent-leaders

communicate and develop rapport with the members of the neighborhood group of household beneficiaries. They provide updates on the program, follow-up with household grantees who are not attending FDS, mobilize household members in community development activities in coordination with the city and municipal program focal points, and act as resource speakers and facilitators in the FDS after training.

In addition to FDS, youth development sessions (YDS) are conducted for the benefit of school children who are grade 7 and above. The YDS sessions follow the positive youth development model, which is an intentional, pro-social approach that engages youth within their communities, schools, organizations, peer groups, and families in a manner that is productive and constructive; recognizes, utilizes, and enhances youths' strengths; and promotes positive outcomes for young people.



### Box 3.2.2: Innovation

The *Pantawid Pamilyang Pilipino* Program (4P) project has introduced innovations in how the poor families are engaged, particularly through the family and youth development sessions. In addition to providing cash grants to the identified poor households, the conditional cash transfer program also includes regular family sessions. These sessions are a monthly parent group activity attended by the main grantees of the household in which their attendance is a basis for their health grant. The family sessions help strengthen the capabilities of *Pantawid* parents for them to become more responsive to the needs of their children and family and be exposed to the society for deeper social awareness and more active involvement in different community development activities.

Source: Asian Development Bank.

89% of the cases have already been resolved by the government's social welfare department while the remaining 11% cases are being resolved.

Given the strong performance of the 4Ps program over the past 10 years, the Philippine Congress enacted Republic Act No. 11310 or *Pantawid Pamilyang Pilipino* Program Act. The act mandates the 4Ps to become a regular function of the Department of Social Welfare and Development (DSWD) funded from its annual budget. It involves the inclusion of farmers, fisherfolks, homeless families, indigenous peoples, those in the informal settler sector, and those in geographically isolated and disadvantaged areas, including those areas without electricity in the standardized targeting system, as well as an increase of grants for health to at least ₱700 and for education to at least ₱700 for senior high school, ₱500 for junior high school, and ₱300 for elementary schoolchildren.

The YDS under the 4Ps focuses on helping the children deal with the innate challenges of adolescence and growing up through counseling by building supportive peer and adult relationships; developing goals and aspirations among the youth; building awareness on available opportunities to reach these goals; and enhancing life skills that would support holistic development. The YDS focuses on important issues concerning the dangers of drug abuse and teenage pregnancy.

The 4Ps program has put in place a strong grievance redressal system to improve program accountability and implementation. Different types of grievances pertaining to identification of beneficiaries, delays in payments, quality of education and health facilities, misbehavior by government staff and/or service providers, and gender-related cases are all handled in a timely and transparent manner. Grievances can be filed through various channels such as filling out grievance forms, complaints hotline, emails, and Facebook. As of end October 2018 for example, 154,636 grievances have been filed. Of these,

ADB's Social Protection Support Project (\$400 million), approved in 2010, helped establish the national poverty targeting system, and supported implementation and evaluation of the CCT program. Additional financing of \$400 million approved in 2016 funded a share of the CCT education and health grants for more than 4 million households nationwide. The additional financing will end in June 2020. Another loan, the \$500-million expanded Social Assistance Project, is being designed to continue ADB support for the CCT program till 2023.

The Social Protection Project and the additional financing make up about 6% to 7% of the annual CCT grants. The projects contributed to strengthening the national household poverty targeting system; building capacities; and developing monitoring and evaluation. By supporting the CCT program, the projects helped raise household consumption and increase the use of education and health services by beneficiary-families, especially mothers and children. The projects directly addressed

poverty and helped accelerate the achievement of the Millennium Development Goals in health, education, and gender equality and supported the strategic priorities of both the Government of the Philippines and ADB.

The World Bank has also provided four loans amounting to about \$1.2 billion. Other donors (including the Department of Foreign Affairs and Trade of Australia, UNICEF, and International Labour Organization) have been providing TA and other expert inputs over the past 10 years.

## Results

Poor households with children less than 14 years old included in the *Listahanan* (or National Household Targeting System for Poverty Reduction), were initially included as *Pantawid* CCT beneficiaries. Since 2015, poor households with children up to 18 years have been made eligible for the CCTs. The coverage has increased from less than 400,000 poor households in 2008 to 3.1 million in 2012, and 4.18 million households in 2019. It had become the world's third largest CCT program with about 8.66 million children less than 18 years of age, of whom, the majority (84% of the total) are in the age group of 6 to 14 years. About 9% of the children are in grades 11 and 12, 42% in grades 7 to 10, and 42% in grades 1 to 6, and 7% in kindergarten. Close to 87% of the CCT grantees (around 3.6 million) are females, while 13% (or 551,708) are males. The 4Ps program covers nearly 641,218 indigenous peoples across the entire nation.

Almost all beneficiaries (90%) complied with the health and education conditions for the cash transfer. More than half of CCT grantees (61% or 2.55 million people) were provided with cash cards for withdrawing money from ATMs and banks. The remaining 39% (or 1.6 million) currently depend on over-the-counter withdrawals and payment drives organized by the Land Bank of the Philippines, (a government-owned bank) and its other outlets. This significantly reduced the time required and

other inconveniences of accessing the grants on time. The Land Bank of the Philippines continues to open ATMs and point-of-sale in the rural and remote areas to make the whole payment process even more efficient and smooth for the beneficiaries.

Some preliminary findings from the program are highlighted in Table 1.

**Table 1: Preliminary Findings of the *Pantawid* Program**

Area	Findings
<b>Health</b>	<ul style="list-style-type: none"> <li>• higher trial use of modern family planning methods</li> <li>• increase in the use of prenatal care services</li> <li>• overall increase in skilled-birth attendance</li> <li>• higher rate of weight monitoring among 2–5 years old children</li> <li>• higher vitamin A intake (6 months–6 years)</li> <li>• higher deworming pill intake</li> <li>• higher likelihood of being fed vegetables</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>• positive impact was found on higher enrollment rates for children 12–17 years old</li> <li>• higher age-appropriate enrollment in junior high school</li> <li>• lower dropout rate among 6–14 years old</li> </ul>
<b>General</b>	<ul style="list-style-type: none"> <li>• program grants increase the household per capita income significantly. Beneficiaries spend more on clothing and footwear compared to nonbeneficiaries</li> <li>• expenditure on vice goods such as alcohol, tobacco, and gambling are not affected by the program</li> <li>• once employed, beneficiaries work more hours and more jobs compared to nonbeneficiaries.</li> <li>• more beneficiaries participate in community organizations and voluntary community activities; they also display better disaster preparedness, which is likely due to attendance to family development sessions on this topic.</li> <li>• beneficiary children have more determination, compared to their counterparts, to complete and succeed in school work despite challenges.</li> </ul>

Note: The third round of impact evaluation covered about 10,000 households who were registered under the conditional cash transfer program from 2008 to 2014, and had at least 2 years exposure to it.

Source: Asian Development Bank.



According to the World Bank's poverty assessment for the Philippines (World Bank 2018a), transfers from government social programs contributed about 25% of the reduction in poverty between 2006 and 2015. The program expanded rapidly during this period and became the primary government social assistance program for the poor. It extends cash grants to 77% of poor households and contributes to reducing poverty and to building human capital. Estimates indicate that the program lifted 1.5 million people out of poverty. Social safety net transfers help reduce poverty headcount, poverty gap and income inequality in Philippines.

According to the World Bank report, *State of the Social Safety Nets 2018* (World Bank 2018b), which studies and compares social protection schemes across more than 100 countries, the 4Ps program does well in terms of targeting. It covers 68% of the households in the poorest quintile (bottom 20%) as compared to the global average of 56%. Three-fourths (75%) of the *Pantawid* beneficiaries are in the bottom 40% of the population.

Even if the amount that the government spends on social assistance and social safety nets in the Philippines is lower compared to global figures, the impact on poverty has been higher.

## Lessons

While the 4Ps program has contributed to improving the education and health profile of the children of poor Filipino families, and helped in reducing poverty as noted above, a lot remains to be done. About 1 in 5 Filipinos remain poor, and many more are vulnerable to poverty.

The DSWD is the government's agency responsible for vastly expanding the social assistance programs reaching millions of beneficiaries. This stretches the administrative and implementation capacity of DSWD and its partner government departments (especially, the Department of Health, Department of Education, and all municipal offices).

The scope for using information technology solutions in terms of connecting the management information and data systems of DSWD, Department of Health, Department of Education, and other relevant agencies will be examined under ADB's proposed Expanded Social Assistance Project. The government plans to issue unique national identity cards to all citizens including the CCT beneficiaries in the coming years. This has tremendous potential for simplifying the exchange of data and information across different government departments and streamlining implementation and monitoring of the CCT program.

All these issues are being examined as the government plans for the next phase of the 4Ps program. ADB, the World Bank, and other donors stand ready to assist the government as required. The CCT program is critical for achieving the Philippines' development vision for 2040, which strives for a prosperous middle-class society where no one is poor; people live long and healthy lives and are smart and innovative; and families thrive in vibrant, culturally diverse, and resilient communities. It is also essential for meeting the two key goals of the Philippines Development Plan 2017–2022, namely: universal and transformative social protection, and poverty reduced to 14% by 2022.

## Project at A Glance

**Approved:** 2 September 2010

**Closed:** 5 June 2017  
(Additional financing is ongoing.)

**Approved Cost:** \$884.20 million

- **Asian Development Bank:** \$400.00 million (ordinary capital resources loan)

- **Government:** \$484.20 million

**Executing Agency:**  
Department of Social Welfare and Development



### ▶ 3.3 LOWER SECONDARY EDUCATION FOR THE MOST DISADVANTAGED REGIONS PROJECT

Viet Nam

#### Background

In Viet Nam, three areas of constraints on the education of ethnic minorities and girls include lack of access and equity, lower quality and relevance, and inefficiency and issues of sustainability. The ethnic minorities receive less education because of their physical distance from schools, high costs of education, lack of proficiency in the Vietnamese language, lack of public awareness of the value of schooling, poor quality of teaching, and high dropout and repetition rates. There is also limited capacity of the government to plan targeted support for most disadvantaged groups to which the ethnic minorities belong.

#### Promoting Inclusiveness

To address the factors that hinder the ethnic minorities access to education, Viet Nam's Secondary Education Sector Master Plan (SESMP) 2006–2010 helped construct classrooms and teaching and semi-boarding facilities, improved teacher training, provided scholarship programs, and conducted awareness-raising campaigns.

The project was implemented in 17 provinces in Viet Nam: Ca Mau, Cao Bang, Dac Lac, Dac Nong, Dien Bien, Gia Lai, Ha Giang, Kien Giang, Kon Tum, Lai Chau, Lao Cai, Ninh Thuan, Son La, Tra Vinh, Yen Bai, Bac Kan, and Soc Trang. The project's target was to increase lower secondary net enrollment rate in 103 disadvantaged districts from 76.4% in 2006 to 85% by 2014.

---

This case study was prepared by Eiko Izawa, unit head, project administration, Central and West Asia Department; and Mariangela Paz Medina, project analyst, SERD. Reviewed by Sakiko Tanaka, senior social sector specialist, SERD, ADB.

The project was also designed to help achieve the government's target of 90% lower secondary average net enrollment rate by 2016, and that the portion of girls in lower secondary education (LSE) increased from 47.8% in 2004 to 50% by 2016 and gender parity is achieved.

By providing more equitable delivery of social services and more equitable economic growth, the government has committed to inclusive development, as indicated in its Socio-Economic Development Plan 2006–2010. Socio-Economic Development Plan 2006–2010 prioritized further development of education and training. To address lack of basic education among the disadvantaged groups, SESMP 2006–2010 proposed a national action plan that targeted education interventions for the ethnic minority. ADB's SESMP was the first investment that directly supported this action plan.

Disadvantaged districts and schools to benefit from the project were chosen through a rigorous selection procedure. The Ministry of Education and Training and others helped to identify the actual needs of each target district and to encourage ownership by local stakeholders through referendums and surveys.

The project helped construct lower secondary school classrooms in communes, as well as semi-boarding facilities in ethnic minority areas. Out-of-school-youths, dropouts, and school leavers were also provided with continuing education center classrooms. Through the project, college lecturers were trained to provide better preservice and in-service training of teachers. To attract more qualified and experienced teachers to teach in the remote minority schools, the project helped construct teacher housing facilities. The construction of new laboratories and libraries

### Box 3.3.1: A Dream Fulfilled in the Remote Mountains

Lo Van Kim, who struggled to stay in school and reach his dream of being a veterinarian, was awarded a scholarship in 2009 as part of the Lower Secondary Education for the Most Disadvantaged Regions Project. He wanted to help animals because at one point, he saw his family's livestock die off due to a preventable disease and there was no veterinarian in the community to save them.



■ Lo Van Kim, a scholar under the Lower Secondary Education for the Most Disadvantaged Regions Project, is now the only veterinarian in his community (photo by Tran Viet Tuan).

With the scholarship from the Asian Development Bank's project, Lo Van Kim was able to buy a bike for his daily ride to school and pay for his meals and school supplies. After finishing secondary school, Lo Van Kim was admitted to the Son La College of Agriculture and Forestry, about 200 kilometers from his home, to study veterinary medicine. After 2 years studying, with support from the money his father had saved from the project scholarship program and government assistance, he returned to his hometown and became the only veterinarian in his community.

Today, Lo Van Kim visits nearby areas to teach villagers about how to keep their livestock healthy. He opened the only veterinary store serving three nearby communes. Villagers who live far away also bring their cattle to him, seeking his advice on dealing with common diseases and how to protect cattle during the rainy and cold season. Lo Van Kim is the pride of his family, and he is helping others in his community improve their lives.

Source: ADB. 2018. *Project Result Case Study*. Available at <https://www.adb.org/results/dream-fulfilled-remote-mountains-viet-nam>

with equipment and furniture helped improve the quality of teaching and learning outcomes. Instruction materials to strengthen pedagogical skills to better address issues in mentoring adolescents and guiding minority students were developed, and a scholarship program in teacher training for minority students was also piloted. To further improve access and equity, innovative solutions under the project included public awareness campaigns to promote LSE in ethnic minority areas, 4-year scholarship programs for ethnic minorities, and a school feeding program for semi-boarding facilities.

The project built 868 classrooms, 259 separate male and female toilets, 61 libraries, 78 laboratories, 467 teacher housing units; provided in-service training to 219,272 teachers and preservice training to 6,151 teachers; and

awarded scholarship grants to 400 females and 225 ethnic minority students during school years 2009–2013.

### Results

The project increased the net enrollment rate in lower secondary education in 103 disadvantaged districts from 76.4% in 2006 to 81.6% in 2014, and further up to 90.9% in school year 2015. The project helped lower secondary schools to absorb an additional 99,075 LSE students. About 60% of these LSE students were ethnic minorities from remote areas who had difficulties in accessing LSE due to geographic barriers. About 47% of these additional LSE students were girls who now have better, segregated, well-secured accommodation. In all, the project addressed gender and ethnic minority issues, and contributed to changing

the attitude and value of LSE in Viet Nam, particularly among the ethnic minority communities and the families of girl pupils.

The project helped to significantly improve the quality of instructional and curricular materials and teacher training. About 220,466 LSE teachers who availed themselves of training under the project resulted in improved capacity and number of teachers assigned in disadvantaged regions. Innovative and modern teaching methodologies and skills helped improve the performance of teachers translating to better education for their students. Teachers were also provided with housing, which also encouraged them to remain in their assigned locations over long periods, reducing teacher attrition. Due to great success of the project, the Government of Viet Nam has requested ADB's support to the continuing project—the Second Lower Secondary Education for the Most Disadvantaged Areas Project (\$80 million, approved in 2014). This second project indicates the sustainability of the many activities achieved under the first project. These efforts are consistent with the government's long-term policy objective of improving the country's education sector. For example, the government has institutionalized some project activities such as the school feeding program and scholarships for ethnic minorities. The constructed educational facilities are easy to maintain and therefore reduce the financial burden to poor provincial governments and district administrators.

## Lessons

The project developed a rigorous selection procedure for identifying and targeting the most disadvantaged districts and schools (Box 3.3.2). To select the appropriate

districts, the project team conducted intensive social and poverty analysis. Districts were extensively evaluated and ranked based on socioeconomic and education indicators. The studies considered other factors such as the availability of government or donor support, geographic balance, natural disaster-prone regions, and provinces that have never received support from education projects. District-based selection is an innovative design approach for education sector projects in Viet Nam.



### Box 3.3.2: Innovation

Viet Nam's Lower Secondary Education for the Most Disadvantaged Regions project implemented several innovative approaches to improving educational access and equity for ethnic minorities and girls. Some of these approaches are being pilot-tested under other projects funded by the Asian Development Bank; others had built on international experience. Technical innovations to focus support where it would be most effective in meeting the real needs of disadvantaged groups include assistance to communities, construction of teacher housing and school semi-boarder facilities, scholarships for minority students to support the transition from primary education through lower to upper secondary education, scholarships to teachers for ethnic minorities, a school feeding program, and awareness-raising activities for minority parents and communities. Pedagogical innovations to make secondary education more relevant and interesting to girls and ethnic minorities include Vietnamese language teaching for children whose mother tongue is not Vietnamese, and development of teachers' classroom skills and career planning. The project developed a rigorous selection procedure for identifying and targeting the most disadvantaged districts and schools, which is an innovative design approach for education sector projects in Viet Nam. Intensive social and poverty analysis was undertaken to select the target districts.

Source: Asian Development Bank.

Similar to Viet Nam's line ministries' consultation practices, questionnaire-based surveys and a referendum on proposed activities were undertaken with central, provincial, and district education offices. This helped to identify the actual needs of each target district and to encourage ownership by local stakeholders. Project activities were also tailored to the needs of target districts. The extensive consultation process contributed greatly to generating commitment and project ownership from local stakeholders at all levels.

### Project at A Glance

**Approved:** 10 December 2007

**Closed:** 1 March 2015

**Approved Cost:** \$64 million

- **Asian Development Bank:**  
\$50 million (concessional ordinary capital resources loan)

- **Government:**  
\$14 million

**Executing Agency:**  
Ministry of Education and Training

# 4

## EMPOWERING COMMUNITIES THROUGH IMPROVED GOVERNANCE



### STRENGTHENING PUBLIC MANAGEMENT PROGRAM

Nepal

- more than 1 million citizens from vulnerable communities participated in local development planning and governance
- 14,000 people benefited from improved livelihoods or credit assistance



### SMALL AND MEDIUM-SIZED ENTERPRISES LINE OF CREDIT PROJECT

Sri Lanka

- 1,746 small and medium enterprise-borrowers (27.6% led by women) reached
- women entrepreneurs trained in business development skills





## ▶ 4.1 STRENGTHENING PUBLIC MANAGEMENT PROGRAM Nepal

### Background

Nepal has suffered from a decade-long conflict, which ended with a comprehensive peace agreement in 2006. By the end of the conflict there were deep pockets of persistent poverty throughout Nepal and prospects for the poor were dim. At that time, structural causes of the conflict and impact on the poor were widely recognized. Persistent inequality in access to public services, development opportunities, and social arrangements had restricted the influence and prospects of a large proportion of women, the poor and disadvantaged groups, especially at the local level. This made it critically important that the government must ensure a tangible peace dividend by providing inclusive, accessible, and efficient service delivery and restoring people's confidence in government.

The Government of Nepal, in consultation with its development partners, designed and introduced the Local Governance and Community Development Program (LGCDP) as a flagship program in 2008 with an overriding goal of social and economic transformation. ADB considered it crucial to support the government's efforts in this regard, and supported LGCDP through its Governance Support Program during 2008–2012. The program was successful in empowering communities through its social mobilization program, led by ward citizen forums (WCFs) and community awareness centers (CACs) established all over the country. However, weaknesses were identified in public financial

management and governance practices, especially in local governments. Thus, to strengthen accountability mechanisms further, and to ensure that resources reach the poor and disadvantaged without leakages, the government approved the Fiduciary Risk Reduction Action Plan (FRRAP) in March 2012 (updated in 2015) and it was implemented through the LGCDP II (2013–2017), which had a budget of \$1.36 billion, covering 75 districts, 217 municipalities, and 3,157 village development committees across Nepal.

### Empowering Citizens and Enhancing Accountability

Under the Strengthening Public Management Program (SPMP), 2013–2017, ADB partnered with the Department for International Development of the United Kingdom (DFID) and the European Union to support LGCDP II, and particularly the implementation of the FRRAP. The SPMP provided a grant of \$25 million (\$21 million from ADB and \$4 million from DFID) to government to enhance public financial management (PFM) and governance systems at the national and subnational levels in anticipation of Nepal's transition to a federal system, in which local governments play greater roles. A TA grant of \$6.55 million, cofinanced by ADB (\$0.5 million), the DFID (\$3.1 million), and the European Union (\$2.95 million) was provided alongside to support implementation of SPMP.

The SPMP focused on improving different aspects of PFM and governance-related challenges, primarily at the local governments; engaging communities in local governance so that their development needs are addressed,

---

This case study was prepared by Çiğdem Akin, senior public management economist, Central and West Asia Department, and Rachana Shrestha, senior public management officer, South Asia Department (SARD), ADB.



### Box 4.1.1: Increased Sustainable Development Capacity in Poverty-Stricken Area

With funds made available under the Livelihood Improvement Program, Saugat Community Awareness Center (CAC) successfully initiated a community pig farm. A structure was built, and 12 piglets and other essentials were purchased with the fund. With no additional funds for feed purchase, the group initiated a fund-raising campaign through Deusi Bhailo program during Tihar festival as well as donated their earnings through daily labor work in addition to collection of waste food and preparation of meals for the pigs. A fund has been created from the first lot of earnings from the sale of adult pigs. This fund is currently used to loan out to CAC members in their times of need.

The case story is an example of how the CAC members are coming together proactively in innovative and sustainable ways to resolve their needs. The story has not only helped their case but also encouraged other non-CAC individuals to initiate pig farms in the immediate area. Two brothers in the adjacent land have also initiated their private pig farm with a much higher investment.



■ Through community action centers organized under the program, over a million citizens across Nepal participate in local development planning (photo by ADB).

Source: Asian Development Bank.

and they could hold government accountable; and improving the livelihoods of people through small community-based livelihood and infrastructure grants and skills training.

To promote predictable and timely fiscal transfers to the local governments, multiyear results-based budgeting framework was strengthened by the Ministry of Federal Affairs and General Administration. Guidelines were implemented for streamlined disbursement of block grants from the central government to local governments, and of small community-level grants based on participatory planning by WCFs and CACs. The guidelines mandated local governments to earmark and spend 35% of the total grants for projects prioritized by women, children, and disadvantaged groups, hence supported gender empowerment and social inclusion. The allocation and expenditures were tracked through the minimum condition and performance measure system implemented in all local governments.

Under SPMP, local government's revenue mobilization efforts were enhanced with the introduction of integrated property tax in major municipalities. In addition, the project promoted IT-based systems to enable more effective management of local government budget, expenditures, and revenues for better service delivery.

The project also implemented a results-based reporting system in local governments to strengthen tracking of capital expenditures and external audits and ensure that resources reach targeted beneficiaries. A subnational public expenditure and financial accountability (PEFA) assessment was conducted for the first time in Nepal in 2015 to identify systemic bottlenecks in PFM so that strategic interventions could be designed to improve allocative efficiency and management of resources.

A full-fledged electronic government procurement (e-GP) system was rolled out nationwide on 1 January 2017 to promote transparency and efficiency in public procurement, and to reduce fiduciary risks associated with corruption, fraud, and waste in line with the FRRAP.

Assistance was provided to National Vigilance Center and Public Procurement Monitoring Office to bolster their technical capacity in prevention of corruption. Recommendations for strengthening technical audits were developed for public sector investments.

## Results

The community forums (WCFs and CACs) established under the LGCDP received continued support under LGCDP II/SPMP, which significantly helped social mobilization and poverty reduction. The CACs targeted the most economically marginalized and socially excluded segments of the population. Targeting was carried out using Underlying Cause of Poverty Analysis to identify the ward with the most disadvantaged households. The CACs also had a six-person management committee with 33% female participation (Box 4.1.2).

By fiscal year 2017, 13,040 CACs and 31,304 WCFs were formed and 1,214,599 citizens (740,998 men and 473,601 women) were actively engaged in local development planning and governance activities. WCFs and CACs helped select around 80% of community projects. Working within a given budget ceiling, selected members of the WCFs identified, prioritized and submitted projects and programs to the Integrated Plan Formulation Committee. Local governments reviewed and approved the annual plan prepared by the Integrated Plan Formulation Committee. More than 90% of local bodies prepared their annual plans with complete participation of the communities involved. The WCFs also helped in the public audit, social audit, and monitoring of the project.

These community forums were instrumental in implementing the government's livelihood improvement program (LIP) grants, small infrastructure grants, and skill-building and training programs. The members of the CACs received a 52-week training based on Regenerated Freirean Literacy through Empowering Community Techniques to gain knowledge on their rights and identification of their needs, thereby increasing their involvement in ward and village development committee-level planning and implementation processes. The WCFs were also effective in distributing relief funds after the devastating earthquake in 2015.

Citizen empowerment with community forums strengthened public accountability in the absence of elected officials. The WCFs and CACs helped improve the communication of marginalized citizens with the government. They strengthened civic participation as observed during the elections in 2017. A total of 8,415 WCF and CAC members contested for local government offices such as mayor, deputy mayor, ward chairpersons, and ward members.



### Box 4.1.2: Innovation

Engagement of vulnerable communities in planning and utilization of public funds through Ward Citizen Forums and Community Awareness Centers and strengthened local public financial management institutions were the most innovative aspects of the Strengthening Public Management Program in Nepal. Promoting demand (community engagement) and supply (citizen-centric service delivery) side of governance is an effective model to replicate in post-conflict and fragile states, stricken by large regional and social inequalities. Dynamic Community Awareness Centers did exemplary work to promote positive social changes for women and disadvantaged groups such as preventing child marriage, domestic violence, and racial discrimination.

Source: Asian Development Bank.

Of the 3,955 elected, 1,031 were from the Dalit caste and 905 were women. Twenty-two were elected as mayors and 62 as deputy mayors of rural municipalities (UNDP 2017). Recognizing the success of inclusive and participatory policies, in the 2014 subnational PEFA report, consultative budgeting and procurement involving communities received a score of D+ higher than the 2014 central PEFA score of D. Voice and accountability score of the Worldwide Governance Indicators also showed improvement from 28 in 2012 to 39 in 2017.

In 2017, 4,704 CACs were provided LIP grants, benefiting over 14,000 members. To benefit most people in the community, many CACs have established savings and credit programs (also called revolving fund). The LIP grant received by the CAC was put in a savings account. A management committee was elected from among the CAC members, which managed that account. CAC members could borrow money from the revolving fund at a low interest rate (e.g., 8% whereas bank interest rate is more than 12%) with a repayment period of 1 year for economically viable and productive projects. CAC members from the same community provided guarantee for the borrowers. These gender and poverty-focused utilization of these funds helped improve the self-reliance of these communities in a sustainable manner. Improvements were also noted in the incomes of the community, especially of single women, and helped more children attend school.

CACs also received small infrastructure grants (also called community grants) to finance over 9,000 small infrastructure schemes prioritized by the communities. About 4,200 CACs received this grant from local bodies, which helped improve basic community infrastructure such as water and sanitation, which consequently enhanced their livelihoods. Under LGCDPII/SPMP, mandatory and targeted distribution and utilization of central government grants for women, children, and disadvantaged groups at the local governments

directly contributed to alleviating poverty in Nepal. Local governments were mandated to allocate 15% of the grants for disadvantaged groups (i.e., Dalit, Janajati, religious minorities, Madhesis, people with disabilities, and those living in rural and remote areas), 10% for women, and 10% for children. In addition, the performance measures included gender empowerment and social inclusion audit of budgets for 75 district development committees, which mandated gender and children participation in planning and governance structures, besides the earmarked fund allocation.

The e-GP system was an important institutional milestone in PFM and governance system in Nepal. The nationwide rollout of e-GP system has significant indirect contributions to poverty alleviation in Nepal as it:

- (i) increased transparency and accountability of the public expenditures, where public procurement accounts for 80% of national capital expenditure (\$1.1 billion in fiscal year 2018);
- (ii) decreased misappropriation of public funds; and
- (iii) enhanced competitiveness that will ensure value for money. Collusion was minimized, and cost and time savings of up to 20% achieved, compared to the manual system.

With streamlined public procurement process, the related PEFA score of Nepal showed improvement from C in 2008 to B in 2014. Reflecting its strong impact on PFM, e-GP received in November 2016 the South Asia Procurement Innovation Awards jointly given by ADB, the World Bank, the South Asia Regional Public Procurement Network, and Procurement iNET.

## Lessons

The SPMP provided a very successful example of international cooperation between the government and development partners in strengthening governance and PFM institutions

with a strong focus on inclusive development. The experience provides valuable lessons for improving social mobilization, citizen-centric service delivery, and strengthening accountability of public administration. It could be replicated particularly in post-conflict and fragile states that are stricken by large regional and social inequalities.<sup>1</sup>

One of the key success factors of the SPMP was the emphasis on strengthening governance systems and capacities of local bodies, which are often overlooked by centralized initiatives. The SPMP effectively engaged and communicated with government, development partners, and civil society to develop strong ownership for these reforms and keep them on track even in uncertain economic and political context.

The program also helped institutionalize inclusiveness in-service delivery and local governance processes. Budget allocation of 35% of the total capital budget was reserved for target groups. Thirty-three percent of the members of all committees formed by local bodies were women and at least one woman had to be in a leadership position. The planning process, which had been largely captured earlier by the elite in the society also improved. Control of corruption score based on Worldwide Governance Indicators for Nepal showed improvement from 23 in 2012 to 32 in 2015. The community forums also strengthened civic participation and awareness on citizens' rights on public service delivery and resources entitled to them. The forums united the disadvantaged groups and enhanced their confidence to demand services from the local government and hold them accountable.

The WCFs and CACs effectively used livelihoods and community grants for the betterment of the community and basic infrastructure. Owing

to such community development support, there have been improvements in the human development index in Nepal from 0.4 in 2005 to 0.6 in 2015. The incidence of multidimensional poverty have gone down to 29% in 2014. The adult literacy rate increased to 64% in 2015. The share of population using basic sanitation improved 46.1% in 2015; population using basic drinking water services improved to 87.7% in 2015, and rural population with access to electricity increased to 81.7% in 2014.

Since there are still disadvantaged people in Nepal that are yet to be reached and supported, community forums specifically targeting these groups will need to be continued. Based on the successful example of cooperation achieved under LGCDP II/SPMP, development partners should provide resources to local governments to continue target poverty alleviation and economic empowerment efforts and establish new set of forums to facilitate citizen interaction with elected representatives, incorporating mechanisms for public accountability, and tracking budget allocations and expenditures.

Following a complex and protracted political transition to democracy, Nepal finally adopted a new Constitution in 2015, which restructured the country into a federal democratic republic. Elections for all government tiers—federal, provincial, and local government—were concluded in 2017, and this ended the 20 year-long vacuum related to the absence of locally elected officials. While the administrative restructuring at all government tiers under the federal system has been concluded, there are challenges in the effective functioning of government agencies, particularly at the subnational levels owing to weak institutional capacity. This has also hindered efficient delivery of public services by local governments.

<sup>1</sup> The achievements of SPMP were featured in videos prepared by ADB. They are accessible from the following links: <https://www.adb.org/news/videos/better-governance-eases-nepal-s-transition-federalism> and <https://youtu.be/SO8XYLQQlg>.

Further, the process of amending and enacting acts and regulations to clarify responsibilities among tiers of government is yet to be completed.

Given the large fiscal imbalances between central and local governments in Nepal, a new system of intergovernmental fiscal transfers will need to be developed to ensure equitable distribution of public resources across all government tiers. Building on the achievements of SPMP, the outcome-based budgeting practices, formula and performance-based distribution of central government grants, and gender empowerment and social inclusion targets will need to be adapted to the federal context. The ensuing processes, systems, and institutional and human resource capacities of the local government officials in expenditure management, prioritization of resources, and performance monitoring will need to be strengthened to improve service delivery. Furthermore, to create adequate fiscal autonomy and undertake the functional mandates assigned to local governments, subnational revenue needs to be mobilized. The successful implementation of PFM interventions, including information

technology based PFM tools developed under SPMP provides a solid foundation for adapting fiscal management and fiduciary risk reduction measures into the federal context.

### Project at A Glance

**Approved:** 26 September 2012

**Closed:** 6 April 2017

**Approved Cost:** \$27.95 million

- **Asian Development Bank:**  
\$21.00 million (Asian Development Fund grant)
- **Department for International Development of the United Kingdom:**  
\$4.00 million
- **European Union:**  
\$2.95 million

**Executing Agency:**  
Ministry of Finance

**Implementing Agencies:**  
Ministry of Federal Affairs and General Administration (formerly Ministry of Federal Affairs and Local Development), Public Procurement Monitoring Office, and National Vigilance Centre





## ► 4.2 SMALL AND MEDIUM-SIZED ENTERPRISES LINE OF CREDIT PROJECT

Sri Lanka

### Background

Access to finance in Sri Lanka remains an acute and one of the most significant issues for SME development. According to the World Bank's Enterprise Survey, 30% of Sri Lankan firms identified access to finance as a major constraint, which places Sri Lanka as one of the leading countries facing access to finance constraints after Afghanistan and Nepal.

Despite the government's continued efforts to comprehensively address multifaceted issues on SMEs' access to finance, banks have been hesitant to expand their lending to SMEs. Banks have a reasonable bias for larger and less risky enterprises, and consider SME loans as more expensive. Risks are higher because of insufficient collateral, shorter operating histories, informal recordkeeping, and lack of registration. These higher risks often translate into higher credit losses. Operating expenses are also higher because some of the transaction costs of originating and administering a loan are fixed regardless of the loan size. Also, due to the asset liability structure, banks cannot lend long-term loans to borrowers.

To overcome the limited supply of bank funding for SMEs, development partners, including ADB, have provided several credit lines or financial intermediation loans to banks for on-lending to SMEs. However, in the past, most of the financial schemes did not perform well in that they could not achieve quick disbursement and development impacts without distorting the market.

---

This case study was prepared and reviewed by Takuya Hoshino, financial sector specialist, SARD, ADB.

### Ensuring Accessible Financial Resources

In early 2015, the government requested ADB to process a new \$100 million SME credit line that could address the deficiencies of previous schemes. ADB proposed a new fund allocation system. The government and ADB held a series of consultations with banks on the proposed new fund allocation mechanism. As a result, 10 banks were selected as participating banks under the ADB project with adequate lending capacities and committed to increase SME lending, using innovative mechanisms involving fund flows, fund allocation cycle, and advance (Box 4.2.2).

ADB's United States dollar loan to the government was converted by the government to local currency loan proceeds and allocated among the 10 participating banks semiannually. The 10 participating banks started to pay interests for 3 months after the fund allocation date. If banks could not meet the disbursement and development targets 5 months after the fund allocation date, the banks would not be eligible for any future fund allocation until they achieved the disbursement and development targets.

To increase bankable projects by women entrepreneurs, business development training programs were launched for women entrepreneurs for the agribusiness sector in partnership with the National Enterprise Development Authority and funded by the Japan Fund for Poverty Reduction to overcome the issue of the women's limited access to trainings and networking. ADB's training program was designed to provide necessary skills for developing business proposals, such as finance, marketing, and operations management. At the end of the training, participating women entrepreneurs present their business plan to representatives of the participating banks for evaluation.



### Box 4.2.1: From Aquariums to Fish Farms—Starting Small but Dreaming Big

Y.L. Achala knew nothing about fish until 15 years ago when she married Rohana, who, at the time, helped manage the largest aquarium in the Government of Sri Lanka's Department of National Zoological Gardens. He was the one who gave her first lessons in fish farming. Now she owns Spring Valley Fish Farm in the western Sri Lankan town of Bandaragama and her mainstay is breeding and exporting ornamental fish.

Given increasing calls for her fish and for the top-quality service she always seeks to provide, Achala was keen to expand and started to scout locations for a second sales outlet. Thanks to the Asian Development Bank's (ADB) Small and Medium-Sized Enterprises Line of Credit Project, she will soon be able to realize her goal.

"I heard from the National Development Bank that there is a financing scheme for small and medium-sized enterprises from ADB and available through them. The process was quick, and I managed to get the funds I needed within a week," she said. With the SLRs3 million loan, she bought the land for the new shop and construction started in early January 2017.

Source: Asian Development Bank.



Proprietor Y. L. Achala manages her fish farm thanks to the Small and Medium-Sized Enterprises Line of Credit Project, which extended her a long-term loan (photo by ADB).

## Results

There was a strong demand from the participating banks, and ADB's loan facility of \$100 million was fully utilized to 1,746 SME borrowers over 2.5 years—while it was originally scheduled over 4 years. About 27% of the number of SME loans were lent to women-led SMEs and 26% to first-time bank borrowers, and more than 90% of the loans were lent to targeted SMEs, majority of which are located outside of Colombo. Exceeding the original targets is attributed to the project's incentive and accountability structure; banks generally tried to outperform the targets to allow a buffer against the risk of incurring the penalties.

The average loan tenor under ADB's facility was extended to 63 months, which was rarely available in the market. The long-term loans under the ADB's facility enhanced long-term

business relationships between banks and SME borrowers and encouraged transformation of SME's business model.

Based on the success of the original ADB project, follow-on projects were approved in 2018 to strengthen the outcome of the original project and emphasize underserved SME segments and gender empowerment.

To further promote women entrepreneurship, a \$12.6 million grant project financed from Women Entrepreneurs Finance Initiative was initiated in 2018 to support financial and nonfinancial measures for developing an ecosystem. Additional financial support are provided for women-led SMEs that completed business development trainings and were located in lower-income provinces. The grant expanded the existing business development training to



### Box 4.2.2: Innovation

The Asian Development Bank's (ADB) Small and Medium-Sized Enterprises Line of Credit Project introduced an innovative mechanism involving the following:

- **Fund flows.** ADB lent in United States dollars to the government at LIBOR plus 50 basis points and the government relented the local currency equivalent to participating banks at the banking sector's average weighted deposit rate and assumed the foreign exchange risk. The loans had 10-year tenors and bullet repayments that mirror the government's repayments to ADB. A participating bank, in turn, lent these local currency funds to eligible small and medium-sized enterprise borrowers at market rates.
- **Fund allocation cycle.** Funds were allocated to banks semiannually on a pro-rata basis based on the requested amount by each bank. For a bank to qualify for a next round of fund allocation, it had to meet development and disbursement targets within 5 months from the allocation.
- **Advance.** The fund was advanced to banks 3 months after the allocation as opposed to being reimbursed for the bank's subloan provisions. Therefore, interest accrued from 3 months after a fund allocation regardless of the bank's utilization of the allocated fund. Therefore, banks had to bear the borrowing interest cost for the unutilized amount.

Source: Asian Development Bank.

women entrepreneurs across all the sectors, strengthened government agencies and financial institutions to implement gender-responsive strategies and improve service delivery to women clients, and was used for impact evaluation of women's access to finance to promote evidenced-based policy formulation for women entrepreneurship developments.

Underserved SME segments benefited from better access to bank finance under the ADB project. More importantly, some banks have

developed a more streamlined credit appraisal process and risk management system for SMEs. Strengthened capacity of banks ensures the sustainability.

### Lessons

Under the ADB project, the average subloan size was SLRs 8.8 million (\$55,000) and 42% of the number of subloans were for micro-sized enterprises, 46% for small-sized and 12% for medium-sized. While the expanded business of SMEs with financial support under the ADB project would increase the number of employees, more direct intervention for microenterprises are encouraged, in particular a support for commercialization of microenterprises and proprietors. The growth-oriented microenterprises need to shift their source of finance from traditional microfinance institutions to formal financial institutions. However, only a few formal financial institutions have capacity and willingness to cater to these small segments. The banks still heavily rely on fixed assets as collateral, which most of SMEs do not have or have already pledged as collateral.

The ongoing grant financing for women entrepreneurs that are linked with business development trainings can incentivize some banks to expand their lending operation down to smaller clients. Also, financial and technical support for Regional Development Bank, a state-owned bank with a mandate of financial inclusion in rural areas, will develop best practices in credit operations and risk management for smaller clients and achieve demonstration impacts. Because of the small loan sizes, a group of SMEs are encouraged to form a separate legal entity for common activities and borrow from a bank (cluster-based financing), which could be tested for tea small holder segments given its value chain is adequately developed and business models are similar among different tea smallholders.

Banks' capacity should be strengthened to conduct cashflow-based lending. The introduction of an effective SME credit guarantee scheme can lower collateral requirement for SMEs and incentivize banks to start cashflow-based lending. Under the ADB project, the TA supported designing an efficient and effective SME credit guarantee scheme that would address the deficiencies in the previous schemes, such as high guarantee premiums and cumbersome claim procedures. The right combination of incentives and penalties can change banks' behavior to get more results-oriented outcomes as evidenced by their better performance in subloan provisions and introduction of environmental and social safeguard management system.

Performance monitoring with detailed dataset is necessary to understand the market during the implementation and update the right development targets. In terms of reaching out to smaller enterprises, government fiscal support to cover the additional operational cost and risk for banks is still necessary. For the effective use of limited public resource, the interventions should be targeted with detailed data on behaviors of banks and SMEs.

The project design should be simple and avoid complexity especially when an innovative mechanism is included. This is because the government and participating banks often take time to digest the merits of the innovative mechanism and adjust their existing operations to it.

Finally, in order to continue to develop an SME finance ecosystem, a single project intervention such as the ADB's project should be further complemented by a series of follow-on projects

to address other key pillars of the SME finance ecosystem. Therefore, it is essential for the government to:

- (i) signal long-term engagement for developing SME finance sector, ideally linked with a long-term sector strategy, to the market participants;
- (ii) demonstrate its strong leadership to coordinate multiple projects in a coherent and sequential manner; and
- (iii) allocate sufficient public resources to effectively encourage the behavior changes of banks and SMEs by sharing the additional costs and risks associated with new activities for financial inclusion.

### Project at A Glance

**Approved:** 15 February 2016 (original loan)  
15 January 2018  
(first additional financing)  
8 June 2018  
(second additional financing)

#### Approved Cost:

**a. Original Loan:** \$117.70 million

- **Asian Development Bank:** \$100.00 million (ordinary capital resources loan)
- **Small and medium-sized enterprises contribution:** \$17.70 million

**b. First Additional Financing:** \$75.00 million

- **Asian Development Bank:** \$75.00 million (ordinary capital resources loan)

**c. Second Additional Financing:** \$10.17 million

- **Women Entrepreneurs Finance Initiative:** \$10.17 million

**Executing Agency:**  
Ministry of Finance

# CONCLUDING REMARKS

# 5

Numerous interventions have been tried in an attempt to eradicate poverty. These nine cases have proven that with proper funds, community empowerment, and more importantly, innovation and the correct approach, poverty could be alleviated in small steps. Not only were these projects highly novel and inventive, they were found to be sustainable and viable.

The successful implementation of these projects also paved the way to new opportunities as well as challenges. The benefits accrued from the water project in Uzbekistan could be extended to additional peri-urban settlements near the water distribution network where the level of service is still poor. While engineering innovations were helpful in the road project in Yunnan, poor vehicle conditions, overloading, and speeding caused crashes. As such, better enforcement and education would be important to mitigate this risk. From these arise new interventions for the future.

Capacities developed through the various programs and projects ensure that these are likely to be sustained and expanded. In Mongolia, this is strongly indicated by massive recruitment and training activities undertaken by the government in relation to the food stamp program. The Philippines has already institutionalized and enacted Republic Act No. 11310 or *Pantawid Pamilyang Pilipino Program Act*, now one of the biggest CCT programs worldwide.

All these projects provided successful examples of international cooperation between the government and development partners, which offer valuable lessons for improving social mobilization, community participation, and strengthening accountability. These are also replicable in post-conflict and fragile states, stricken by large regional and social inequalities.

The number of poor, disadvantaged, and marginalized people that are yet to be reached and supported is staggering. ADB is committed in providing its DMCs support in their efforts to address remaining poverty and reducing inequalities. These nine showcased projects are efforts to achieve inclusive and sustainable economic growth, help create jobs and economic opportunities, promote inclusiveness, and develop resilience. Achievements in reducing poverty have been gained and many more poverty reduction projects are being implemented. However, much more needs to be done to ensure that all members of the society, particularly vulnerable groups, benefit from development. The right combination of innovative, effective approaches and support from governments, civil society, and the international development community, as seen through these projects, may deliver insights toward the goal of eradicating poverty in the years to come.

# BIBLIOGRAPHY

- ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Lower Secondary Education for the Most Disadvantaged Regions Project*. Manila.
- . 2008a. *Report and Recommendation of the President to the Board of Directors: Proposed Program Cluster and Grant for Subprogram 1 to the Federal Democratic Republic of Nepal for the Governance Support Program*. Manila. <https://www.adb.org/sites/default/files/project-document/67707/36172-nep-rrp.pdf>
- . 2008b. *Report and Recommendation of the President to the Board of Directors: Proposed Asian Development Fund Grants to Mongolia for the Food and Nutrition Social Welfare Program and Project*. Manila.
- . 2008c. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Dryland Sustainable Agriculture Project*. Manila.
- . 2008d. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Uzbekistan for the Surkhandarya Water Supply and Sanitation Project*. Manila.
- . 2009a. *Country Diagnostic Studies. Nepal: Critical Development Constraints*. Manila. <https://www.adb.org/sites/default/files/publication/28933/main-report.pdf>
- . 2009b. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grants to the People's Republic of China for the Shanxi Integrated Agricultural Development Project*. Manila.
- . 2010a. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of the Philippines for the Social Protection Support Project*. Manila.
- . 2010b. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Yunnan Integrated Road Network Development Project*. Manila.
- . 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Grant, Administration of Grant, and Technical Assistance Grant to Nepal for the Strengthening Public Management Program*. Manila. <https://www.adb.org/projects/documents/strengthening-public-management-program-rrp>

- . 2013a. *Together We Deliver: 10 Stories from ADB-Supported Projects with Clear Development Impacts*. Manila.
- . 2013b. *Detailed Country Poverty Analysis in Nepal Country Partnership Strategy 2013–2017*. Manila. <https://www.adb.org/sites/default/files/linked-documents/cps-nep-2013-2017-pa-detailed.pdf>
- . 2013c. *Report and Recommendation of the President to the Board of Directors: Proposed Loan for Additional Financing and Technical Assistance Grant to Mongolia for the Food and Nutrition Social Welfare Project*. Manila.
- . 2014a. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Yunnan Pu'er Regional Integrated Road Network Development Project*. Manila. <https://www.adb.org/sites/default/files/linked-documents/46040-003-sd-04>.
- . 2014b. *Mongolia: Food and Nutrition Social Welfare Program and Project*. Consultant's report. Manila.
- . 2015a. *Impacts of Social Mobilization in Local Governance & Community Development in Nepal*. Compiled case studies.
- . 2015b. *Report and Recommendation of the President to the Board of Directors: Proposed Loan for Additional Financing and Technical Assistance Grant to the Republic of the Philippines for the Social Protection Support Project*. Manila.
- . 2016a. *Completion Report: Lower Secondary Education for the Most Disadvantaged Regions Project in Viet Nam*. Manila.
- . 2016b. *Completion Report: Surkhandarya Water Supply and Sanitation Project in Uzbekistan*. Manila.
- . 2016c. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Technical Assistance Grant to the Democratic Socialist Republic of Sri Lanka for the Small and Medium-Sized Enterprises Line of Credit Project*. Manila.
- . 2017a. *Completion Report: Shanxi Integrated Agricultural Development Project in the People's Republic of China*. Manila.
- . 2017b. *Completion Report: Yunnan Integrated Road Network Development Project in the People's Republic of China*. Manila.
- . 2017c. *Report and Recommendation of the President to the Board of Directors: Proposed Loan for Additional Financing to the Democratic Socialist Republic of Sri Lanka for the Small and Medium-Sized Enterprises Line of Credit Project*. Manila.
- . 2017d. *Country Macroeconomic Update, Nepal*. Kathmandu. September vol. 5(2).
- . 2018a. *Completion Report: Dryland Sustainable Agriculture Project in the People's Republic of China*. Manila.



- . 2018b. *Report and Recommendation of the President to the Board of Directors: Proposed Administration of Grant and Technical Assistance Grant for Additional Financing to the Democratic Socialist Republic of Sri Lanka for the Small and Medium-Sized Enterprises Line of Credit Project*. Manila.
- . 2018c. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.
- . 2018d. *Strengthening Public Management Program: Program Completion Report*. Manila. <https://www.adb.org/projects/documents/nep-36172-063-pcr>
- . 2018e. *Together We Deliver—Viet Nam: A Dream Fulfilled in the Remote Mountains*. Manila. <https://www.adb.org/results/dream-fulfilled-remote-mountains-viet-nam>
- . 2018f. Video on *Better Governance Eases Nepal's Transition to Federalism*. <https://www.adb.org/news/videos/better-governance-eases-nepal-s-transition-federalism>
- . 2018g. Video on *Strengthening Governance and Public Financial Management in Nepal*. <https://www.youtube.com/watch?v=SO8XYLQQIg&feature=youtu.be>
- . 2019. *2018 Development Effectiveness Review*. Manila.
- Ç. Akin and B. Carrasco. 2018. *How ICT applications are defining development*. Asian Development Bank blog published on 1 October 2018. <https://blogs.adb.org/blog/how-ict-applications-are-redefining-development>
- Ç. Akin and R. Shrestha. 2018. *Leveraging governance for institution building: Lessons from Nepal*. Asian Development Bank blog published on 6 November 2018. <https://blogs.adb.org/blog/leveraging-governance-institution-building-lessons-nepal>
- Department for International Development of the United Kingdom (DFID) and Government of Nepal, the Ministry of Federal Affairs and General Administration. 2018. *A Study of Social Mobilisation in the Local Governance and Community Development Programme (LGCDP) and the Community Development Programme (CDP)*.
- Government of Nepal, Ministry of Finance. 2015. *PEFA Assessment II, FY2013/14*. Kathmandu. [http://www.mof.gov.np/uploads/document/file/PEFA%20II%20Final%20Report%20May%202015\\_20150623043447.pdf](http://www.mof.gov.np/uploads/document/file/PEFA%20II%20Final%20Report%20May%202015_20150623043447.pdf)
- Government of Nepal, Ministry of Federal Affairs and Local Development. 2016a. *Subnational PEFA Assessment Report*. Kathmandu.
- . 2016b. *LGCDP II Annual Progress Report – 2072/73*. Kathmandu. Kathmandu Metropolitan City. *Annual Report FY2015/2016*. Kathmandu. [http://lgcdp.gov.np/sites/default/files/resource\\_docs/LGCDP%20II\\_\\_APR\\_2-15\\_16\\_Final.pdf](http://lgcdp.gov.np/sites/default/files/resource_docs/LGCDP%20II__APR_2-15_16_Final.pdf)

- . 2016c. *LGCDP II Newsletter*. January–June 2016, vol. 1(1). Kathmandu. [http://lgcdp.gov.np/sites/default/files/media\\_docs/lgcdp-newsletter-english\\_o.pdf](http://lgcdp.gov.np/sites/default/files/media_docs/lgcdp-newsletter-english_o.pdf)
- . 2017. *LGCDP II Annual Progress Report – 2073/74*. Kathmandu. [http://lgcdp.gov.np/sites/default/files/resource\\_docs/LGCDP-II-Annual-Progress-Report-2073-74.pdf](http://lgcdp.gov.np/sites/default/files/resource_docs/LGCDP-II-Annual-Progress-Report-2073-74.pdf)
- Government of Nepal. *LGCDP II FY2014–FY2017. Program Document*. Kathmandu. [http://lgcdp.gov.np/sites/default/files/resource\\_docs/LGCDP\\_Pogramme\\_Document\\_phase\\_II.pdf](http://lgcdp.gov.np/sites/default/files/resource_docs/LGCDP_Pogramme_Document_phase_II.pdf)
- Government of Nepal, National Planning Commission. 2018. *Multidimensional Poverty Index: Analysis Towards Action*. Kathmandu. [https://www.npc.gov.np/images/category/Nepal\\_MPI.pdf](https://www.npc.gov.np/images/category/Nepal_MPI.pdf)
- Independent Evaluation Department. 2016. *Validation Report: Lower Secondary Education for the Most Disadvantaged Regions Project in Viet Nam*. Manila: ADB.
- United Nations Development Program. 2017a. *Nepal: Transformation from the ground up*. <http://www.np.undp.org/content/nepal/en/home/presscenter/articles/2017/06/12/transformation-from-the-ground-up.html>
- . 2017b. *Reducing Democratic Deficit*. <http://www.np.undp.org/content/nepal/en/home/presscenter/articles/2017/07/01/reducing-democratic-deficit-.html>
- R. Wihtol. 2018. *A Partnership Transformed: Three Decades of Cooperation between the Asian Development Bank and the People's Republic of China in Support of Reform and Opening Up*. Manila: ADB.
- World Bank. 2017a. *Nepal Development Update*. Kathmandu. <https://openknowledge.worldbank.org/handle/10986/26670>
- . 2017b. *World Development Indicators*. <https://data.worldbank.org/data-catalog/world-development-indicators>
- . 2018a. *Making Growth Work for the Poor: A Poverty Assessment for the Philippines*. (English). Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/273631527594735491/Making-growth-work-for-the-poor-a-poverty-assessment-for-the-Philippines>
- . 2018b. *State of the Social Safety Nets*. Washington DC. <https://openknowledge.worldbank.org/bitstream/handle/10986/29115/9781464812545.pdf?sequence=5&isAllowed=y>

## **Effective Approaches to Poverty Reduction**

*Selected Cases from the Asian Development Bank, Volume 1*

This report presents nine case studies of recent Asian Development Bank projects in Mongolia, Nepal, the People's Republic of China, the Philippines, Sri Lanka, Uzbekistan, and Viet Nam. The case studies highlight innovative interventions and common effective approaches used to reduce poverty: (i) providing broader access to economic opportunities, (ii) promoting resilience, and (iii) empowering communities through improved governance. By sharing experiences gained from the successful implementation of these projects, this report aims to contribute to international efforts to develop and adopt better policies and practices toward eradicating poverty.

### **About the Asian Development Bank**

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



### **ADB-PRC REGIONAL KNOWLEDGE SHARING INITIATIVE**

<https://rksi.adb.org/>

### **ASIAN DEVELOPMENT BANK**

6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
[www.adb.org](http://www.adb.org)