

III. Preparing a Country Poverty Analysis

The country poverty analysis (CPA) is one of the main building blocks of the country partnership strategy (CPS) and helps indicate its strategic directions and priorities. This chapter discusses in detail the relationship of the CPA to the NPRS; the range and depth of analysis that need to be conducted; the process that ideally should be followed; and the main areas that need to be addressed so that a complete and thorough understanding and analysis of poverty and the ways of reducing it informs ADB's country operations.

A. Introduction: The Role of the CPA

The CPA is the Asian Development Bank (ADB)'s main tool for assessing the nature and causes of poverty in a country comprehensively in all its dimensions including income and non-income (human) dimensions of poverty and vulnerability, and is a key initial step in the subsequent development of the CPS. The CPA, based on its assessments, outlines a set of country-focused strategic options for ADB assistance to reduce poverty. It should inform the CPS process that will assess the options, prioritize them, and identify ADB's role in contributing to national poverty reduction. The CPA should build on what has been learned in the past from doing previous CPAs, from evaluations of country outcomes of ADB's CPSs and similar evaluations of other development partners' operations, and should ensure that the analysis is improved to contribute to more realistic CPSs. It should begin with and thereafter make judicious use of existing documents—assembling the most important data and features (with reference to sources)—and reflect the views of various stakeholders expressed during consultations and participatory processes. As in any handbook, this one describes the best practice that is recommended in preparing a CPA. Depending on specific country circumstances, a less detailed assessment may be required because of a lack of available data or recent assessments prepared by development partners. Conducting very detailed, in-depth poverty assessments may not always be feasible under certain budget and resource constraints, or necessary when recent assessments have been conducted by other development partners. In these cases, a more practical approach is drawing on such poverty assessments, updating their data and filling gaps in analysis in areas not covered, and/or conducting joint assessments.

CPA and NPRS. Depending on the country circumstance, the CPA may contribute to, or build upon, the findings of the national poverty reduction strategy (NPRS). In cases where a comprehensive NPRS has been prepared and is generally assessed to be complete, detailed, and feasible, the CPA could draw on and update it to describe the context for ADB's assistance

efforts.³⁵ Where the NPRS lacks essential elements or where the plans, information, and targets in the NPRS are deemed unrealistic or erroneous, the CPA would supplement it with its independent analysis and recommendations. For instance, the strategy for poverty reduction under the NPRS may not be adequately costed or anchored on a medium-term budgeting and expenditure framework that could raise questions about its feasibility. Under such circumstances, a CPA could help the government develop a strategy that can be financed, that has more realistic assumptions and poverty reduction targets. Where an NPRS does not exist, the CPA, prepared in partnership with other stakeholders, could contribute to the preparation of an NPRS itself. The range and depth of analysis and assessments in the CPA will, therefore, depend on these country circumstances.

Government Ownership. Early government involvement in the scope, focus, and timing of the CPA can help build joint ownership of the CPA results, and can help integrate CPA findings into the NPRS. To the extent possible, the CPA should be undertaken jointly with other development partners and in partnership with stakeholders. While the CPA will build on poverty assessments undertaken by the government and other partners, it should fill gaps in the knowledge base and provide an independent assessment of the quality of the poverty diagnosis and the anticipated efficacy of proposed poverty reduction strategies. The analysis should also interpret the findings of the comprehensive poverty assessment to identify those aspects of the NPRS to which ADB could most productively contribute.

Links to MDGs. ADB's long-term impact is monitored through achievement of the Millennium Development Goals (MDGs) 1–7; hence it must closely monitor the region's progress toward the MDGs and continue refining its role in helping developing member countries (DMCs) achieve their development objectives and the MDGs in partnership with its development partners. The CPA plays an important role in assessing country progress toward achieving the MDGs. Bearing in mind data deficiencies, the CPA should assess progress made to achieving MDGs 1–7 and, in light of the NPRS and other partner commitments, should assess the likelihood that the MDGs will be achieved. The CPA should highlight areas in which greater efforts are needed and, jointly with development partners, should recommend ways in which resources be prioritized, capacities developed, and policy and institutional changes made to attain the MDGs.

CPA and Partnership Building. The CPA provides an opportunity for ADB to collaborate with other development partners and stakeholders to build a shared diagnosis and understanding of poverty conditions, to agree on common solutions, and, within the framework set by the NPRS, to establish a division of labor best suited to the comparative advantages of the many partners assisting the government in its efforts to foster poverty reduction. A robust partnership among development partners is expected to improve aid coordination, reduce transaction costs of delivering aid, and facilitate adoption of good assistance practices. The CPA should attempt to foster a country-led partnership in support of national poverty reduction goals and objectives by involving other partners in preparing the CPA, by identifying ways in which ADB assistance can promote more effective partnerships, and by examining the contribution of other development

³⁵ Often, however, an independent poverty analysis done through a CPA may be desirable to supplement an NPRS as (i) NPRS documents may not present a comprehensive technical analysis, which is necessary; and (ii) an independent technical analysis may help confirm statistical poverty estimates as different sources of data can provide different results.

partners toward common poverty reduction objectives. Analysis of partnership efforts in the CPA should be results-based, focused on the goal of poverty reduction and attainment of the MDGs. In particular, given current programs and efforts, it should assess whether the partnerships will be able to achieve the MDGs, or whether scaling up efforts is indicated or feasible, given financial, institutional, and other constraints.

B. Contribution of the CPA to the CPS

The CPA should be updated before a new CPS is prepared. Depending on the situation, this update may be quite comprehensive or may focus only on a few of the most important issues. The following sections describe the process and required analysis in detail. The CPA should be updated in full after about 5–6 years of its initial preparation unless country developments warrant an earlier updating.

A CPA is an integral part of the CPS process. By undertaking CPA as early as possible in the CPS cycle, PRSs can be identified from the outset, and poverty reduction measures can be made fully consistent with the NPRS (Table 3.1). The CPA exercise should be initiated well in advance of the CPS preparation to ensure that the assessment is of a high analytical quality. Meeting quality standards and applying a participatory consultative process with a broad range of stakeholders require that sufficient time and resources be devoted to this exercise.

The CPA should be started shortly after the CPS preparation team has been assembled and has had time to determine the work required for the poverty analysis. Periodic feedback should be provided from the CPA process to the CPS process. This will keep the initial stages of preparing the CPS informed of important poverty issues. The CPA should draw on existing assessments as far as available. Where existing assessments are available, these should be first evaluated to assess the quality and up-to-date nature of the assessments. Thereafter, efforts should be made to update and fill gaps according to ADB guidelines.

The CPA is designed to contribute to the formulation of the CPS in several respects: (i) the CPA should assess the poverty situation, identify key development challenges, and provide a critical review of the NPRS; (ii) it should identify ways in which future ADB assistance can be aligned with the priorities in the NPRS, and harmonized with poverty reduction assistance provided by key development partners; (iii) it should identify poverty reduction goals and targets, consistent with the MDGs, to which ADB assistance can contribute; and (iv) it should identify the transmission channels by which ADB interventions, at both poverty pillar and thematic levels, are expected to contribute to poverty reduction. If targeted interventions are identified in the CPA as a means of combating poverty, the rationale for and nature of targeting priorities (i.e. geographic, individual or MDG-based) should be spelled out.

CPA and Sector/Thematic Studies for CPSs. The CPA should help prioritize the sectors and themes that should be emphasized in the CPS so that ADB's poverty reduction impact can be maximized. In cases of such identified sectors and themes, detailed thematic assessments and sector strategies and road maps will need to be prepared as part of the CPS process. These will address the issue of how ADB-supported interventions in those areas will be crafted and integrated to achieve desired poverty reduction results. Such assessments will include constraints and opportunities specific to the sectors and thematic areas, lessons of past experience, government priorities, ADB's evolved assistance role, and operations of other development partners.

Table 3.1: Country Poverty Analysis in Country Programming

Country Programming Activity	Role of Poverty and Social Analysis
Country Poverty Analysis	Identifies the poverty and social profile, determines the structural causes of poverty, reviews the national poverty reduction strategy (or helps in its development or updating), ranks priority actions to be taken to effectively reduce poverty, helps establish poverty reduction goals and targets, and helps define ADB's strategic role in poverty reduction.
High-level Consultations with Government, donors, and stakeholders around the NPRS	Final step in the country poverty analysis which contributes to a discussion and development of a consensus on poverty issues between stakeholders within the country and with ADB and other donor partners, and determines the goals of ADB assistance.
Country Strategy and Program Development	Prioritizes ADB interventions in a country pipeline to best assist DMC governments in their efforts to reduce poverty. Provides a framework for thematic assessments and sector strategies to contribute to desired poverty reduction results.

C. The CPA Approach

The CPA should begin with a review of existing literature on poverty in the DMC. It should use consultative and participatory processes to enable representatives of civil society, government, funding agencies, and the private sector to contribute to a comprehensive understanding and consensus on the causes and manifestations of poverty, and solutions to reducing poverty. The actual approach to implementing the CPA will vary depending on the specific country situation. Depending on country specific requirements, the analysis may emphasize different aspects of the process (analytical, consultative, consolidating, or strategizing), although most cases will require a combination of all. Sometimes data gaps must be filled before a CPA can proceed. Capacity-building support for the collection and compilation of poverty reduction statistics, particularly in DMCs in which the coverage of such information is poor or out-of-date, may need to be planned well in advance of the CPA.

Large and Small Country Cases. While the CPA should provide a broad overview of the poverty situation in the country and indicate areas that need emphasis for poverty reduction to occur, given the enormous needs particularly in the large DMCs, ADB may only be able to provide support for a limited range of interventions, while other needed interventions are provided by the government and other development partners. In the case of the larger DMCs, the CPA should, therefore, help in prioritizing and in focusing interventions confined to a limited range of sectors/themes where impact can be maximized. For the smaller DMCs, the capacity to absorb external assistance may preclude a large number of interventions. In such circumstances, the CPA may be far more limited in focus, given that the number of ADB-supported poverty-reducing interventions will generally be quite small. Therefore, the CPA should include a brief profile of the poor, an assessment of the main causes of poverty, and, in light of national poverty strategies,

development plans, and poverty reduction experience, a discussion of the main strategic options for ADB interventions and the poverty reduction results that such interventions are expected to contribute. Conducting CPAs for a number of small DMCs simultaneously, as part of a regional study, can ensure the application of standard analytical and consultative approaches, build a comparative regional knowledge base, and help improve understanding of the causes and consequences of poverty across countries within a region.

D. CPA Resource Requirements and Reporting

The CPA is a major analytic and consultative undertaking. The country team leader is the task manager for the CPA, and is ultimately responsible for CPA findings. The leader is assisted in this process by building an *analytical team* that brings together poverty and thematic analysts, other development partners, and key domestic stakeholders. In many cases, local nongovernment organizations (NGOs), think tanks and/or consultants will be best placed to organize consultations and other participatory processes, as part of the CPA team. While it is preferable to draw on national sources of expertise, international experts may be brought in to address specific aspects as required, such as issues that may be difficult or sensitive to analyze or discuss internally.

Resource Requirements. A CPA is generally conducted by one or more full-time ADB staff, supported by the country team and assisted by a team of international and domestic consultants over a period of 3–6 months depending on depth and range of coverage. In addition to in-depth analysis, a clearly specified participatory process should inform the CPA and contribute to ownership among stakeholders. Adequate budgetary preparations must be made well in advance of the CPA to finance staff costs, the consultative process, and the consultants team. The CPA, including all the processes involved in its preparation, would normally be financed by ADB through its technical assistance or staff consultancy resources.

Reporting. The results of the CPA should be presented in a clear and concise manner. Translation of a CPA into languages other than English may be undertaken to encourage participation in, as well as understanding and support of, ADB-assisted poverty reduction strategies and activities. Whether or not the CPA is translated will depend on languages known to the DMC audience, alternatives to translation, time required for translation, and costs. The CPA will generally be made available to in-country stakeholders in draft form, particularly if consultations with nongovernment organizations were involved in its formulation. Upon completion of the final report, ADB will make the CPA, together with other thematic and sector studies underpinning the CPS, publicly available.

E. The Contents of the CPA

There is no prescriptive template for presentation of the CPA because country-specific findings should determine the structure of each chapter: sections should be chosen to highlight the main poverty features prevalent in the country. However, the CPA should include the following seven topics/issues, which are discussed in detail below.

1. Preparing a Poverty Profile

The poverty profile provides an overview of the manifestations and causes of poverty. It should begin with a discussion of poverty definition and measurement methods in the particular country, and it should describe changes in the way poverty has been measured over time. A critical assessment of the quality of the poverty databases, and their analysis should also be made. This can be used to identify gaps or inconsistencies in the poverty database and to clarify issues that may arise in interpreting the data. The description of poverty should include aggregate data, poverty lines, depth of poverty and distribution of wealth, details on household characteristics, and a risk and vulnerability profile. Qualitative perception indicators should be used to supplement the quantitative data.

Manifestations of Poverty. The poverty profile should provide an overview of the manifestations of poverty to give an appreciation of the magnitude and complexity of poverty in the country. The analysis should be underpinned with statistical data, using existing sources or generating additional data as needed. Requirements for aggregate data correspond to, but go beyond, the indicators and targets used for the MDGs (Table 3.2). Information on poverty lines should refer to international and national poverty lines, absolute and relative. Appendix 1 discusses poverty concepts, poverty lines, data requirements, and poverty indicators in more detail.

Statistical Data. Data on income poverty and the MDGs should be aggregated to the national level, with breakdowns as appropriate in the country context, particularly for large countries. Poverty map techniques (see Appendix 1) using information from census and household surveys or from administrative data may be employed for providing robust estimates at subnational levels, particularly for large DMCs in which ADB operations are concentrated in particular regions. It is also important to disaggregate national indicators into others that will distinguish outcomes for different categories of people. Where possible, poverty data should be provided in a gender-disaggregated form to understand better the division of the burden of poverty among women and men. Similarly, data and analysis of specially disadvantaged groups (such as indigenous people, or groups subject to social stigmatization) should be provided where such groups are an important constituent of the poor. Data should include:

- **Income indicators:** poverty lines for income poverty in local currency terms; Gini coefficient, depth of poverty, poverty gap, distribution of income and assets, number and percent of population living below the poverty line; gender, occupational, regional, and other social correlates with insufficient incomes;
- **Non-income poverty indicators:** all the MDG non-income poverty indicators;
- **Geographical and environmental characteristics:** poverty maps, and details on areas with high incidence of poverty (due to remoteness, harsh conditions, environmental factors (terrain, access to natural resources, resource quality, limited resources, etc);
- **Gender inequality:** information on access of women to education, financial services, political participation, and reproductive health services, and data on access to land and employment to highlight the gender-specific poverty traps;

- **Information on excluded groups**, such as indigenous communities, minorities, culturally discriminated groups, regionally isolated groups, and others who have been chronically excluded;
- **International comparators**: a summary of internationally accepted indicators of poverty reduction performance (i.e. MDGs, \$1-per-day and \$2-per-day head counts, GDI rank, HDI rank) for comparison with other DMCs. Given both theoretical and analytical weaknesses inherent in cross-country snapshot indicators, caution will be advised in their use and interpretation.

Providing a snapshot of poverty profile indicators helps focus attention on the multifaceted nature of poverty and its various manifestations. An example of a snapshot poverty profile table, drawn from the Bangladesh CPA is presented in Box 3.1.

Table 3.2: Recommended Poverty Profile Data

- 1. Income Poverty Data**
 - a. Primary/Household Surveys
 - b. Comparability of Poverty Data Assessed
- 2. Poverty Lines**
 - a. National Poverty Line (Rural/Urban, Over Time)
 - b. Absolute Poverty Line: Food and Nonfood Poverty Line
- 3. Income Poverty Indicators**
 - a. Poverty Incidence and Magnitude (latest and trends)

i. National	v. Occupational Group
ii. Male/Female	vi. Age Group/Household Size
iii. Urban/Rural	vii. Educational Attainment
iv. Regional/Provincial	viii. Labor Market Status
 - b. Poverty Gap
 - c. Poverty Severity
- 4. Income Inequality**
 - a. Gini Ratio
 - b. Percentile/Quintile Ratios
- 5. Non-income Poverty Indicators**
(including all non-income MDG indicators 1–7 against their targets and assessments of achieving targets)
- 6. Other Indicators** of Non-income Impoverishment or Exclusion that are Relevant in a Specific Country Context (drawn from NPRS and other sources)
- 7. Other Global Comparative Indicators**
 - a. GDP Rank-HDI Rank
 - b. \$1-per-day and \$2-per-day poverty head counts
 - c. Country-specific global comparators

BOX 3.1: BANGLADESH: EXAMPLE OF A CPA POVERTY PROFILE SUMMARY

Simple tables can be used in the CPA to highlight key aspects of income and non-income poverty status. Such indicators can be used to compare poverty status to national poverty reduction targets and the MDGs. The manner in which these were summarized in the Bangladesh CPS of 2005 is as follows:

Trends in Poverty and Inequality in the 1990s			
Item	1991/1992	2000	Change Per Year (%)
Head-count Rate			
National	58.8	49.8	(1.8)
Urban	44.9	36.6	(2.2)
Rural	61.2	53.1	(1.6)
Poverty Gap			
National	17.2	12.9	(2.9)
Urban	12.0	9.5	(2.5)
Rural	18.1	13.8	(2.8)
Squared Poverty Gap			
National	6.8	4.6	(3.8)
Urban	4.4	3.4	(2.7)
Rural	7.2	4.9	(3.8)
Gini Index of Inequality			
National	0.259	0.306	2.1
Urban	0.307	0.368	2.3
Rural	0.243	0.271	1.4

Selected Poverty Reduction Baselines and NPRS Targets					
Indicators	1990	2002 Benchmark	Annual Progress		Annual Progress 2002–2015 (%)
			1990–2002 (%)	2015	
Income Poverty	59	50*	(1.5)	25	(3.3)
Extreme Poverty	28	19*	(3.2)	5	(4.9)
Adult Literacy	35	50	3.5	90	6.3
Primary Enrollment	56	87	4.6	100	1.2
Secondary Enrollment	28	36	7.4	95	6.1
Infant Mortality Rate	94	53	(3.6)	18	(5.1)
Under-5 Mortality Rate	108	76	(2.5)	25	(5.2)
Maternal Mortality Rate	480	320	(1.6)	179	(4.2)
Life Expectancy	56	65	1.3	73	1.0
Population Growth	2.1	1.4	n.a.	1.3	n.a.
% Children Underweight	67	51*	(2.4)	26	(3.3)

* Indicates benchmark data for 2000; () = negative; n.a. = data not available.
Source: ADB. 2005. Bangladesh Country Strategy and Program: 2006–2011, Appendix 3, Poverty Assessment.

Perception Indicators. Qualitative information on the perceived nature of poverty and vulnerability may be used to augment the quantitative statistical data. Perception indicators provide a subjective measure of poverty, and can be used to portray the nature of deprivation, as perceived by different low income groups in the country, and to characterize progress in poverty reduction. Such information may be obtained from secondary sources, participatory poverty assessments (PPAs) or other forms of direct surveys. Perception indicators can be used to cross-check the statistical indicators, to identify other aspects of deprivation (i.e. exclusion, powerlessness, etc.) that may not be well captured by the statistical data, and to differentiate more clearly among the many factors that contribute to impoverishment. Moreover, since all poverty lines have some element of arbitrariness, perception indicators can help to characterize the poor in a way that conforms to the manner in which the local population defines deprivation (see Philippines illustration in Box 3.2).

Assessment of the Poverty Databases. Much depends on the quality of the poverty data, the manner in which it is collected, aggregated, and reported; and the manner in which poverty lines are constructed. It is important to review the quality of the poverty database, and the appropriateness of the poverty line. Gaps and inconsistencies in various sources of poverty data should be noted; the timeliness and representativeness of the data available for profiling the poor should be assessed; and the adequacy of the poverty line for making inter-temporal and inter-spatial comparisons should be commented on. Where there are serious gaps in poverty databases (or their interpretation) that would impede monitoring of poverty reduction progress, this should be noted.

Risk and Vulnerability Profile. This will assist in understanding the dynamics of poverty. The poor consist of those who are poor at all times (chronic poor) and those who move in and out of poverty (transient poor). This latter group is strikingly large in Asia, and the CPA should depict the major risks that affect the vulnerable; and the severity and frequency of these vulnerabilities. Risk may be idiosyncratic (individual) or macro (covariant), and have impacts in the short or long term. The vulnerability and risk profile should include the *major country risks* comprising (i) those related to the individual life cycle (e.g., hunger, stunted development, illness, old age), (ii) economic (e.g., unemployment, changes in prices of basic goods and services, economic crisis or transition), (iii) environmental (e.g., droughts, floods, earthquakes), and (iv) political/social/governance related (e.g., corruption, crime, discrimination) risks. It should assess the effectiveness of existing programs in helping the poor and the vulnerable manage, cope, and mitigate major poverty risks.³⁶

2. Preparing an Institutional Analysis

The CPA should identify and assess the main institutional constraints to poverty reduction. The intention is to focus on the main, binding institutional constraints; how these impact on the poor; and their linkages to the process of poverty reduction. In most countries, the poor suffer

³⁶ See World Bank's *World Development Report (WDR) 2000/2001*, which includes a typology of risks and shocks to which people are vulnerable. This is a useful resource that makes a distinction between types of risk at the micro (individual/household), meso (local/regional), and macro (national) levels.

BOX 3.2: PHILIPPINES CPA: QUALITATIVE PERCEPTION INDICATORS AND DATA QUALITY

The Philippines CPA finds that the proportion of Filipino families who consider themselves poor is a great deal higher than what would be assessed using the official poverty line. Based on a Social Weather Stations (SWS) nationwide survey of subjective poverty, nearly two thirds of Philippines families (62%) rated themselves as poor in September 2003 and the average subjective poverty threshold indicated by families with five members was P9,466 (\$170) per month. This can be contrasted with the corresponding official poverty threshold for 2002 of P4,961 (\$96) per month. The CPA prepared for the Philippines includes a detailed discussion of different data sources and methodologies used to assess income poverty.^a The CPA reports that there are two overlapping series, the first from 1985 to 2000 and the second from 1997 to 2003. It reports that newer methodology resulted in lower poverty head counts, and some trends were changed, but cautions against use of these methods. A careful review of the income poverty data finds that the magnitude of income poverty in the Philippines worsened from 1985 to 2000, and that although the country sustained positive GDP growth from 2000–2003, there was a 10% drop in real average family incomes. Families in the National Capital Region (NCR) suffered an almost 20% drop. In addition, the total income accruing to the bottom decile of the population virtually stagnated over these 3 years.

^a ADB. 2005. Poverty in the Philippines: Income, Assets and Access. Manila.

from a vast array of institutional constraints. The intention is not to catalogue all possible institutional constraints affecting the poor but to identify the most important. Progress made in easing the binding institutional constraints to poverty reduction will, in turn, create capacities and constituencies for tackling other institutional constraints to poverty reduction as the development process proceeds.

Institutional factors³⁷ (both formal and informal) can either enable or constrain poverty reduction. Institutional constraints often impact on growth and inclusiveness such as a lack of openness; trade and industrial policies that adversely affect growth; impediments to structural transformation needed for growth; factors impeding functioning of markets, including land, capital, and labor markets; and restrictions on access to resources and basic services by the poor. The government structure and its responsiveness or lack of it are important; for example, the way the government hierarchy deals with poverty reduction issues and whether provision of basic services is impeded by the centralized nature of public services provision needs discussion. Key institutional factors that influence poverty are the extent to which the government is accountable to the poor, the degree to which the poor suffer from corruption and other manifestations of mal-governance, and access of the poor to basic social and economic services. Where government decision making is highly centralized, the institutional capacity to respond to local, or area-specific constraints to poverty reduction may be inadequate. In case of decentralization to local governments, capacity constraints often pose as important factors in the delivery of services. Gender is an obvious and critical institutional issue in most countries of the region and public policy in addressing the gender dimensions of poverty needs to be discussed. The same is true for informal institutions that aggravate exclusions for indigenous peoples, those belonging to lower castes and minorities.

³⁷ ADB 2004. Theme Paper No. 13: *Law and Institutional Reform: Catalysts for Inclusive Development in the Asia and Pacific Region*, has a description of key institutional issues and ADB operational interventions to address them.

Another important institutional issue is the nature of participation of the poor in public decision making and whether the poor have an adequate voice in shaping policies that affect their welfare. The way the government apparatus interacts with representatives of civil society and private sector in devising strategies and programs to reduce poverty may also need to be studied.

A Summary Labor Market Assessment (SLMA) should be an essential part of the analysis of institutions. Proper functioning of the labor market is essential for economic growth to impact on poverty reduction, and suitable recommendations for its functioning for inclusive development should be provided. Since the poor primarily work in the informal sector, the main emphasis should be on sources of both informal and formal employment generation, and institutional and policy barriers to labor-absorbing growth.³⁸ The SLMA should be brief and concise, focused on the determination of country priorities by revealing employment patterns. In some countries, the priority attention will be to assist unemployed or underemployed working-age populations to find employment opportunities or to fight child labor. In others, the rural areas may have been forced to shoulder a disproportionate burden of the country's social problems, and strengthening rural systems may be a priority. Labor market assessment is a key element in the strategic link between economic growth and poverty reduction, and the assessment should provide recommendations to ensure efficient and inclusive development patterns.

3. Assessing the NPRS and Realism of Poverty Reduction and MDG Targets

The extent to which the country has a well-defined, government-led NPRS, and the degree to which that serves as a framework for coordinating poverty reduction activities, is therefore critical to ADB's country-focused response to poverty. In reviewing the NPRS, the CPA may address the following areas:

- **Availability and coverage:** Does the government have an NPRS, or a PRSP? Is it an interim or a complete strategy? Does it set specific and realistic targets? Is it comprehensive? Does it include an adequate poverty diagnostic? Does it review past attempts to combat poverty? Does it set specific goals and targets that are clearly linked to strategic interventions, and does it provide clear arrangements for monitoring and evaluation?
- **Assessment:** Is the NPRS rooted in a sustainable macroeconomic framework? Are poverty-reducing interventions costed and affordable, given constraints in public expenditures? Does the strategy identify key reforms to improve the environment for poverty reduction? Is the strategy clear, consistent, coherent, and realistic? Was it developed in a consultative manner; is it widely supported among national leaders and stakeholders? Is it being implemented? Have constraints (and risks) to implementation been adequately identified? Is it truly nationally owned? Are responsibilities of various stakeholders and development partners clearly identified?

³⁸ ADB. 2005. *Key Indicators* theme chapter on "Labor Markets in Asia: Promoting Full, Productive and Decent Employment" provides an overview of the main labor market issues in the region.

- **Resource requirements:** Does the NPRS adequately prioritize and/or sequence among the reforms identified? What resources will be required to achieve the NPRS growth, investment, and poverty reduction targets? Are public investments and other programs needed for the success of the NPRS targets supported by sufficient annual budgets over the medium-term period through which the NPRS runs? What is the resource gap implied by the NPRS, and the likelihood that this can be filled given trends in external assistance, foreign investment, and public borrowing capacity?
- **Monitoring and evaluation:** Are the goals and indicators in the NPRS consistent with the MDGs? Have targets been specified for the key development results that Government wishes achieved? Are these realistic given past trends and with the effort envisaged in the strategy? Are monitoring and evaluation (M&E) arrangements (including demarcation of responsibilities, identification of data gaps, and resources for M&E) sufficient to be able to track development results?

In addition to a commitment to be country-focused and supportive of NPRSs, ADB is also firmly committed to assisting its DMCs achieve the MDGs. The CPA should assess MDG progress, both in terms of past trends and present achievements, and in terms of the feasibility of meeting the MDG targets given the strategic priorities envisioned in the NPRS, and the likely assistance response from different development partners. With respect to the MDGs, the CPA should:

- **Assess the present status:** For each of the MDGs 1–7, the CPA should take stock of present status, building on information contained in the MDG report, United Nations estimates, and other sources of information. Where there are gaps in the knowledge base, these should be identified.
- **Assess probability of MDG achievement:** For each of the MDGs 1–7, past performance trends should be reviewed, and an assessment made on the targets set in each area under the NPRS. Given past and expected performance, a judgment will need to be reached on the likelihood that the MDGs will be reached.
- **Identify areas for special attention:** The CPA should identify those MDGs for which special attention is required if satisfactory progress is to be made. The CPA will also assess the extent to which sufficient assistance is being provided, or can be effectively absorbed, to help address those MDGs for which the country remains off-course. It will also assess gaps in capacities and changes in policies and institutions necessary to scale up efforts to achieve the MDGs.

4. Assessment of Public Policies and Initiatives for Poverty Reduction

The CPA should briefly review the country's economic performance, and the policy stance of government underpinning development performance. It should relate economic performance and the underlying policy framework to the policies required to assist the poor. The assessment of government policies needs to address the following areas:

- **Macroeconomic policies:** Assess whether macroeconomic policies (affecting growth, inflation, financial sector stability, fiscal management, exchange rate and trade regimes) are

consistent with poverty reduction. For example, are the rate and composition of economic growth and the factors influencing them (i.e. savings and investment, trade, productivity improvement) sufficient to meet poverty reduction goals and objectives? Is the sectoral composition of growth and employment generation appropriate? Do macroeconomic policies foster growth and keep inflation down? Do they help prevent or cushion the effects of external shocks to reduce the vulnerability of the poor?

- ❑ **Public resources and expenditures:** Are efforts to improve domestic resource mobilization adequate, and how can constraints be removed? Is the tax system equitable or regressive? Do taxes on international trade help directly or indirectly to reduce poverty? Is public expenditure prioritizing basic services and attainment of MDGs? Is there a system to address regional and geographical inequities through a transfer system?
- ❑ **Sector policies:** Do policies favor labor- or capital-intensive investments? Do they hinder capital investments in labor-intensive industries? Do policies promote small and medium enterprises? What is the impact of technological innovation in sectors employing large numbers of poor? How do wage and labor policies affect the poor? Are policies in the main sectors consistent with poverty reduction objectives? How well are they, particularly pro-poor aspects, actually implemented?
- ❑ **Targeted programs including safety nets:** Discuss nature of public poverty reduction programs (such as targeted basic services, employment guarantees, microfinance, etc.)—their magnitude, geographical location, sectors, approaches, types, experience with them (M&E results), etc. Do such programs address gender issues? Do they provide essential services and widen opportunities for economic activities? What are the main components of the safety net system in the country? Are they well targeted? What are the implications of subsidies on the poor and how would the poor be affected by their discontinuation? What is the likelihood of savings from such subsidy cuts being channelled into better-targeted public services for them? What has been the experience of targeting in terms of cost and precision?

5. Analysis of Causes of Poverty

The main causes of poverty have to be understood to identify constraints that need to be overcome to reduce poverty. The following indicative list separates some possible dimensions, although that these dimensions are obviously interrelated. Some of these are:

- ❑ **Economic:** shortage and inequitable distribution of resources (e.g., land, water, credit, technology, knowledge) causing poverty by preventing access to economic activities and opportunities; insufficient economic growth and employment; economic crisis associated with losses of jobs, earnings and safety nets; economic transition that dislocates a large segment of the work force; inadequate factor markets and economic policies that do not favor the poor; and insufficient or unaffordable public services;
- ❑ **Historical, societal, behavioral, gender, vulnerable groups:** traditional social structures that might perpetuate dependence of the poor on the nonpoor; social/cultural norms that discriminate against and exclude the poor, (e.g. by preventing entry to

professions, using public services); geographic, racial, and ethnic exclusions that deprive certain groups of an equal opportunity to participate in the mainstream of socioeconomic development, behavioral patterns (e.g. substance abuse, lawlessness) that contribute to exclusion and low living standards;

- ❑ **Governance and institutional:** requirements, norms, and practices that hinder the poor from full participation in their community, such as legislation that explicitly or implicitly works to the disadvantage of the poor; corruption, overcentralization, local elite capture of public services, lack of access to information, and tacit codes of communication in a community that prevent the poor from holding community leaders accountable; and
- ❑ **Environmental causes and natural or man-made disasters:** loss of resources owing to improper management of natural resources; natural disasters which are sudden (e.g., earthquakes, tsunamis), or slow in materializing (e.g., crop failures, environmental degradation), or man-made (e.g., civil strife) that disrupt a socioeconomic development path.

The major causes of poverty will likely vary between rural and urban areas, and in regions that are more remote from those that are closer to growth centers. It would be useful to identify the key causes to poverty, disaggregated by appropriate geographic categories, to prioritize poverty-reducing interventions. For example, the Bangladesh CPA notes that the causes of poverty have changed over time, and that as these have changed, new challenges and opportunities for poverty reduction have emerged (see Box 3.3).

6. Assessing Partnerships and ADB Positioning

ADB's Evolved Country Competence. ADB's poverty reduction initiatives should build on what has worked well in the past. Lending and nonlending assistance should be provided in ways that are efficient, effective, sustainable, and are likely to contribute to meaningful poverty reduction impacts. To better understand the relationship between ADB assistance and poverty reduction, the CPA and the macroeconomic assessment should discuss the following with respect to ADB's past experience in contributing to poverty reduction:

- Drawing on project, program, sector, and country assistance program evaluations (CAPE) and completion reports, what are the main lessons from ADB assistance for combating poverty?
- What factors have contributed to or inhibited effective utilization of ADB assistance for poverty reduction?
- Are there examples of good practices from past ADB and other donor-assisted or government interventions that merit scaling-up to contribute to national poverty reduction objectives?
- What are ADB's country-specific strengths and weaknesses in providing external assistance for poverty reduction? How can those strengths be best utilized, and the weaknesses mitigated, to improve the delivery of development results?

Building Robust Partnerships. ADB will need to position its assistance to respond to (or even anticipate) the evolving development challenges and priorities of government, to build on the organization's comparative advantage, and to take into consideration the support that is likely to be made available from other development partners. In assisting the government implement the NPRS, ADB will need to forge productive relationships with other development partners within the wider framework of development cooperation in the country. With respect to ADB's external development partners, the CPA should discuss:

BOX 3.3: CPA REPORTING ON CAUSES OF POVERTY IN BANGLADESH

The Bangladesh CPA notes that the causes of poverty differ between rural and urban areas and these have changed over time. The CPA reports that a few decades ago, poverty in Bangladesh was caused primarily by (i) landlessness, (ii) low agricultural productivity, (iii) vulnerability to floods and other natural disasters, and (iv) limited opportunities for employment in subsistence agriculture. Because of vastly improved transport and communication networks, rural labor has become more mobile, farming has become more market-oriented, and the poor are able to earn their livelihoods from a continuum of farm, off-farm, rural, and urban activities. The spread of microfinance initiatives and rural education enabled the expanded participation of women in the labor force, and their growing economic empowerment. This has helped spread access to cash income throughout the year, which has had a major impact on rural livelihoods. Urbanization and repatriation of overseas remittances, while fueling rural-urban inequity, has also contributed to poverty reduction.

While improvements in mobility, skills, and productivity have helped substantial numbers of households escape poverty, many remain impoverished. The most commonly identified characteristics of rural poverty in Bangladesh are (i) living in remote areas and unfavorable agricultural environments; (ii) limited transport, power, and other infrastructure; (iii) being in a female-headed household; (iv) illiteracy; (v) being an agricultural wage laborer; and (vi) possessing few agricultural and nonagricultural assets. Other factors affecting rural poverty include (i) high dependence on volatile daily wage incomes; (ii) lack of access to land with the poor tending to hold liquid financial and livestock assets, rather than land; (iii) access to natural and common property assets such as ponds, gardens; (iv) access to nonfarm employment, which provides a vital source of income to the poor and pays 24–34% more than agricultural wages. While nonfarm enterprises hold tremendous scope for generating off-farm employment, nearly 98% of these are financed by own savings or inheritances. Less than 5% are financed through microcredit or other institutional sources.

For some dimensions of well-being, the urban poor are more disadvantaged than the rural poor. This stems from limited urban employment opportunities and degraded environmental and health conditions. Housing and sanitation, in particular, are generally much worse in urban slums than in rural areas. Predation by urban vested interest groups takes the form of land grabbing, toll collections, and urban politics of patronage and eviction—all of which impede urban poverty reduction. The urban poor tend to be far more heterogeneous than the rural poor, with significant variation in gender, occupation, caste, age, and other social characteristics. They include rickshaw-pullers; garment workers; pavement dwellers; city hawkers; petty traders; informal sector workers engaged in self-employment and wage-employment; blue-collar factory workers in organized small, medium, and large industries; slum and squatter dwellers; street children; construction workers; beggars; disabled; domestic helpers; hermaphrodites; sex workers; street hooligans; and *mastaans* (musclemen).

Source: ADB. 2005. Bangladesh Country Strategy and Program: 2006–2011. Appendix 3, Poverty Assessment.

- **Policies and strategies:** Do other external agencies have explicit poverty reduction strategies for the country? What do they comprise? Are there areas that are not covered? How do their policies fit with ADB's policy and what are the implications for ADB's country-specific strategy? Based on ADB's past experience, highlight areas where ADB had a comparative advantage and been in the lead, and areas where ADB has not been active.³⁹
- **Programs:** Sectors, geographical locations, and type of approaches used by external agencies, comparing what others do with ADB's portfolio and approaches. This section should focus on specific antipoverty interventions rather than provide a general overview of external assistance. Highlight areas where ADB has a comparative advantage or could take a lead role in providing well-harmonized external assistance.

Coordination Mechanism: Does the existing aid coordination mechanism focus on poverty reduction issues? What have been the agreements? Has this been a separate agenda item or an integral part of the discussion of sector performance?

The government, the private sector, and civil society organizations all play an important role in poverty reduction. Helping forge results-oriented partnerships between the government, the private sector, and civil society which are aimed at contributing to the achievement of the MDGs is an integral part of ADB's response to poverty in its DMCs. To help identify scope for improving results-oriented partnership arrangements with domestic stakeholders, the CPA should address the following:

- **Organization:** What is the role of the NGOs and community-based organizations (CBOs) in poverty reduction initiatives? Do these organizations fund and/or implement poverty reduction initiatives? Can ADB enhance results-based partnerships, or assist in capacity-building of NGOs and CBOs, to accelerate achievement of the MDGs?
- **Participation:** Do mechanisms exist that would ensure the participation of the poor? If so, describe which, and analyze how effective they are.
- **Private sector:**⁴⁰ How does the government integrate private sector activities and investments in its overall NPRS and encourage private sector participation? Do linkages exist between the formal and informal sectors? Does the private sector cooperate with the public sector in initiatives to mainstream the poor into regular economic activities? What is the role of grassroot-level private enterprises such as informal moneylenders, middlemen, and informal providers of goods and services? Are private sector activities concentrated in certain sectors or geographical regions? What is the scope for fostering SME development and microenterprise development to assist the poor?

³⁹ ADB's strategic options, i.e., selection of geographical areas, sectors, and subsectors will continue to be determined in the CPS. The poverty analysis should provide an overview of activities of all external agencies, including ADB, to identify synergy effects, overlaps, and gaps.

⁴⁰ This section should discuss country-specific aspects to the private sector, for instance, such that arise in former or currently socialist economies.

BOX 3.4: MACROECONOMIC LINKAGES IN THE CPA FOR THE PEOPLE'S REPUBLIC OF CHINA

The country poverty analysis (CPA) for the People's Republic of China included a detailed assessment of the linkages between macroeconomic, fiscal, sector, and targeted policies and programs for poverty reduction. Particular attention is drawn to the horizontal imbalances in fiscal capacity for poverty reduction across jurisdictions. The CPA notes that although there is a strong fiscal commitment for poverty reduction, the weak revenue base of poor counties mitigates an effective poverty reduction response. Seven main reasons are given for this, including:

- (i) Poorer provinces and counties cannot mobilize sufficient counterpart funds, thus limiting their ability to finance infrastructure projects and encouraging these levels of government to ask the poor to provide free labor.
- (ii) County governments in poor areas often have structural budget deficits. In some poor counties, poverty funds account for 20–35% of all fiscal transfers and 15–30% of budgetary revenues. Given this dependency, these local governments are under pressure to divert poverty funds to unavoidable expenditures like staff salaries or to unfunded priority projects.
- (iii) Resource-constrained local governments have a strong interest to use the poverty reduction subsidized credit schemes for projects that quickly generate taxable income.
- (iv) The poverty funds are targeted on infrastructure- and income-related programs only. Participatory studies show, however, that investments in human development are also very important to poverty reduction.
- (v) Fees for access to education and health services are applied universally to all schoolchildren and clinic and hospital patients, irrespective of their capacity to pay.
- (vi) To meet budget deficits, local governments have creatively devised fees to impose on the public. Many of these fees are not strictly legal; and
- (vii) The weak financial situation of the poor counties generates a range of distortions often contrary to poverty reduction, as they seize each opportunity to capture financial resources. To mitigate these distortions, a fiscal transfer system that adequately underpins social equity needs to be devised.

Source: Asian Development Bank. 2004. Poverty Profile: People's Republic of China. Manila.

7. Developing Strategic Options and a Poverty-oriented Framework for ADB Assistance

If the CPA is to be of operational relevance, it must provide recommendations that inform and provide directions for the CPS. Such recommendations may still be relatively general, or cast in the form of broad options, since the strategies and programs that ADB will ultimately pursue is the outcome of a more extensive analytic and consultative process. Recommendations should be cast within the context of future country challenges and opportunities, and should be (i) limited in number; (ii) monitorable, relevant, results-oriented, and time-bound; and (iii) clearly supported by a logical analysis and a coherent sequence of findings. The conclusions and

BOX 3.5: ASSESSMENT OF CIVIL SOCIETY IN PAKISTAN COUNTRY POVERTY ANALYSIS

The Pakistan CPA includes a detailed assessment of the contribution made by nongovernment organizations (NGOs), community-based organizations, and the private sector to poverty reduction. It finds that there is considerable potential for increasing the role of civil society and the private sector in publicly supported poverty reduction efforts. The Pakistan CPA concludes that:

“There are several ‘niche’ areas in which the NGOs and the private sector have been able to prove their capacity to deliver and within which, therefore, their role and work might be expanded to allow them to operate and have an impact at a bigger scale. Among these areas, the first and foremost is fostering social capital through mainstreaming the participation of communities in the development process and organizing them into broad-based institutions and groups. ... NGOs and the private sector have also demonstrated their usefulness in becoming contractors to the Government to facilitate community-based implementation of small-scale infrastructure and public works schemes.

Microfinance is another niche area for NGOs, in which they are running programs in both rural and urban areas (p. 73).”

recommendations should not exceed the boundaries of the CPA exercise, of the evidence presented, or the analysis which has been made. Caution should be exercised before presenting strategic or programmatic recommendations for which a more detailed analysis may be required.

Strategic options depend entirely on the opportunities for and obstacles to reducing poverty in the country. There are no standard prescriptions, other than the importance of developing a clear analytical framework to underpin decision making. The discussion of strategic options should also investigate whether there is need for targeted interventions to reduce poverty in the particular country context, how targeting could be undertaken, and the nature of these interventions (e.g., targeted toward households, need to reduce pockets of geographic concentration of poverty, particular MDG sectors that need to be focused on, etc.).⁴¹

To the extent that the core options for poverty reduction are adequately addressed in the NPRS, this section should summarize and reiterate those main priorities. This section should also identify which of the several possible priority areas would be most suitable for ADB assistance. This may be based on ADB’s country-specific comparative advantage and lessons of past assistance, expected activities of other donor partners, Government’s expressed priorities for the utilization of ADB assistance, and the assessment of the areas in which ADB assistance is likely to contribute to the greatest poverty reduction payoffs. ADB assistance needs to be focused to make a meaningful contribution to poverty reduction results. Box 3.6 illustrates the approach taken in the Bhutan case.

The CPA should identify broad, strategic options at a strategic, policy, sector, and thematic levels. The main objective is to provide information and suggestions to assist the CSP process prioritize sectors and themes for future support, and to assess the balance between ADB support for interventions that address poverty indirectly vis-à-vis those that are targeted to specific poor groups or regions. More detailed programmatic and activity details are to be provided through economic, sector, and thematic work. To bridge the gap between the poverty diagnosis and

⁴¹ If a geographic mapping is recommended, then this may be carried out as a separate small study or as part of the CPA depending on the resources available for the CPA.

BOX 3.6: BHUTAN CPA AND RATIONALE FOR FOCUS

The following quote from the Bhutan CPA explains the rationale for tightly focusing ADB's future assistance for poverty reduction to that country:

"The Government of Bhutan has a well-conceived, locally owned, poverty reduction vision and a clearly articulated set of development priorities. It also has a strong sense of the comparative advantage of various donors, and determines on this basis where technical and financial assistance is most needed, and which donor can best provide it. The Government has traditionally preferred to use its grant and bilateral assistance for agriculture, rural development, and social sector support, and to use its concessionary loan finance for infrastructure and finance/private sector development. Accordingly, the Government has requested that ADB focus its future assistance in support of the implementation of the NPRS in the following areas: (i) transport; (ii) power, including rural electrification; (iii) urban development; and (iv) financial and private sector development. These sectors are assigned a high priority in the NPRS, and scope exists to make a substantial contribution to poverty reduction in each area. ADB has also been requested to assist Government in further developing institutional capacity, without which Bhutan's ability to manage the delivery of public services on a sustainable basis would be compromised. There are good reasons for focusing ADB assistance on these key sectors: (i) other donors are heavily involved in complementary sectors, such as agriculture, rural development, education and health care, and there is a limit to the amount of assistance that can be productively absorbed in those sectors; (ii) Government is devoting nearly a third of the 9th Plan outlays to social sector development, and other multilateral partners are providing assistance in these sectors; (iii) ongoing ADB-supported operations in vocational training and health sector reform are making important contributions and will require several years to be completed; (iv) ADB can build on a positive track record in assisting the Government deliver results in those sectors for which assistance has been requested; and (v) attainment of the main MDG goals appears to be on track."

Source: ADB. 2005. Bhutan: Country Strategy and Program: 2006–2011. Manila.

possible ADB support, the CPA should comment on the following to help ADB broadly define its poverty reduction strategies and priorities:

- ❑ **Pro-poor growth:** The CPA should comment on ways in which ADB could support improvement in, such as, the quality of macroeconomic management, employment policies to augment labor absorption, private sector enabling policies, infrastructure development for market access, regional integration, quality and productivity of the natural resource base, and policies influencing income distribution to accelerate pro-poor growth for poverty reduction.
- ❑ **Inclusive social development:** Given that growth needs to be inclusive if poverty reduction were to result, the CPA should identify options for ADB assistance to help promote inclusive growth through social development, and to develop the policies, institutions, and infrastructure needed to deliver basic social services to the poor effectively.
- ❑ **Good governance:** The CPA should identify broad opportunities for improving core and sector governance, including the extent to which good governance (accountability,

transparency, integrity, participation, value-for-money) have been mainstreamed into sector support, and in which participation with civil society has been encouraged. Special attention should be paid to the extent to which anticorruption measures are being addressed, including in ADB's operations, if corruption is a serious problem in the country.

- **Sector priorities and strategy:** The CPA should comment on the way in which ADB's sector investments, policy dialogue, and support for policy and institutional reforms can contribute to poverty reduction. It should identify priority sectors for future support, based on NPRS priorities, ADB's comparative advantage, and opportunities for harmonization and effective partnering. These identified priority sectors will have detailed sector strategies and road maps in the CPSs.
- **Targeting approach:** Based on the country's development experience and nature of the growth process, trends in inequality, and the nature of poverty, the CPA should comment on the extent to which targeting may be necessary given pockets of poverty in a particular country. The rationale for supporting poverty reduction both indirectly and/or through a targeted approach should be discussed. If targeting is advocated, possible targeting indicators and approaches may be identified.
- **Thematic priorities and strategies:** The CPA should help (i) identify ways in which ADB assistance could foster poverty reduction by assisting the Government improve the enabling environment for private sector participation in development; (ii) identify ways in which environmental initiatives will have a meaningful impact on poverty reduction; (iii) ways in which gender issues can be mainstreamed into ADB's lending and nonlending operations, so as to contribute to women's empowerment, gender equality, greater economic participation of poor women; (iv) ways in which regional cooperation can be pursued to as a means for the DMC to eliminate both physical and institutional impediments to trade and Investment, to jointly develop the facilities required for the delivery of essential public services, to facilitate the combating of global crimes and communicable diseases, and to share knowledge; and (v) ways in which strategic support could be provided to enhance a DMC's capacities to formulate and implement policies, reforms, and investments needed for poverty reduction. It should indicate the priorities between the thematic interventions during the medium term and indicate those thematic areas where detailed assessments need to be prepared as part of the CPS.

In each of these areas, cross-country comparisons could be useful to place the country's achievements/deficiencies in perspective. The objective of this section is to identify the critical issues in each pillar and theme that merit further attention and consideration during the CPS analytic and consultative process. An example of the manner in which strategic priorities are linked to the poverty diagnosis is presented in the case of the PRC in Box 3.7.

A series of key poverty reduction results to which ADB could usefully contribute should be included in the discussion of intervention options. This should be linked to the MDGs and any other poverty reduction goals and objectives. The expected results should be specified in terms of possible outcomes and impacts of interventions, to which ADB could productively contribute, and should be presented in the form of an indicative poverty-reduction results framework. The poverty-reduction results framework is a planning and management tool that defines the links

BOX 3.7: THE PRC CPA: DEFINING STRATEGIC PRIORITIES BY POVERTY PILLAR

The PRC CPA undertaken in 2004 includes a prioritized strategy for harnessing pro-poor growth, good governance, and social development to poverty reduction. It relates this to the key factors that cause poverty, to access to basic services, and to the participation of the poor in development. The following draws from the CPA to present its priorities in each main “strategic thrust” area.

The potential for accelerating poverty reduction through pro-poor sustainable economic growth is characterized by: (i) the increased provision of off-farm income earning opportunities for poor farmers which in part can be facilitated by lowering the barriers to small and private businesses, especially their access to credit; (ii) promoting the rural economy through more favorable agricultural pricing policies; (iii) redressing the regressive nature of the taxation and fee burden on farmers; (iv) greater integration of rural areas into regional (meaning, regions in the PRC) and national markets which will involve providing more physical infrastructure to poor areas and improving their social (particularly health and education) and economic infrastructure; (v) expanding opportunities for the western region to trade with Central and Southeast Asia; (vi) reform of the fiscal system between levels of government on the basis of equity and adequate funding of obligations delegated to lower levels of government; and (vii) ensuring greater equity in access to financial and human capital and natural resources.

Improvements in governance can accelerate poverty reduction in many ways. They would reduce the leakage of targeted poverty reduction funds away from the rural poor. They would induce more efficient and effective use of limited financial and human resources by the cash-strapped lower levels of government. New approaches adopted since 2001 to “listen to the voices of the poor” through participatory village development planning will contribute to the dynamics driving good governance.

Third, social development has provided the poor with enhanced human capital. Research has consistently confirmed that education status is closely correlated with poverty... The PRC’s policy on education has been to achieve universal education up to grade 9—that is, to the end of middle school. Teaching resources and enrollments have been expanding at secondary school level while remaining relatively static at the primary school level. Household socioeconomic surveys conducted as part of infrastructure project preparation for ADB financing in the PRC indicate the severe burden of education fees and contributions on poor families. This is often cited by poor rural parents as the reason their children have dropped out of school. The same surveys show that for poor families, girls tend to be withdrawn from school at an earlier age than boys. This exclusion of the young poor from obtaining a basic education is, in effect, condemning another generation to poverty. Poor health status is often both a cause and a result of poverty. The primary obstacle to improved health among the poor appears to be user fee levels. Pilot schemes in national minority counties have shown that where user fees for in-hospital birthing are waived for poor women, the rate of homebirths, maternal mortality ratio, and infant mortality ratio all dropped substantially. Accessibility by the poor to primary and secondary health care services is therefore crucial for poverty reduction efforts in PRC.

Source: Asian Development Bank. 2004. Poverty Profile: People’s Republic of China. Manila.

between strategic development goals, outcomes that are directly influenced by ADB's program, key results that are necessary to reach those outcomes, and the mix of ADB support (program/project, policy dialogue, and partnerships). The results framework serves as a bridge between the goals, strategies, and objectives for ADB assistance identified in the CPA, on the one hand, and the strategic priorities and targets of the NPRS on the other.⁴²

The results framework to be included in the CPA will be more highly aggregated and more focused on possible outcomes and impacts (rather than identifying interventions) than the results framework that is eventually adopted as part of the results-based CPS. The framework aims to help identify key poverty reduction goals, impacts, and outcomes to which ADB assistance could contribute, and intermediate outcome indicators that could be used to monitor progress in assisting the government deliver poverty reduction results.

Monitoring, Evaluation, and Results Management. The CPA will assess the extent to which national systems can be used to track and manage the delivery of poverty reduction results. It will review the extent to which the government, academe, or civil society/NGOs have the capacity to monitor and evaluate the implementation of antipoverty strategies and to track the delivery of poverty-reduction results. This will also include an assessment of the extent to which the results of monitoring, evaluation, and poverty reduction research are used. The CPA will also identify options for ADB, in full cooperation with other development partners, to provide assistance to build national capacity to track progress made in poverty reduction, and to enhance the utilization of such information in managing the development process to contribute to poverty reduction results. A candid assessment of the veracity of the poverty monitoring and reporting system is required (see Box 3.8).

BOX 3.8: POVERTY MONITORING IN CAMBODIA COUNTRY POVERTY ANALYSIS

The Cambodia CPA provides a succinct review of the Government's ability to monitor poverty trends, and to track progress in poverty reduction. It states: "Poverty monitoring at the national and regional levels can be done most effectively through national household surveys. In a relatively small country such as Cambodia, poverty monitoring surveys should probably be conducted about every years (since there are economies of scale in household surveys). The next national socioeconomic survey is currently scheduled for 2003–2004 and is expected to be of substantially higher quality than previous socioeconomic surveys.... There is presently no system in Cambodia that is able to provide local area poverty estimates on a regular basis. The recently developed Poverty Map (discussed above) provides local area estimates (at the commune level) for 1998 (the year of the last census). Currently, some thought is being given to how the Poverty Map estimates can be most effectively updated on a regular basis. Systems involving the collection of local area poverty indicators are currently being piloted in Cambodia. Unfortunately, the necessary research to determine which indicators should be collected was apparently not done in advance. It is also unclear whether accurate data on household level characteristics (e.g., education, livestock ownership, housing characteristics) can be collected from village leaders (in the absence of actually visiting the households) (p. 27)."

Source: James C. Knowles. 2003. Cambodia Poverty Review. Staff consultancy report prepared for ADB.

⁴² See ADB. 2005. Practice Note on Results-based Country Strategies and Programs for a more detailed discussion of results frameworks and their formulation.