ADB Review

Volume 31, No. 3, 1999

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Asian Development Bank

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Raul del Rosario

Investing in women is good business. Given proper access to credit, women mobilize, save, and build assets and their small businesses.

ADB Review

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The *ADB Review* is published in English by the Asian Development Bank four times a year. Opinions and materials in the *ADB Review* do not necessarily reflect official views of the Bank. Material from the *ADB Review* may be reprinted, with due credit given. Address editorial correspondence to Publications Unit, Asian Development Bank, P.O. Box 789, 0980 Manila, Philippines, or e-mail comments to **adbpub@mail.asiandevbank.org** For more information on ADB and its operations, visit our web site at **http://www.adb.org**

Bank News

Italy establishes grant fund with ADB

ADB has approved a cooperation agreement with the Government of Italy to establish an Italian Cooperation Fund for Consulting Services to finance technical assistance activities in the Bank's developing member countries (DMCs).

Italy will make an initial contribution of 5 billion Italian lira to finance, on an untied basis, activities such as project preparation, advisory services, and project implementation. The Fund will be administered by ADB.

Italy (Ministero per il Tesoro) and the Bank will agree on the projects to be financed under the Fund. Technical assistance plays an important role in the Bank's operations by helping DMCs identify, design, implement, and operate development projects. It strengthens their ability to formulate development strategies, policies, programs, and plans. It also promotes technology transfer and enhances regional cooperation.

As of 31 December 1998, ADB had provided nearly 4,000 technical assistance grants worth US$1.36 billion to its DMCs.

ADB moves resident mission to new Kazakhstan capital

In August, ADB relocated its Kazakhstan Resident Mission to Astana, the new capital of Kazakhstan. This follows the transfer of the capital and most government offices to Astana during 1998. ADB will continue to use its original mission in Almaty as a liaison office.

Mr. Hong Wang, ADB's Resident Representative, said "This move will enable us to strengthen our development partnership with Kazakhstan and respond more effectively to the country's requests for Bank assistance." The Resident Mission also contributes to overseeing effective implementation of the ongoing portfolio of assistance, for which frequent liaison with line ministries in Astana is necessary. ADB is the first multilateral financial institution to relocate to Astana.

Kazakhstan joined the Bank in 1994 after the breakup of the former Soviet Union. ADB's primary strategic objective is to assist Kazakhstan's transition to a market-based economy. To date, ADB has approved 10 loans totaling US$415 million to support policy reforms and investments for agriculture, education, the pension system, and transport. In addition, the Bank has provided almost US$15 million on a grant basis for 28 technical assistance projects for capacity building, institutional strengthening, and preparing loan operations.

Kazakhstan is participating in the Bank's program of support for enhancing economic cooperation in the Central Asian republics. Other participants are Kyrgyz Republic, Tajikistan, Uzbekistan, and Xinjiang Uygur Autonomous Region of the People's Republic of China. The first subregional project to be supported by ADB is expected to be the improvement of the Almaty-Bishkek road, including an agreement for the freer flow of vehicles, goods, and people across the Kazakh-Kyrgyz border. Besides transport, the regional initiative involves cooperation in energy projects and in strengthening trade and payments systems.

Kevin Hamdorf

Women deserve credit

By Marcia R. Samson
Editorial Coordinator
Office of External Relations

Trust women. Poor women can be trusted that money borrowed will be repaid and invested for productive activities. Given more access to microfinance and financial information, they can help reduce poverty.

The Women's World Banking (WWB)—a global network of women-led organizations that aims to expand low-income women's assets, participation, and power by opening access to finance, information, and markets—has documented the creditworthiness of poor women and the differences that took place in their lives after receiving microfinance and information about setting up small businesses. Their stories attest that the impact of microfinance is measured not only in terms of economic benefits to women but also empowerment, increased respect, and a greater sense of self-worth.

Microfinance constitutes a broad range of financial services, including deposits, loans, payment services, money transfers, and insurance for the poor. Interest in institutional microfinance has emerged during the last two decades, with the support of international lending institutions and nongovernment organizations (NGOs). Once almost exclusively the domain of donors and experimental credit projects, institutional microfinance has evolved into an industry with prospects for rapid growth on a commercial basis and with the potential to reach millions of poor people in the Asian and Pacific region.

On 11–13 August 1999, the ADB sponsored WWBs Asia Regional Meeting and Best Practice Workshop held at the Asian Development Bank (ADB) headquarters in Manila. The meeting was aimed at finding ways to overcome barriers to resource mobilization and growth, share experiences in designing new

financial products, and create an opportunity to facilitate future joint actions in providing service, building capacity, and changing policy.

In his opening address, Vice-President Peter Sullivan (Region East) stressed that investing in poor women is one of the most effective strategies for reducing poverty and improving the status of women.

"Banking for the poor does not mean poor banking. The goal of financial sustainability is not an end in itself but the means for reaching a larger and growing number of clients. Financial sustainability is needed for expanding outreach. Increased outreach in turn increases sustainability. Time and again, it has been shown that women do not need cheap credit—they need access and reliability," he said.

Poor women are bankable—they are good borrowers and good repayers (*see related story on page 5*). "Experience has shown that if you give a woman a loan, she will not only repay the loan but will invest the money wisely. Earnings from the investment will feed, clothe, educate, and buy medicine for her children. In short, there are multiplier effects of lending to women," Mr. Sullivan said.

Even though recent experience has shown that loans made to women are either fully or partially controlled by males—husbands, fathers, and brothers—the responsibility for repayment remains with women, he added.

Thus, the broader problem is to find new and productive roles for women so they can use the loans themselves. Lending to women can empower them. "Accessing loans, earning an income, and making a financial contribution to the survival of the family increase a woman's decision-making power within the household. It gives her a voice where previously she had none," he said.

Remarkable women

WWB is rich with inspiring life stories of poor yet remarkable women who have set up and managed savings and credit groups.

Anelyn Magat, a single parent from the Philippines, raised her son alone with the help of a self-help group extending microfinance. A WWB report quoted Anelyn as saying, "Since childhood, we were brought up to believe that men are stronger than women, not only physically but in all respects. That is why many married women stay married even if their husbands harass them. We could not imagine life without our husband's support, especially when there are the children to consider, but it is not true. Women can survive."

In 1983, she separated from her husband when she was still pregnant, leaving her anxious about her future and that of her unborn child. Ten years after her separation, she chanced upon a large group of women in the *barangay* (village) hall promoting a new NGO that encouraged women to attend a business training workshop to qualify for a loan. She did just that and was able to receive a loan for a small business of drying and selling fish. She borrowed and repaid, borrowed and repaid several times. She was a trustworthy borrower. With her earnings, she was able to build a concrete house near the beach and to construct a latrine in a neighborhood where there were no sanitary facilities, thereby raising her stature in the community.

Gifted with initiative and determination, Anelyn started as a borrower and later rose to be the leader of a self-help group, for which she earned an award as the Outstanding Local Bankworker.

WWB also documented the case of Devuben, born of a poor family in India, whose recollection of childhood was sitting on the floor with other lower caste students while the upper caste students sat on chairs and had desks. But she has changed this situation.

Devuben joined an NGO in 1981, whose members helped themselves by saving money as a protection against the snares of moneylenders offering exorbitant rates. The group applied for and received a loan from Friends of WWB/India, allowing them to open a seed shop in the village. Previously, the women individually sold their seeds to an outside buyer who always underpaid them because they were just women. The seed shop succeeded in luring buyers who frowned at travelling to the city to buy seeds.

In 1994, she set up her own organization MAHITI (information), working with 40 self-help groups with a membership of about 1,400 women. She has been successful in sending her children through college and continues to improve her skills by attending training programs, visiting countries, and managing an NGO herself.

But most of all, she relishes the thought that she is now able to sit on the chairs in the homes of upper caste women, thereby breaking the barriers of class discrimination.

Many women worldwide have increased incomes, assets, and savings, as well as valuable access to learning opportunities through business training and interaction with other women microentrepreneurs, reported WWB.

"Women have noted positive changes in the way they are treated by members of their family and their community," according to WWB. "Economic empowerment goes hand in hand with increased respect and a greater sense of self-worth."

ADB's focus on microfinance

ADB recognizes that microfinance is indeed crucial in helping women make the transition out of poverty. It is also aware that there are constraints such as lack of access to savings, credit, information, and market links.

ADB collaborated with WWB over the last three years under the Bank's US$700,000 regional technical assistance on Low-Income Women Entrepreneurs, according to Kazi F. Jalal, Chief of the Office of Environment and Social Development.

The technical assistance project has also supported and promoted a microfinance-friendly environment. In India, for example, WWB has brought together policymakers and microfinance practitioners in building consensus on key actions needed to

create a more enabling environment for microfinance.

Through its affiliates, WWB identifies potential loan clients and assesses their creditworthiness. Affiliates also find ways to help poor women establish group or individual savings accounts.

Poor women "need assistance from institutions such as ADB to promote an enabling policy environment, to develop systems and sound banking principles, and build stronger institutions that can provide sustained and long-term financial services to the poor. The challenge is to build solid, sound, and sustainable financial institutions that serve poor women," Vice-President Sullivan told women leaders.

The WWB meeting gathered representatives of leading microfinance organizations that provide direct financial and business development services to nearly 2 million poor women in Asia.

After the WWB meeting, there was no letup on the ADB's focus on microfinance. ADB held a workshop from 1 to 3 September 1999 to discuss its draft Microfinance Development Strategy. The strategy defines the ADB's role in developing institutional microfinance as an effective way to improve the earning capacity of the poor, especially women.

The workshop was attended by over 40 participants from Bangladesh, People's Republic of China, India, Indonesia, Kyrgyz Republic, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Vanuatu, and Viet Nam. Representatives from 10 donor agencies also participated.

Over the last 11 years, ADB has approved US$421 million in microfinance projects, mainly in Bangladesh, Indonesia, Philippines and Nepal.

With ADB, WWB, and countries working together, the financial system in Asia will be open to low-income women. Such efforts translate into helping women build their businesses, improve their living conditions, provide sustenance for their families, educate their children, develop respect at home, and give them a political voice—in short, microfinance makes for a better world for women. ■

Raul del Rosario

It pays to lend to poor women

By Rita Festin
Media Coordinator, Office of External Relations

Poor, unskilled, and illiterate women borrowers of microfinance institutions (MFIs) have registered high repayment rates that put big-time corporate borrowers of commercial banks to shame.

Top performers among the MFIs catering to poor women in six Asian countries boasted of current repayment rates averaging 98 percent during the Women's World Banking (WWB) Asia Regional Meeting and Best Practice Workshop. They attribute these high repayment rates to the women's strong sense of commitment to pay their loans as their own responsibility. A woman would face pressure from her coborrowers who will not be able to borrow again if someone from their group defaults on her loan payment.

The top-performing MFIs are Share Microfin Limited in India (100 percent repayment), Association for Social Advancement (ASA) in Bangladesh, Center for Agriculture and Rural Development (CARD) in the Philippines (99.9 percent), Shakti Foundation for Disadvantaged Women in Bangladesh (99.97 percent), Negros Women for Tomorrow Foundation (NWTF) in the Philippines (99 percent), and Spandana (98 percent) and Sewa Bank (95 percent) in India. Except for ASA,

they all follow or have adopted certain practices of the Grameen Bank approach where a group of poor borrowers, comprising five members, can avail of noncollateral loans for their livelihood projects.

The MFIs cater exclusively to very poor women because they are the most in need, are often illiterate, unskilled, and have absolutely no means to borrow money. "Women bear the brunt of poverty more. So they really suffer from poverty more than the men. And also, if you help a woman, you are sure, almost 100 percent sure, that the whole family benefits from the success of the project. With men, you're not sure," Cecilia del Castillo of NWTF observed.

These MFIs take the big and unsecured risk with poor women, providing them their much-needed access to financial and support services which commercial banks and other financial institutions cannot and will not offer.

For one thing, poor women have no collateral to put up for their loans. Women's household chores and work also often restrict them from observing banking hours. Ironically, experience shows that women make good "payers" of their loans and are good savers as well. Women are also willing to borrow again, more often in bigger amounts. Even with the Asian financial crisis, when big companies across the region defaulted on millions of dollars of loans, the MFIs did not see their repayment levels dip substantially.

Usually, the first loan will be for an income-generation project. Once they repay that loan on time, they are eligible to borrow a second and bigger amount, then a third, a fourth, and so on. The more loans they make, the higher the loan amount available to them. Various livelihood loans—such as for agriculture and transport—are available as they go up the ladder. And once they have generated enough income, the clients like to avail of a housing loan. A loan to improve their sanitation facilities inevitably comes next. As the loan amounts increase, so does the borrowers' quality of living. At some point, the borrowers are able to break out of the threshold of poverty.

Nancy Barry, WWB President, cited the ADB's strong support in her organization. "It is very exciting to see that the ADB's overarching objective is poverty reduction. There is recognition in the Private Sector Group, the world finance group, and the social group that microfinance needs to be placed front and center in sustainable strategies for poverty alleviation. This meeting is very timely because the poverty policy is just coming out, the microenterprise policy is coming out, and the private sector policy is just coming out. And this really pulls it all together," Ms. Barry said.

WWB's affiliates and associates have grown significantly over the past decade alone and now reach 2 million poor women in six countries in the region. And there is still a huge potential to be explored. "Governments, central banks, finance ministries, and commercial banks are seeing microfinance as one of the most effective ways to fight poverty and to do it in a way that is not just giving away more and more money. It's a real investment in poor people. Given proper access to credit, they can mobilize, save, and build assets and their small businesses," Ms. Barry added. She noted that the financial crisis has shown the big risks in giving too much money for too few large companies and that countries cannot afford to ignore the poor.

"If there are 500 million poor families on earth that need more access to financial services, probably 400 million of them are in Asia. That's how big the challenge is. We are only reaching under 2 percent of all of these poor families and so there is a huge potential," Ms. Barry said.

Microfinance institutions: how do they work?

Share Microfin Limited—headed by M. Udaia Kumar, Chairperson and Managing Director—works in Andhra Pradesh, India. It has been in existence for six years and has disbursed rupees (Rs)175,954,900 (over US$4 million) with a repayment record of 100 percent. Its membership

Richie Abrina

Women suffer more from poverty than do men, according to Dr. del Castillo, during an interview in ADB headquarters.

increased considerably from 205 in March 1994 to 23,465 in July 1999. Mr. Kumar attributes this success to the staff who have been trained with one of the best management information systems, client training, and good governance and leadership.

"The perfect repayment rate is because of the systems—targeting the poorest without any kind of leakages of nonpoor coming into the program and good communication. We have trained our staff members who are skilled with one of the best management information systems," Mr. Kumar said.

Clients cannot own assets worth more than Rs20,000 (US$460) and must earn less than Rs300 (US$7) a month. Through access to credit, women are able to go into livelihood projects such as agriculture, animal husbandry, trading, land lease, and transport. They are grouped into five members, each trained in their chosen project, and given market assistance before they are given the loans. The first loan is equivalent to US$90. Once all five members have paid their respective loans, they can avail of a second loan equivalent to US$150, a third loan equivalent to US$250, and so on. All loans carry an interest rate of 15 percent.

For the third loan, Share offers housing loans since the borrowers' income levels improve. "We give them housing loans of about Rs25,000 (US$576). With that money and their own savings, by the end of year three, they can start their own houses. Then we also give them loans for sanitary facilities," Mr. Kumar relates.

In a three-year period, half of Share's clients can climb out of poverty

when they can avail of housing loans and/or improve their dwellings. Studies show that women increase their income from Rs30 to Rs250 (US$0.70 to US$5.60) per day and enjoy good nutrition and health. They are able to send their children, including girls, to school. They gain increased access to agricultural lands by taking leases as well.

Share has 20 branches and it envisions 35 more in the next two years, increasing its reach to 80,000 households. That means 40,000 families out of poverty.

ASA—under the management of Md. Enamul Haque, General Manager (Credit Operations)—has been a development NGO in Bangladesh since 1978. ASA started its credit program in 1992. Since then, it has covered 61 out of 64 districts, establishing 800 unit offices or one fourth of total villages. Its growth is the fastest among MFIs, which ASA attributes to its low-cost management and simple yet responsive organizational structure.

Out of its 1.8 million members, one million are small borrowers whose monthly income should not exceed taka (Tk) 2,000 (US$40) and have cultivable land not more than 50 decimals. The rest are associate savers, long-term savers, small entrepreneurs, and term savers. ASA has 888,646 active borrowers with loan disbursements totaling Tk16 billion (US$329 million). Its rate of recovery is 99.94 percent. Members' savings totaling Tk1.2 billion (about US$24 million) form 44 percent of ASA's total loan capital.

"Our main success is due to the sustainability and low-cost management. We are the lowest in terms of delivery cost and we are achieving sustainability within 10 months after new branches open. We mobilize resources from our people and people trust us," Mr. Haque said.

ASA has a delivery cost of only 5 cents for every dollar, significantly lower than the usual standard of 20 to 30 cents. Its decentralized operations enable it to have a low overhead cost and its operations are commercially and financially sustainable.

ASA does not have groups of borrowers; instead it goes from house to house to collect. A first-term small loan is Tk5,000 to Tk6,000 (about US$100 to US$120), which is increased every year by Tk1,000 to Tk2,000 (US$20 to US$40). A small entrepreneur is given a loan of Tk12,000 to Tk20,000 (US$240 to US$405) for the first loan, increased by Tk2,000 to Tk3,000 (US$40 to US$60) every year.

CARD—under the management of its president/chief executive officer Dolores Torres—is the largest MFI in the Philippines, serving over 24,000 poor landless rural women through its 22 branches in Laguna, Marinduque, Masbate, Mindoro, and Quezon. It has a repayment rate of 99.9 percent which it attributes to the values formation and the rigorous training its borrowers undergo before being given their first loan. CARD has outstanding loans of about P109 million while the total amount disbursed over the years easily amounts to over P300 million.

"Our people in the Philippines have been pampered with doleouts and subsidized loans. We believe we have to change this thinking toward loans. We value very much the attitude that the borrower will put as much into the program as their investment while we provide the money. So we have to create a very strong sense of value among our women borrowers. There is always a responsibility attached to it," said Ms. Torres.

In addition, CARD also inculcates in its borrowers the need to save so they will not depend on borrowings for future improvements. It also stresses team-building. "We know that if they support one another, borrowers' repayment rates will always be 100 percent. So we strengthen their collective efforts to support or pressure one another in case one is willfully defaulting," Ms. Torres said.

As early as its inception in 1989, its founders envisioned setting up a bank to be owned by the women members themselves, the only MFI in the Philippines to do so. "This gives us the legal status to mobilize savings or deposits from the public. So CARD as an institution will not rely on external funding for its sustained operations in the future," said Ms. Torres. "We are trying to prove here that microfinance can also work within the structure of the formal banking structure which is regulated by the Central Bank."

Ms. Torres believes that MFIs should ideally have their own banks to mobilize their own savings. "Otherwise, the Government has to legislate something for the MFI. But it is a very slow process and it will take time," she noted.

The Shakti Foundation for Disadvantaged Women—under the management of its executive director Humaira Islam—was established in 1992 to empower poor women living in the urban areas of Bangladesh. As of June, the Foundation had 44,125 members located in Dhaka and Chittagong and have lent almost Taka (Tk)380 million (US$7 million). Out of this amount, they have collected Tk315 million (US$6.4 million). Their repayment rate is 99.91 percent. Members' savings have amounted to Tk77.5 million (US$1.5 million).

Ms. Islam attributes members' strong credit discipline for the high repayment rate. "When they take a loan, it's like entering into a contract in which they take the liability. So

Kevin Hamdorf

Women often use their earnings to buy medicine for their children.

repayment becomes a natural process," she said.

Shakti focuses on the urban poor women. "In the slums, the overall condition is much worse than in the rural areas because slums are very congested. These women live in very unhygienic conditions because they do not have basic services available. More importantly, women in slums suffer more than women in the rural areas because they face a very competitive market," Ms. Islam said.

This is because they do not have the necessary skills to gain employment in an urban setting.

Shakti's strategy is to encourage the women to become entrepreneurs, especially in nonagriculture sector projects. This way, the women will get paid much more than if they were mere factory workers who are prone to exploitation. The women are also trained in financial services such as business management and accounting.

The Negros Women for Tomorrow Foundation (NWTF)—under the management of executive director Cecilia D. del Castillo—works in Negros, Philippines where it has been in existence for 12 years. NWTF now has about 17,000 women borrowers. Its main project is called Project Dungganon. Its current portfolio is about P58 million (US$1.4 millionwhile cumulative disbursements have amounted to over pesos (P)100 million (US$2.5 million). The repayment rate is 99 percent. NWTF has availed of more than P30 million (US$750,000) from ADB through the People's Credit Finance Corp.

Ms. Del Castillo attributes the high repayment rate of 99 percent to "proper repayment, economies of scale, good credit management, good credit discipline, efficiency, and productivity."

During the Asian financial crisis, the repayment rate declined to 95 percent. But in two months' time, repayment increased to 99 percent. Last year, NWTF opened a lending window called the "family loan" for husbands of NWTF members who were laid off from their jobs.

NWTF has 10 branches and an extensive training program for staff. Borrowers undergo a one to two-week training course for the livelihood project they would like to undertake.

Borrowers can borrow P1,500 (US$37.50) for the first three months for the first loan. This amount will double for the second loan available in the next three months. The third loan is P8,000 (US$200) and P10,000 (US$250) thereafter. These loans can be used for livelihood projects. Subsequently, they can avail of consumption loans such as electricity, and water and sanitation loans.

The NWTF has expanded to neighboring Cebu and Leyte. By December, it expects to reach 22,000 borrowers and by 2001, about 50,000.

Spandana—under the directorship of G. Padmaja—is a secular voluntary organization committed to empowering poor and marginalized women and other disadvantaged individuals. It operates in the slums and rural areas of the dry land region of Guntur in Andhra Pradesh, India. Its main activities are building women's organizations, increasing access to information and training, promoting thrift and credit, accessing women to microcredit, providing forward and backward linkages, and enhancing social and political leadership. The repayment rate is 98 percent. Spandana has 2,000 clients among the urban and rural poor.

Ms. Padmaja attributes the high repayment rate to peer pressure, group cohesion, and the commitment and concern of staff.

Spandana believes that participation of women in savings is important in achieving self-reliance. Hence, members are taught to participate in thrift and credit management. They are encouraged to take loans initially from their savings. The organization also extends loans of up to Rs5,000 (US$115) at 12 percent interest. A member can avail of credit three to four times, until she has paid off her moneylender and has her own capital for her enterprise.

The Shri Mahila Sewa Sahakari Bank—managed by chairperson Ela R. Bhatt—was established in 1974 by 4,000 self-employed women workers, mostly illiterate, who wanted to put up a "bank of their own." Recognizing that providing cash does not end a poor woman's problems, the women knew there was a need for an institutional framework which would be able to provide them the various kinds of services they needed as self-employed workers. They wanted a bank that would cater to their own needs, where they were not made to feel inferior, and where their limitations would be understood. Because they were illiterate, the women members had themselves photographed, instead of affixing their signatures for their identification. When 11 promoters had to sign registration papers, the leaders learned to write overnight to be able to sign their names.

Today, Sewa Bank is a multi-service organization that provides facilities for savings and fixed deposit accounts, managing savings, and ensuring safe custody of the cash the women receive as loans. It provides credit to enhance the productive, economic, and income-generating activities of its members. It extends technical and management assistance in the production, storage, procurement, design, and sale of goods and services. It gives loans to its members against jewelry as collateral. It provides services suitable to the women's schedules, such as collecting daily savings from their places of business or houses, or providing savings boxes and giving training and assistance in understanding banking procedures.

Ms. Bhatt attributes Sewa Bank's success to the continuous relationship with its client members. "Another thing is trust, mutual trust. It's also cooperative trust where the members themselves are the owners, the shareholders, so they share the profits. They are the depositors; they are the borrowers. It is their own money," she said.

In its 26 years, Sewa Bank has served over 700,000 members. Its current client base is 150,000, with an outstanding balance amounting to US$300 million. ■

Women and poverty: breaking the bond

By Lynette R. Mallery
External Relations Officer
Office of External Relations

Richie Abrina

The gender and development specialists and staff at ADB headquarters: (*from left to right*) **Shireen Lateef, Senior Social Development Specialist; Dinara Alimdjanova; Sonomi Tanaka, Social Development Specialist; Iwu Dwisetyani Utomo; Ferdousi Sultana Begum; Ismat Shahjehan; Ava Shrestha; Nguyen Nhat Tuyen; and Christine Claaz, trainer/ consultant.**

Ferdousi Sultana Begum used to work in Bangladesh planning microcredit programs. She quickly learned that in most countries "women" and "poverty" are synonyms. Today Ferdousi is helping to change that. Ferdousi and her colleagues—Dinara Alimdjanova, Ismat Shahjehan, Ava Shrestha, Nguyen Nhat Tuyen, and Iwu Dwisetyani Utomo—have been hired by the Bank to help improve the status of women in each of their countries; they are ready for the challenge.

The six women are gender and development specialists, locally recruited consultants placed in the developing member countries (DMCs) to implement the Bank's Policy on Gender and Development. The Policy, approved in June 1998, provides the framework for achieving accelerated progress in improving the status of women and promoting gender equity. Included in the policy is an initiative aimed at improving the quality of the implementation of Bank-financed loans and technical assistance and building the gender capacity of executing agencies and resident mission staff in the DMCs. As Ismat Shahjehan notes, the gender specialists have been hired to "talk to the Bank on behalf of women and talk to women on behalf of the Bank."

Background

Large numbers of women throughout Asia and the Pacific are marginalized. Gender disparities in some DMCs are among the greatest in the world. In many parts of Asia, women are isolated and constrained by sociocultural and legal structures that restrict their access to resources and opportunities to participate in the development process. Reducing the gender gap and improving women's social, economic, and political status are among the major challenges of the region. The Bank has addressed equity in the development process for the past two decades, listing improving the status of women as one of its five medium-term strategic development objectives. Despite this, few Bank projects have had women in development as their primary or secondary objective.

In 1998, the Bank adopted its gender and development (GAD) policy to redress this (the GAD policy replaced the Bank's 1985 policy on women in development). And in early 1999, the Board of Directors approved a regional technical assistance for US$1 million (funded by the Government of Denmark) to ensure that the Bank improves its performance in gender and development and strengthens gender and development capacity in its DMCs. The six gender specialists were employed as part of this technical assistance.

The work program

While each country has specific problems and each gender specialist approaches the job with a different work program, there are common problems and goals that each has identified. Ismat, who is working with the Pakistan Resident Mission, highlights gender discrimination as a major issue faced by women across classes, and identifies structural reforms as the key for women to break out of this. She will mainly be working on judicial and legal reforms, rural sector development, and microcredit. Dinara also sees increased rural development opportunities as an area that would provide the greatest support to women in Uzbekistan. "Nongovernment organizations (NGOs) are quite active in the city," she notes, but the recent economic changes in her country have left rural women marginalized. There is need to work at the grassroots level to ensure that changes in the city reach the rural populations.

Ava, who is working with the Nepal Resident Mission (NRM), sees her role as largely that of "narrowing the gap between rhetoric and action by building the institutional capacity of NRM to translate gender concepts into practice." As a gender and development specialist, she will be able to assist the Bank's missions to integrate gender concerns in projects. Iwu also hopes for a results-oriented program in Indonesia, and plans to conduct in-country workshops to sensitize DMC policymakers and planners to gender and development issues. She also plans to conduct a workshop on gender mainstreaming for NGOs.

The "feminization of poverty in Viet Nam," notes Nguyen, can be changed through Bank-financed loans and technical assistance that target women. She notes that income-generating activities and rural hands-on projects will help lift women from the ranks of the poor.

Promoting and facilitating women's participation in development activities is not enough: action is needed to ensure increased and more equitable participation of women in development planning and project benefits. The placing of these gender and development specialists will go a long way toward doing that. ■

Manila Social Forum to assess social policies and programs

By Armin Bauer
Social Sector Development Specialist
Programs Department (East)

The Manila Social Forum, a meeting jointly organized by ADB and the World Bank (WB) to analyze regional social policy and make recommendations to donors for supporting social reform programs in Southeast, Central, and East Asia, will be held from 9 to 12 November 1999 in Manila. A workshop on Social Safety Nets, sponsored by the WB Institute, will be held in conjunction with the Forum. In addition, the Tokyo-based ADB Institute will present some findings on public/private partnerships for social development.

About 200 high-level policymakers, operational experts, and external partners from the academe, nongovernment organizations, local governments, and the donor communities have been invited to attend the Forum. Mr. Tadao Chino, ADB President, and Mr. Jean-Michel Severino, WB Vice-President for the East Asia and Pacific Region, will open the Forum. ADB will also discuss during the Forum its new poverty, social protection, and private sector strategies, expected to be considered by the ADB's Board of Directors by the end of 1999.

The key topics to be addressed in the Forum include (i) global labor markets, regionalization, and other long-term social developments for Asia; (ii) promoting urban and rural poverty reduction; (iii) targeting social expenditures and reforming social sectors; (iv) building social safety nets and social protection; (v) new public/private partnerships for social policy and corporate restructuring; and (vi) governance and poverty policies and programs.

The Forum will take place in light of worsening human development and increasing poverty brought along by globalization and transition in East and Southeast Asia. In Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand—countries directly affected by the Asian economic crisis (1996–1998)—high economic growth rates achieved in the 1980s and early 1990s were not strong enough to put in place a socio-economic structure that could protect the poor against sudden economic shocks. Other than successfully generating economic growth, social development in the region lacked maturity. On the other hand, in the transition economies of the Central Asian republics (CARs), the People's Republic of China (PRC), and the countries in the Greater Mekong Subregion (GMS), the challenges of the new market base resulted in the significant downsizing of social expenditures and the need for better management of public services. All four regions share the common risk of globalization challenging the feasibility and sustainability of the old social structures and achievements. They share the need for a new social agenda that will more effectively and better target services delivery, and for more relevant policy advice and investments, to face the increasing pressure on poverty and human development.

While the socioeconomic impact of the Asian crisis on directly affected countries is covered by various studies, little information is available on the social impact of globalization for the other three regions (CARs, PRC, and GMS). This analysis of regional social policy, associated with recommendations to donors for supporting social reform programs in Southeast and East Asia, will be the major outputs of the Manila Social Forum.

A new social agenda is emerging for Central, East, and Southeast Asia. A major concern is that increasing international competition, together with reduced public funds, challenges national social services delivery and requires more effective social expenditure decisions. Other key concerns include the following:

- More emphasis is needed on urban poverty issues, and on the interrelations between urban and rural impoverishment.
- Targeted interventions are urgently needed for particularly vulnerable groups such as street children and unemployed youth.
- The emphasis under tighter budgets needs to be on rationalizing public social expenditures within sectors.
- To be more efficient and demand-driven, the state, private sector, local governments, and civil society need to assume new responsibilities for social protection and social services delivery.
- With urbanization, changing age and family structures, and increased unemployment, informal and formal social safety nets cannot provide comprehensive social protection and insurance against risks and economic crises. Pension reform and health insurance, for example, are emerging as new areas of concern.
- The regional dimensions of the socioeconomic crisis and its impact on labor markets, remittances, regional health, and national and interregional migration need to be addressed.

For more details on the Manila Social Forum, visit the ADB web site at **http://www.adb.org/aric/msf**. ■

Policy initiatives are required for raising productivity levels and restoring

Asia recovers faster than expected

international competitiveness. These alone will put developing Asia back on the path of sustained growth that is essential for tackling poverty in the region.

Developing Asia grew by 4.8 percent in the first quarter of 1999, compared with 1 percent in the last quarter of 1998. This was further reinforced by a stronger growth performance in the second quarter. The faster-than-expected recovery in the first half of 1999 has been fueled by an expansion in domestic demand arising from reflationary policies and increased global demand for semiconductors and electronic products. The expected winding down of Y2K-related demand for electronics in the second half of 1999 is likely to be offset by a rise in domestic demand. This will, however, depend upon the continued progress in corporate and financial sector reforms, according to the *Asian Development Outlook* (ADO) *Update*.

The recovery is being led by the Republic of Korea, with 4.6 percent growth in the first quarter of 1999, 9.8 percent for the second quarter, and a forecast 8 percent for the year. Taipei,China; Singapore; Philippines; and Thailand follow the Republic of Korea in that order. The Malaysian economy expanded by 4.1 percent in the second quarter of 1999. The pickup in economic activity is partly attributable to the implementation of corporate and financial sector reforms and the expansionary policies that were pursued in the wake of capital controls imposed a year ago. A rise in consumer spending helped Hong Kong, China achieve a positive growth in the second quarter.

The People's Republic of China's growth slowed to 7.1 percent in the second quarter of 1999 from 8.3 percent in the first quarter, indicating that expansionary fiscal policy is starting to be less effective. India is doing better than expected with an 8.4 percent growth rate in January–March 1999 and a decline in inflation. A robust performance of the agriculture and industry sectors was the major cause for improvement.

Inventory rebuilding in Asia, particularly in electronics, a surge in intraregional trade, rallies in the agriculture and industry sectors in some economies, and a rise in domestic consumption have also contributed to the recovery. However, domestic consumption and investment, on average, remain well below precrisis levels.

The *ADO Update* notes several factors that could moderate the effectiveness of corporate and financial sector reforms. These include the debt and structural problems of Korean *chaebols*, the slow pace of bank restructuring and consolidation in Indonesia, Republic of Korea, Malaysia, and Thailand, and the pressures building up in the banking and state-owned enterprise sectors in the People's Republic of China.

Inflation in the region continues to decline. The second quarter year-on-year consumer price index inflation rate for developing Asia was 0.4 percent, compared with 5.4 percent in the last quarter of 1998. Indonesia is forecast to experience the most dramatic decline in inflation, which may average about 12 percent in 1999, compared with a peak of over 80 percent in September 1998. In India, inflation fell to less than 2 percent, the lowest level in nearly 20 years. There has been deflation in the People's Republic of China; Hong Kong, China; Republic of Korea; and Thailand. Falling prices in Hong Kong, China may help it regain its global competitiveness.

The June 1999 figures for short-term interest rates indicate that, with a few exceptions, rates across the region are below precrisis levels. The fall in interest rates in crisis-affected countries is due to improvements in the balance of payments and the relaxed monetary policies. Central banks are expected to keep short-term interest rates low to keep financial sector reforms on track, avoid further currency appreciation, and raise domestic demand. However, the short-term prospects of a recovery in private investment remain weak.

Large fiscal stimulus packages have been put in place in crisis-affected economies, but the need for restoring fiscal balance may limit their effectiveness in the future. In the external sector, imports are rising due to increasing industrial production and rising commodity prices. In foreign exchange markets, recent currency depreciations have been attributed to uncertainty over the renminbi, and the direction of the US Federal Reserve's interest rate policy. But the likelihood of another round of competitive devaluations is negligible, given developing Asia's current account surpluses and much lower short-term foreign liabilities, compared with 1997.

The forecast for developing Asia remains positive. Real GDP growth in Asia is expected to be 5.5 percent both in 1999 and in 2000. This is based on continued improvement in domestic demand and sustained external demand arising from a higher growth rate in world trade and an expansion in intraregional trade. Manufacturing will benefit from an improvement in economic expectations: stock market buoyancy in domestic markets, continued growth in the US economy, the likely upturn in Euro area growth, and the possibility that Japan's recovery will be sustained in the latter half of 1999. ■

Project evaluation

Project performance audit reports

Indonesia: University of Sriwijaya project

The Project was designed to assist the University of Sriwijaya (UNSRI) to improve the didactic and scientific quality of its academic programs in agriculture, economics, engineering, and medical science. This was meant to increase UNSRI's capacity to meet the regional and national demand for human resources with higher degrees, and strengthen its service function in regional and community development. The Project had a strong focus on energy-related studies, intending to establish an energy program and promote UNSRI to become an interuniversity center in this subject area.

The scope of the project included infrastructure (civil works, equipment, and furniture), consulting services, and fellowships. Actual delivery of the inputs varied from the original design: 37 percent more floor space was constructed, whereas total person-months of consulting services and fellowships were reduced by 40 and 33 percent, respectively. Total project cost increased only slightly. Implementation delays were experienced due to disagreement over the detailed master plan design of the new campus. The project was completed 32 months behind schedule.

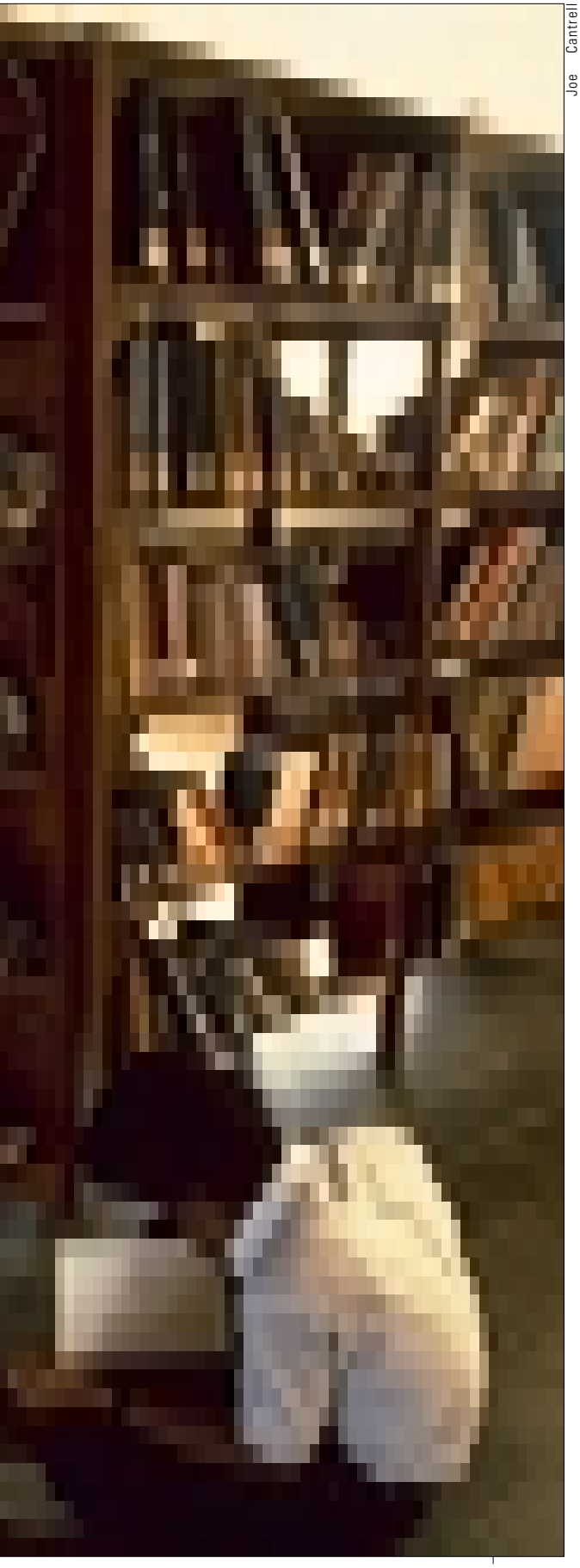
The fellowship program showed positive results in that participants increased their knowledge and access to outside sources of information that apparently influence their teaching program. Former fellows tend to teach a larger number of subjects at a higher degree of sophistication, and use a greater variety of teaching aids than before their training. However, the fellows did not attribute all these changes entirely to their overseas training.

Project faculties report improvements in performance indicators. Productivity increased to 21 percent. The time required to graduate at the bachelor's level decreased from an average of 8.9 years to around 5.8 years. As further improvement, UNSRI introduced master's degree programs in various fields. The Project can partly be credited for this improvement as its fellowship program provided the requisite higher qualifications to teaching staff.

Some achievements were made against the goals to strengthen UNSRI's role in community development. A Community Health Education and Research Center was established and is operational. It provides services comparable with those of a health center; however, demand is limited because the Center cannot be accredited by the Ministry of Health as it falls under the authority of the Ministry of Education and Culture. Aside from this reason, its location far from main residential areas, has limited the demand for its services.

The energy program was not implemented as originally envisaged. Instead, the Energy Center was constructed, aiming at providing energy education for the community at large, advisory services to industries, and research and study programs. Its current activities have been limited to producing low-tech, solar-

University fellows increased their knowledge and access to outside sources of information.



Joe Cantrell

based equipment appropriate to the rural context of Indonesia.

Although there is substantial room for improvement in several specific areas, viewed overall, the project is generally successful.

Nepal: Rural water supply sector project

The project installed 7,280 shallow hand pump tubewells and 74 village pipe water supply systems in the mid- and far-western development regions of Nepal. About 730,000 rural people have benefited from the tubewells in the *terai* area and about 250,000 from the piped systems in the hills. This was the intention at appraisal.

The time and drudgery of water collection have been reduced particularly in the piped systems, water consumption has increased, hygiene practices have improved, and the impact on women has been positive. In spite of the availability of water resources in many systems, these positive outcomes have not prevented the demand for water to exceed the supply from the onset. The main reason is that the communities concerned were not given full opportunity to participate in designing the piped systems. The supply of water has often been marginal and the Government generally has had to subsidize operation and maintenance. Many piped systems cannot be sustained by the communities in the form implemented. Financial and economic returns are relatively low.

The Project was completed in August 1992, about two and a half years later than forecast at appraisal. Factors that slowed project implementation included the fact that the Project was the Bank's first loan to the sector and was located mainly in difficult to access mountainous terrain. In view of these constraints, the efficacy of project management is considered to be satisfactory. Compliance with the loan covenants was generally satisfactory.

The actual expenditure on the Project was US$11.9 million, which is about the same as the appraisal estimate of US$12 million. The US dollar equivalent of the special drawing rights loan, which was US$9.6 million equivalent at appraisal, increased over time. The actual amount disbursed was US$10.8 million equivalent.

Most of the village piped systems were implemented generally as appraised except for the deletion of the household connections, which were initially to account for about one quarter of the water supply. Other changes included the reduction by half of the number of water users for each standpipe and the onset of intermittent water service. Many consumers have shown a preference for house connections, which they have installed by themselves, rather than for standpipes. Many of the systems have had to be rehabilitated under subsequent Bank projects some two to five years after completion because of minimal maintenance.

In the *terai*, the number of tubewells increased from the originally planned 5,000 to 7,280, while the number of users per well declined to half of the appraisal estimates. The number of users for each well is further declining as people continue buying additional tubewells for installation closer to their homes. This is because the tubewells are simple, sturdy, financially affordable, and spare parts and repair services are readily available.

The Project has thus far fully achieved its physical targets, and the tubewell component specifically is a success. However, operational and financial sustainability of the piped systems is in question. Economic and financial returns on investments are

estimated to be modest. Overall, the Project is rated as partly successful.

The executing agency should further improve community participation in the transfer of responsibilities for piped systems to the users so that communities would accept full accountability for them. An appropriate demand management approach is required to properly assess the needs of the communities and the design options that they can afford. It is the opinion of the evaluation mission that, where sufficient source water is available, household connections would promote the self-sustainability of the systems and ensure their viability. The role of a central sector agency like the Department of Water Supply and Sanitation is increasingly becoming less of implementing projects directly than facilitating public-private water partnerships at the community level. These are lessons that have already been partly reflected in the Bank's sector policy, but need to be applied to ongoing Bank operations.

Pakistan: Hyderabad water system and sanitation/sewerage

The Project comprised a water supply component including an intake, two presettling lagoons, and a water treatment plant, as well as a sewerage component consisting of two sewage treatment plants. The Project aimed to improve and extend water supply and sanitation in Hyderabad.

The originally appraised water supply facilities had to be redesigned considerably because of land conflicts affecting the intake location. They were implemented as redesigned, although with delays because of difficulties in land acquisition. To contain project cost within the original amount, the scope of the sewerage component had to be drastically reduced. The crucial sewer mains were deleted from the Project, and were to be implemented by the Government of Sindh,[1] but are still incomplete. The Project was completed in 1991, nine years later than envisioned at appraisal, and six years later than envisioned at reappraisal.

The overall project cost was estimated at US$40.7 million by the Postevaluation Mission. The Hyderabad Development Authority (HAD) still required another US$2 million to settle outstanding accounts due to consultants and contractors, and to complete the sewer mains to convey the sewage treatment plants.

The project scope was beyond the capacity of HAD. This agency was formed at the time of appraisal and was expected to take responsibility for project implementation in addition to operating the existing system. Financial management and capacity are still very weak, despite the training and support components provided under the Project. Although most of the covenants have been complied with, after substantial delays, those relating to cost recovery, institutional matters, and solid waste management have not.

Although no negative environmental impacts have been reported, the Project has not achieved its objective of improving sanitation and public health in Hyderabad. To improve hygiene and health, investment in solid waste management and in drainage of gray water would have been more beneficial.

The project facilities are generally well constructed at the capacities originally proposed. The water treatment plant, which is operating continuously and is well maintained, serves an estimated 75 percent of the population, the majority of whom have expressed satisfaction with the water supply situation. On the other hand, the sewage treatment plants, although completed, are not operating at capacity because of unfinished sewer works. The Project also took an inordinately long time to complete. The economic reevaluation by the evaluation mission indicated an economic internal rate of return of 5.71 percent. The financial internal rate of return of the Project is negative. The Project is rated as partly successful.

The financial performance and position of the Water and Sanitation Agency (WASA)[2] are very weak. The revenues collected do not cover even one third of its operating expenses, and the agency is heavily subsidized by the Government of Sindh. The Project is not financially sustainable without subsidy from the Government of Sindh. A start to resolving the financial performance of WASA would be to immediately improve collection performance, further increase the domestic tariff, introduce metering, and restructure tariffs on the basis of water use.

There were important lessons from this Project. First, it is important not to underestimate the risks of non-availability of local funds, although prior assurance had been given by the borrower. During implementation, it is also important to monitor the utilization of funds provided by the borrower to the executing agency. The design could include innovative and smaller project facilities, which could be individually completed with fewer delays. Once completed, these facilities could independently initiate operations, thus delivering benefits and improving the overall operational performance of the Project. Second, without sufficient autonomy and sound financial management practices that ensure reasonable cost recovery, at least for recurrent operation and management expenses, the financial viability of water utilities is at risk. Time-bound covenants requiring the utility to become autonomous and to raise tariffs are not effective. Specific technical assistance ensuring such institutional policy reform is vitally important. Finally, the Bank's review missions could more positively contribute by discerning risks that could result in noncompliance of crucial covenants, and by suggesting timely corrective measures to put the project on track to achieve the intended objectives. ■

1 The Government of Sindh is implementing this under the Greater Hyderabad Sewerage Project Phase I, financed by the Islamic Development Bank. This was to be completed by 1993.

2 WASA is a technical directorate under HAD responsible only for the operation of the system.

Takeshi Takahara

The evaluators found numerous examples of excellent training institutions in Indonesia in the vocational and technical education sector.

Special studies

Effectiveness and impact of training in education projects in Indonesia

This special evaluation study (SES) was designed to evaluate the contribution of fellowships to the institutional development goals of Bank-financed projects. It was necessary to assess the effectiveness and impact of fellowships because increasing amounts of resources are spent on them as projects move from infrastructure alone to include more institutional targets.

This SES focuses on an education project in Indonesia. It draws information from representatives of government offices, universities, and technical and vocational schools who benefited from fellowships through eight Bank-financed projects. The evaluation team visited 14 senior secondary schools and 7 universities, where it met fellows in managerial, teaching, and support staff positions. In addition, five in-country providers of training were examined.

The SES prepared a questionnaire using a model that distinguishes between training inputs, processes, and outcomes. For each of these three categories, the SES identified factors that are typically considered when designing and implementing fellowship components. The effects and impacts of these factors on training outcomes were analyzed.

Training inputs examined by the SES include characteristics of fellows, design and administration of fellowships, and inputs from the work environment of fellows. The SES found that most attention was paid to foreign language competence, particularly for overseas training. Language competence did not reveal a strong correlation with training outcomes. Professional skills (working efficiency, technical skills, and language competence after training) and interpersonal skills (relationship with colleagues and supervisory skills) improved regardless of the level of language proficiency prior to training.

Other characteristics examined were age and motivation. The SES questionnaire results show that training tends to be a midcareer activity. All fellows regardless of age improved their working efficiency after training. Improvement in technical skills seemed to occur more often in the younger group of fellows, while supervisory skills improved most among older fellows. Almost all fellows reported high levels of motivation to attend training, regardless of whether they freely chose or were assigned to training. The correlation between high level of motivation and impacts on working efficiency and technical skills is stronger than the correlation between foreign language competence or interpersonal skills and training outcomes.

The SES analyzed preparatory activities, including detailed job-related training needs assessments (involving supervisors of fellows), setting training objectives, and establishing targets for work of fellows after training. The study found that no detailed training needs analyses were undertaken in advance. Only a small proportion of fellows discussed with their supervisors training objectives and work targets for the time after training, but questionnaire results show that when such discussions did take place, more than 90 percent of fellows improved their work efficiency and technical skills. When supervisors had simply endorsed participation in a fellowship, only 65 percent of fellows reported working more efficiently after training, and 56 percent felt that they had improved their technical skills. Improvements in foreign language usage and interpersonal skills are not clearly correlated to supervisor support.

The SES reviewed the quality and relevance of training. It found examples of excellent training institutions in Indonesia in vocational and technical education. By contrast, overseas universities seem to be better equipped to provide degree training and higher academic education. The well-structured combination of in-country and overseas training produced positive results. The effectiveness of

fellowships in improving work efficiency and technical skills did not depend on their duration. Short courses proved as effective as long fellowships, provided the length of training was commensurate with its objectives. A similar observation can be made when comparing the results of degree and nondegree courses.

Training outcomes can be observed at two levels: effects on fellows, and impacts on their work environment. The results of the SES indicate that overall, fellowships improved professional and technical skills. Fellows from management positions and secondary schools felt that their ability to keep up-to-date with new developments in their profession had improved. A smaller proportion of fellows from universities had the same feeling, possibly due to faster changes in their field of specialization and lack of access to professional journals. Fellowships did not show strong correlation with career changes and advancements, but had some positive side effects on the private education sector and industries, where fellows from universities find additional jobs.

The SES observed conditions for reentry into the work environment, working conditions, and work atmosphere. These are some of the parameters that determine whether fellows can effectively apply their acquired knowledge and skills. When returning to their workplace, fellows reported to their supervisor or university rector. Only the structured program combining in-country and overseas training required that fellows prepare an action plan and report on its implementation to the training institution. Working conditions were less supportive for fellows from universities, due to the difference in standards between Indonesian and overseas universities. After spending at least two years abroad, university fellows were used to well-equipped laboratories, technical assistants, libraries, and access to the Internet; they found it difficult to resume their research in Indonesia without such conditions. This problem was not as marked for fellows from technical and vocational schools because their work conditions beforehand were comparatively better than those at universities. In some of the technical and vocational schools fellows were required to organize seminars to share their newly acquired knowledge with other staff. This initiative spread training outcomes among a larger group of people and improved work relationships. At universities, fellows helped colleagues with understanding texts published in foreign languages, but there was no formal exchange of knowledge on professional matters or teaching methodologies. Supervisors could draw on fellows and their newly acquired skills and knowledge for wider institutional benefit; however, they did not seem to be aware of this potential or of ways to harness it.

Takeshi Takahara

The SES concludes that fellows were able to impart knowledge and skills. Fellowship programs could be more effective, however, if their objectives were based on detailed training needs analyses, and if they set work targets that fellows should meet upon returning to their workplace. Impacts of fellowships on the institutions represented by fellows are difficult to measure. Nevertheless, the SES found that fellowships can be an effective means for institutional development only if certain conditions are met: management commitment, policies, and reforms that improve work processes. Otherwise, highly trained fellows may return to a work environment that is not prepared to absorb and use the fellow's new skills and knowledge.

Fellowships should be designed as an integral part of institutional development programs. To maximize their effectiveness and impacts, fellowships should not be implemented unless an institutional analysis incorporating a human resource development strategy is conducted. Each fellow, together with a supervisor, should analyze training needs.

Issues pertaining to the engagement of consultants in Bank loan projects and their effect on project performance

Consultants play an important role in implementing development projects in the Bank's developing member countries (DMCs), and their timely engagement is critically important. To facilitate such engagements, the Bank has issued *Guidelines on the Use of Consultants by the Asian Development Bank and Its Borrowers* to assist its DMCs in the selection and engagement of consultants. Project administration

instructions (PAIs) are also issued to guide appraisal missions and executing agencies (EAs) in the timely engagement of consultants. Further, the Bank regularly conducts regional and country-specific training programs on the use of consulting services and on project implementation arrangements. Despite such efforts, the Bank's experience indicates that delay in the engagement of consultants is a serious problem hindering the smooth implementation of many projects across countries and sectors.

This special study conducted by the Bank identifies the underlying factors contributing to this problem, examines their implications, and proposes measures for timely engagement and effective use of consultants. The study, carried out under a regional technical assistance (RETA), covers six DMCs—Bangladesh, the People's Republic of China (PRC), Indonesia, Pakistan, Philippines, and Viet Nam. The countries selected for the study reflect a regional balance, large extent of Bank operations, and varying levels of expertise in project management. Country profiles were prepared based on a detailed review of four to five delayed projects representing various sectors in each of the RETA countries. The findings discussed in the study are based on the country profiles, documents provided by the Projects Departments, field interviews with the EAs and government officials, the World Bank Group's resident mission representatives in the RETA countries, and individual international consultants and representatives of consulting firms engaged by the DMCs for the Bank-financed projects covered by this study.

The selection and engagement of consultants in Bank-financed projects involve the following steps: (i) developing the terms of reference (TOR); (ii) longlisting of consultants; (iii) shortlisting of consultants; (iv) preparing the letter of invitation (LOI); (v) developing a set of evaluation criteria; (vi) inviting proposals and evaluation and ranking of proposals; (vii) drafting the consultant's contract; and (viii) negotiating the contract with the first-ranked consultant/firm and signing a contract.

Delays have been experienced in the engagement of consultants in all the countries studied at virtually every stage of the process. The degree of delay varies from country to country with the PRC experiencing fewer delays, compared with Bangladesh and Pakistan where delays were found to slow down projects by up to two to three years, and Indonesia, Philippines, and Viet Nam somewhere in between.

The most common reasons for delays in engaging consultants include (i) lack of familiarity with ADB's guidelines and procedures and, in some cases, nonadherence to them; (ii) inadequate delegation of authority and highly centralized cumbersome decision-making procedures at various stages of selecting and engaging consultants; (iii) unwillingness by the EAs to exercise the available authority; (iv) frequent transfer of project directors and managers; and (v) lobbying and political interference.

The study found that apart from the EA's unfamiliarity with ADB's guidelines and procedures, layered committee setups for checking/reviewing/approving the EA's proposals were a major cause of delay. In many cases, all matters relating to the recruitment of consultants had to be approved by a minister and, in some extreme cases, even by the head of the government. Such approval requirements for documents—such as the TOR, shortlist, draft contract, and evaluation criteria—are an unhealthy practice. The EAs in some countries were also found to be extremely cautious in taking initiatives, avoiding responsibilities by seeking approval of their higher authorities at every step of the selection process. Several projects reviewed point out the frequent replacement of project directors as a contributory factor to delays in the recruitment of consultants.[1] Such frequent changes have, in fact, resulted in the reevaluation of proposals, in effect repeating the recruitment process.

In most of the RETA countries, it appears that the selection of consultants takes place in an environment that is not transparent. Lobbying takes place in different ways and is often resorted to by parties who wish to be included in the shortlist and then to win the award of contracts. In several projects, the delays in the engagement of consultants at various stages (but mostly in the shortlisting and evaluation of proposals) were attributed to some form of lobbying. It appears that there are ways of getting around the restrictions of the *Guidelines* without violating formal procedures, thereby influencing the evaluation and ranking. Even the individual international consultants and consulting firms interviewed for this study admitted to the preponderance of influence peddling.

Factors contributing to delays on the Bank's side include insufficient attention paid to the institutional strength and weaknesses of the EAs by project appraisal missions, resulting in unrealistic timetables for the recruitment of consultants and consequent delays in the engagement of consultants. Also, the DMCs' domestic procedures and practices in the loan process are not always examined by ADB, resulting in unnecessary misunderstanding of the procedures involved. In fact, under the PAIs issued by ADB, appraisal mission leaders are supposed to have the project administration memorandum, TOR, evaluation criteria, and draft contract, all agreed upon with the EA at appraisal. Typically, however, the TOR of the consultants are discussed only in outline form at the appraisal stage and are firmed up at a much later stage, leading to delays in the engagement of consultants.

With a view to addressing this issue, ADB has taken a number of initiatives. It is giving increased attention to its training activities to familiarize the EAs with ADB procedures, guidelines, and requirements. ADB also allows the DMCs to take advance action for the recruitment of consultants where up-front activities, e.g., TOR, draft LOI, shortlist of consultants, are allowed and encouraged prior to loan approval. Resident missions are continuously being strengthened with

increased delegation of authority, and a greater number of projects are being placed under their direct supervision. Coordination with other multilateral development banks is being carried out to address the issue jointly.

This study indicates that there is no system to monitor when the process of selection of consultants is delayed. In most cases, ADB expresses its concern to the EA officials, copied to or through the resident missions. When delays become longer, the information is forwarded to the head of the ministry. There were a few cases where pressure from ADB in the form of possible loan cancellation facilitated the recruitment process. While discretionary actions like these have helped specific projects, they have not been able to bring significant impact on improving the system. ADB's resident missions, given appropriate authority and accountability, could play a powerful role in effecting an early warning system for monitory delays.

In conclusion, the experience with the engagement of consultants was generally unsatisfactory in most of the projects reviewed. Some contributing factors are Bank-led and relatively easy to address, while others are viewed as internal matters and the prerogative of the DMCs. Considering that the issue pervades all sectors and is closely related to good governance and transparency, any dialogue should include (i) making the process of consultant selection more transparent, (ii) providing the EAs with increased authority and responsibility in the selection process and encouraging them to exercise such authority by creating an enabling environment, (iii) allowing efficient project directors to serve for longer periods, and (iv) setting up an early warning system to detect delays. ADB must show preparedness to assist the EAs by directly participating in the consultant selection process when requested by the EA/government, particularly in those cases where consultancy services are required upfront in project implementation. ADB must also not hesitate to cancel loans because of excessive delay, and to undertake an audit of the consultants' contracts when warranted.

Additional recommendations are proposed to address the issue. ADB should consider making available simplified technical proposal procedures for the engagement of consultants for contracts of limited amounts, particularly to those EAs that have established transparency in consultant selection. ADB must require appraisal missions to rigorously follow all relevant PAIs to enable the EAs to complete most of the process of consultant selection by the appraisal stage. As a next step, ADB may consider making the submission of the shortlist of consultants by the DMCs a condition for loan negotiation. The advance action facility provided by ADB for the recruitment of consultants has worked well in some DMCs, and this facility should be retained. Appraisal missions, however, must put additional efforts into making it more effective. To avoid delays resulting from the practice of substituting key personnel by some consulting firms for noncompelling reasons, ADB should consider making such firms ineligible for future bidding for a given period. In addressing the issue of consultant delays, the support of the Central Operations Services Office (COSO) to appraisal missions needs to be strengthened further. Staff from COSO should, where warranted, participate as a member in loan negotiations on ADB's side, and project director from the DMC side.

As a long-term solution, ADB must continue its efforts to promote the use of the domestic consulting industry through systematic planning of its technical assistance activities.

Finally, a working group committee headed by a senior staff may be constituted to study the proposed recommendations prior to their implementation. ■

1 The exception among the countries reviewed was the PRC where project directors serve until the completion of the project. In general, directors in the PRC are also accountable for the project's performance.

Raul del Rosario

Impact evaluation studies

In the health and population sector—Bangladesh, Pakistan, Papua New Guinea, and Sri Lanka

The main objective of the study was to assess the impact of the Bank's assistance in the health and population sector. The study covered

General improvement in health status leads to better job opportunities and lower work absenteeism from sicknesses.

completed projects, for which postevaluation has been done, in four DMCs: Bangladesh, Pakistan, Papua New Guinea (PNG), and Sri Lanka.

Macroeconomic conditions common to the four DMCs at the time of project design and implementation include chronic budget and current account deficits, as well as political instability and threats to national security. Such conditions led to inadequate financing of social expenditures. Although social conditions in the DMCs varied, poverty incidence remained high. Based on such indicators as incidence of poverty, literacy rate, and life expectancy, Sri Lanka was the most socially developed of the four DMCs. Pakistan (3 percent) and PNG (2 percent) had the highest population growth rates. As for morbidity rate, only Sri Lanka's was similar to that of more advanced DMCs. The four DMCs adapted the Health for All by Year 2000 campaign of the World Health Organization to their policies for providing primary health care.

By September 1996, the Bank had approved 31 health and population sector loans and 70 technical assistance projects in 14 DMCs totaling about US$956 million. Although all Bank projects aimed at improving health in the DMCs, approaches differed in the four countries during the early years of project implementation. The Bank's experience was characterized by implementation delays with a few cases of partial loan cancellation.

The Bank's assistance in the health and population sector was assessed in terms of its impact on the health status of the beneficiaries, policy adjustment, government budget, institutional development, social dimensions, and environment of the DMCs.

The impact of the Bank's assistance on health status—as reflected by demographic and health indicators, morbidity indicators, beneficiary perceptions of the facilities provided under the projects, and service provision indicators—varied in intensity among the DMCs. On the whole, the impact was positive. Demographic and health indicators, showing the positive impact of the Bank's assistance, were most pronounced in Sri Lanka and least in PNG. Morbidity indicators were unclear in a number of project areas. In Pakistan and PNG, for instance, some data showed increasing morbidity rates. Nevertheless, perceptions of beneficiaries confirmed the general downtrend of disease patterns and improvements in health. Beneficiaries were generally satisfied with the services provided by Bank-assisted projects.

Service provision indicators comprised the ease of access to health facilities and the extent of home visits by midwives, the degree of prenatal care and immunization coverage, the frequency of attendance at childbirth by health workers, and the pervasiveness of family planning services. Access to health care improved with the availability and proximity of health centers. Home visits were facilitated with the provision of residential quarters at health centers, although these were constrained by deteriorating law and order situations in some DMCs. The health centers also improved the availability of family planning services, prenatal care, and immunization services.

Except for Sri Lanka, where the success of the village health centers led the Government to focus more attention on providing health care at the most peripheral level, the Bank's assistance did not appear to have any significant or long-lasting impact on

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Specific budgetary allowances should be made for training.

policy adjustment. Cost recovery, a policy encouraged under the projects, had limited success and was confined to relatively minor expenses incurred by the beneficiaries. The projects affected government expenditure not only in regard to the provision of counterpart funding during project construction, but also of subsequent operation and maintenance (O&M) requirements, thus aggravating the tight fiscal positions prevailing in DMCs.

The provision of health infrastructure and training improved the capacity of health providers. Such improvements were not evenly spread, however, and in some cases, were nullified by the lack of maintenance in health facilities, inadequate supply of drugs, lack of staff for training fellowships, and other factors.

The social impact of the projects was positive, with women as the major beneficiaries of the health and training facilities under the projects. The impact on poverty reduction was indirect as general improvement in health status led to better employment opportunities and lower work absenteeism from sicknesses. Impact on the environment was positive, particularly when projects provided for water sanitation and services by health inspectors. The possible exception was the case of the dichlorodiphenyltrichloroethane (DDT) factory upgrade in Bangladesh under another Bank project, although the factory subsequently closed down.

Sustainability of the positive impact of the Bank's assistance remained a key issue, especially in the face of inadequate funds for O&M. A related issue was cost recovery. Attempts by the governments to collect user fees ran counter to the perception of many people that health care should be provided gratis. Although the privatization of health services was fully supported by the DMCs, the fact that government doctors were allowed to have private practices led to instances of abuse and conflicts of interest.

An important lesson arising from the study was that to sustain and reinforce the positive impact of past projects, new projects, rather than focusing on new areas, should be designed to build on the successes of the old projects. A last issue was that benefit monitoring and evaluation systems, although deemed beneficial, were not vigorously pursued by the DMCs, especially when initial difficulties were encountered.

In conclusion, while health improvements in the DMCs might not be fully attributed to Bank projects, its assistance in the health and population sector has contributed positively to health, lower population growth, and capacity building in the DMCs. Impact on government expenditure, policy adjustments, and the environment was less positive.

Recommendations for the Bank include providing adequate project preparation with in-depth sector analysis and, to facilitate future impact evaluation, preparing logical frameworks; providing follow-on assistance to reinforce positive impacts; and assuring a full commitment by the EAs. Recommendations for the DMC governments include the provision of specific budgetary allocations for O&M and qualified staff for training. Recommendations for both the Bank and the DMCs are to obtain the full participation of staff at all levels, as well as that of the community, in the design and implementation of projects, and to ensure adequate monitoring of project implementation based on appropriate performance indicators.

Urban development and housing sector

Countries in the Asian region have undergone dramatic urbanization during the last 30 years. The urban population increased from 270 million in 1960 to 850 million in 1990. The percentage of people living in the urban areas as a percentage of the total population also increased from 18 to 30 percent. Projections are that this trend will continue, making the Asian region predominantly urban by 2020.

The Bank has been lending to the urban development sector since 1976. Since then, 41 loans for US$2.2 billion were approved for integrated urban development, regional development, and housing. This impact evaluation study (IES) was conducted to assess the changes as a result of some of these

projects. By drawing lessons from past experience, the IES intends to contribute to improving project design and implementation, and enhance project impacts. It also aims to provide inputs to the Bank's initiative to formulate its urban development strategy.

The IES reviewed a total of 12 loans. This included five integrated urban development projects in Indonesia, three regional development projects in Malaysia, two integrated urban development projects in Pakistan, and two housing projects in Thailand. This sample represents 31 percent of loan amounts approved for projects in these three subsectors. The projects were approved between 1976 and 1989. The IES collected data from governments, EAs, and agencies providing urban services. Beneficiary surveys were conducted in project and control areas.

Following the logical framework, the IES defined impacts as changes that occur in respect to project objectives. It aimed to evaluate technical, financial, economic, social, institutional, and environmental impacts. The IES found that intended impacts of projects were not well defined. As a result, project inputs and activities are not well focused on attaining impacts. This impedes their effectiveness. In addition, the imprecise definition of intended impacts and lack of baseline information made an assessment of actual impacts difficult.

Integrated urban development projects generally succeeded in improving living conditions. However, the IES found that a better integration of project components is necessary to ensure that synergistic effects are attained. Without clear linkage between components, the rationale for an integrated project seems to be loan size rather than its intended impacts. Apart from definitional problems, orderly urban development depends on a number of factors outside the control of projects. For projects to improve efficiency of urban service delivery, institutional reasons for inefficiencies would need to be analyzed. This is not done by projects. Sustaining positive impacts on living conditions is difficult because of increasing urban pressure on infrastructure and continuing weaknesses of urban management institutions.

Regional development projects showed varied results; their success depended mainly on a favorable location and economic conditions. When economic opportunities were available, regional development projects facilitated an industrialization process. This is particularly so when projects included components to support training, employment creation, and necessary infrastructure. However, when such positive external conditions were not available, projects proved less successful. The sustainability of project facilities was found to depend on their economic success. In the first project, facilities were well maintained. Facilities of the less successful projects were not in full use, thus deteriorating. Additional funds to rehabilitate these facilities would be required if ever demand would increase sufficiently to require their operation at full capacity.

The economic performance of both housing projects was generally successful. However, one of the projects had rather ambitious goals that were not met. It aimed to alleviate the population pressure on Bangkok, but its size was inadequate for such a complex task. This project demonstrated the importance of consulting with and involving local governments. Being a new town, its status and the responsibility of local authorities were not well defined. As a result, service provision and maintenance of infrastructure were an issue. In addition, none of the local authorities were responsible for and able to deal with social issues that arose as the new town's social fabric developed. The other project experienced a drastic revision of scope during implementation. It met its revised targets, but fell short of the initial goals.

The findings of the IES underpinned once again the importance of involving local governments and beneficiaries. Their active participation in project design and implementation is necessary to ensure project relevance. When beneficiaries were left out, their demand for services and willingness to pay for them was limited. This affected capacity utilization rates and financial performance of project facilities. When local governments were not involved in project decision, their commitment to take over project facilities after completion was affected. Their reluctance to accept ownership was affected by their concern over loan repayment and financial viability of project facilities.

Local capacities to operate and maintain project facilities were not always in place. However, projects have not given much support to developing such capacities. The opportunity to develop a client-oriented service attitude of agencies delivering urban services was missed. Such a client orientation is needed if service delivery is to improve. Instead, projects focused on setting up implementation units, equipping counterpart staff with knowledge for project administration. As a result, institutional impacts of projects were negligible.

The IES found that the success of urban development hinges on a functioning institutional framework. To optimize efficiency and maximize benefits, urban management capacities should combine a clearly structured institutional framework with flexibility for responding to changing demands. Actually, project-related institutions involved in urban management and service delivery tended to be rigid while relationships among them were not well defined. The role of central government agencies needs to change toward setting policies and standards, and more responsibility and authority should be devolved to local governments. Capacities responsive to urban development requirements need to be developed at local levels, such as the capability to develop, manage, and monitor new projects, and to operate and maintain existing facilities delivering urban services. They should involve public and private sectors. The reform processes would require that analyses are carried out to develop individualized institutional development strategies. ■

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