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# **Handbook on Poverty and Social Analysis**

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## **Section II**

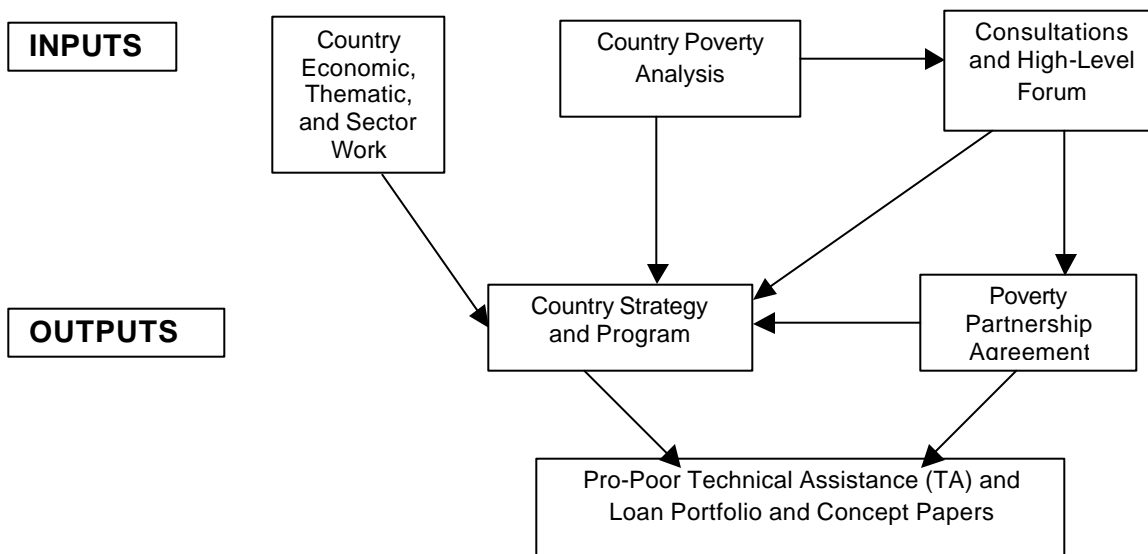
### **Poverty and Social Analysis in Country Programming**

## 2.1 INTRODUCTION

1. ADB's overall strategic approach to providing assistance in any developing member country (DMC) is determined by its *Long- and Medium-Term Strategic Frameworks* as well as its *Poverty Reduction Strategy*. Together these documents set out ADB's overarching goal, strategic objectives, and operational priorities. These are translated into country-specific strategies during the planning and programming cycle, and are ultimately reflected in the project portfolio.

2. As illustrated in Figure II.1, ADB's strategy in each DMC is based on a detailed poverty analysis and is developed in a participatory manner through a series of consultations with stakeholders and a high-level forum (HLF) organized by the DMC government. The findings of ADB's poverty analysis and the resulting recommendations on an appropriate country strategy are ultimately endorsed through a poverty partnership agreement between the DMC and ADB. The end result of this process is a country strategy and program (CSP) document, containing a number of concept papers. The CSP is also informed by other analysis such as ADB's ongoing economic, thematic, and sector work (ETSW). The overall sequence of this process is described in the *ADB Operations Manual Section 35/BP*. The poverty analysis should be updated at the time a new CSP is prepared. Depending on the situation, this update may focus only on a few of the most important issues. The following sections describe the process and required analysis in detail.

**Figure II.1: Country Programming**



## 2.2 COUNTRY POVERTY ANALYSIS

### A. Definition and Purpose

3. The poverty analysis is a diagnostic tool used to assess the degree and nature of poverty in a country. It describes the manifestations and causes of poverty and gives an overview of current measures to reduce poverty. The analysis should conclude with a set of strategic options for the future. The poverty analysis should include, if possible, an assessment of the level of success of past and present poverty reduction strategies and the changes that may be required to achieve national and international poverty reduction targets.

4. The poverty analysis should give a succinct but complete picture of the key features of poverty in the country and suggest possible solutions to reducing poverty. It should use 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.

5. The purpose of the poverty analysis is to

- ✓ identify systemic causes of and structural solutions to poverty, this information is used in policy dialogue, as well as in project identification and preparation, to optimize the poverty reduction impact of ADB assistance;
- ✓ identify economic and social categories of poor;
- ✓ examine comprehensively constraints to and opportunities for reducing poverty; and
- ✓ discuss strategic choices for addressing poverty concerns, aiding the process of setting priorities and sequencing initiatives.

6. The results of the poverty analysis will

- ✓ give ADB a detailed insight into the country's priorities for poverty reduction;
- ✓ form a service ADB offers when partner governments do not have the resources to undertake necessary analyses;
- ✓ inform discussion at the HLF of options for a country-specific poverty reduction strategy, should the government already have an antipoverty strategy in place, the HLF can be used to discuss strategic options and their implementation, including roles for the various development partners; and
- ✓ guide the preparation of the ADB strategy (CSP), as they set priorities and agree on a sequence of interventions that promise the greatest poverty reduction impact.

7. The approach to undertaking the poverty analysis

- ✓ assesses validity of statistical data;
- ✓ assesses the poverty line (if there is one)
- ✓ reviews existing data and studies in terms of credibility and legitimacy;
- ✓ uses these studies and data as valuable sources of information;
- ✓ fills information gaps where they exist;
- ✓ combines quantitative and qualitative analyses and assessments to form a comprehensive and well-balanced understanding of poverty issues;
- ✓ uses consultative and participatory processes to enable representatives of civil society, government, and the private sector to contribute to a comprehensive understanding and consensus on the causes and manifestations of poverty, and solutions to reducing poverty; and

- ✓ involves other development partners (international and bilateral funding agencies and international nongovernment organizations [NGOs]) to draw on their expertise and ensure coherence among all development partners. Cooperation also helps minimize the workload of government and civil society that the poverty analysis entails.

8. The value-added of the ADB-sponsored poverty analysis lies in consolidating existing data, if that has not been done before; introducing a participatory process and the perspective of different stakeholders, if this has not been done before; and researching areas that have not previously been analyzed.

9. The results of the poverty analysis are used to make strategic choices in the formulation of the CSP. It is therefore critical to ensure the work is of high analytical quality, focuses on core issues, identifies systemic causes of poverty, and develops viable options for poverty reduction. Meeting these quality standards and applying a participatory consultative process with a broad range of stakeholders will depend on the allocation of sufficient time and resources to this exercise.

## **B. Relationship to the Operational Cycle**

10. Commencing in 2000, ADB undertakes poverty analysis in all DMCs as part of the country programming process. By undertaking poverty analysis as early as possible in the programming cycle, poverty reduction strategies can be identified from the outset, and poverty reduction measures can be incorporated effectively in project preparation (Table II.1). The poverty analysis identifies issues that need to be raised in policy dialogue and taken into consideration during country programming and project preparation, such as systemic causes of poverty or bottlenecks to reducing poverty. The poverty analysis determines the goals described and agreed on in the poverty partnership agreement. It also assists in identifying appropriate strategic choices and prioritizing projects for inclusion in the CSP.

**Table II.1: Poverty Analysis in Country Programming**

<b>Country Programming Activity</b>	<b>Role of Poverty Analysis</b>
Country Analysis	Determines the structural causes of poverty and ranks priority actions to be taken to effectively reduce poverty
High-Level Forum	Forms the basis for discussion and development of consensus on poverty issues between stakeholders within the country, and with ADB and other donor partners
Poverty Partnership Agreement	Determines the mutually agreed 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

11. The poverty analysis should be started shortly after the CSP preparation team has been put together and has had time to determine the work required for the poverty analysis. Periodic feedback should be provided from the poverty analysis process to the CSP process. This will keep the initial stages of preparing the CSP informed of important poverty issues.

12. Carrying out a poverty analysis at *country* level will ensure consistency in the assessment of the poverty implications of the government's public resource management and increase efficiency. For instance, the poverty analysis should provide an assessment of whether the

government's public resource management is pro-poor.<sup>1</sup> This information can then be used to determine the likelihood of growth-oriented projects contributing to poverty reduction. The results of the poverty analysis should then be used in project processing and design.

### C. Content

13. The poverty analysis should include a poverty profile, an analysis of responses to poverty to date, and recommended priority poverty reduction interventions. It should also detail the type of analytical work required, without prescribing how such analysis should be undertaken or predicting likely outcomes. There is no prescriptive template for presentation of the poverty analysis because country-specific findings should determine the structure of each chapter: sections should be chosen to highlight and draw the attention of readers to the main poverty features prevalent in the country. However, the poverty analysis should contain information on the following.

- ✓ A **poverty profile** that provides an overview of the manifestations and causes of poverty. The description of poverty should include aggregate data, poverty lines, depth of poverty and distribution of wealth, details on household characteristics, a risk and vulnerability profile and a summary labor market assessment to capture issues at macro and micro levels, including understanding of the dynamics of poverty.
- ✓ An **analysis of the poverty implications** of government policies and initiatives to reduce poverty. Assessment should be made of the coherence of policies, the consistency of policies with budget allocations and expenditure, the impact of current efforts to reduce poverty, and the capacity of government to plan, deliver, and monitor poverty reduction programs.
- ✓ An **overview of initiatives** of civil society as partners in delivering poverty reduction programs and, more generally, as advocates of a more equitable society, and of the implications of the private sector for service delivery and job creation, and in terms of labor relations.
- ✓ A **review of policies and programs** of other development partners, such as bilateral and multilateral funding agencies and international NGOs, to ensure coherence between development agencies.
- ✓ A **discussion of strategic choices** that the government can pursue in cooperation with its development partners. These strategic options suggest priority actions and are derived from an understanding of the cause-effect relationship between factors that influence poverty reduction outcomes.

14. The poverty analysis should identify topics for which no documentation exists and should highlight additional research (including participatory methods) required to fill gaps in knowledge and understanding. It should also mention research and data that exist but that are not accessible to the development community, to highlight the need for dialogue with the government to make such information available.

15. All data should be provided in a gender-disaggregated form to understand better the division of the burden of poverty among women and men. Often, women are disproportionately affected by poverty, and impacts of poverty differ according to social groups of women and men. Therefore the poverty analysis should identify what is and is not being done to assist women in being included in society, and what options exist to improve their participation in the development process and the economy.

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<sup>1</sup> Pro-poor public resource management is determined by its revenue generation (how the absolute and relative burden of taxation is divided among income groups) and its public expenditure (whether basic public services that benefit the poor are financed).

### (i) Poverty Profile

16. **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 International Development Goals (Table II.2). Information on poverty lines should refer to international and national poverty lines, absolute and relative (Appendix 2.1.).

17. **Statistical Data:** Data should be aggregated to the national level, with breakdowns as appropriate in the country context. It is important to disaggregate national indicators into others that will distinguish outcomes for different categories of people. This would include disaggregating by gender, age, and other social categories; geographic regions; and by rural and urban areas. Data should include the following:

- ✓ *macroeconomic indicators:* poverty lines for income and food poverty, and as percentage of per capita gross domestic product (GDP); gini coefficient, depth of poverty, distribution of wealth, and other inequality measures; number and percent of population living below the poverty line; gender aspects of poverty;
- ✓ *social indicators:* education levels; access to safe drinking water and sanitation, housing, agricultural services, and social protection systems; and health status of the poor;<sup>2</sup> and
- ✓ *geographical and environmental characteristics:* poverty maps, and details on areas with high incidence of poverty (for example, remoteness, harsh conditions, limited and strained resources, etc.), and on environmental threats to the poor or conflicts between the needs of the poor and environmental concerns.

18. **Household Characteristics:** The analysis of household characteristics must differentiate between different groups of poor, such as the landless poor in rural and in urban settings, poor with marginal lands, etc., because each group has different needs and potentials for development. The household data should be based on gender-disaggregated data. The following information should be included:

- ✓ *physical well-being/survival:* status of health and nutrition (food security) including access to health services, access to shelter and safe water and sanitation, formal and informal social protection systems;
- ✓ *access to resources:* type of assets (for instance, land, livestock, electricity, telecommunications, etc.) of different groups of poor; intrahousehold distribution of assets; income sources: diversity of income sources as an indication of vulnerability and coping mechanisms; access to markets, transport, finance;
- ✓ *knowledge:* education and skills levels, access to education and to information on markets, prices, and technology, social capital; and
- ✓ *Empowerment and inclusion:* participation in or exclusion from activities of the community, institutions, and decision making, which can be manifest, e.g., in enclaves for poor residents, decision-making processes in which the poor have no voice, etc.

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<sup>2</sup> The Strategy 21 Goals (mostly for 2015) include universal primary education for boys and girls; reduced mortality rates (by two thirds) for infants and children under the age of five, and by three fourths for mothers; and access to reproductive health care for mothers. The Economic and Social Commission for Asia and the Pacific (ESCAP) Goals (for various time horizons) refer to the same indicators, but also set targets for reducing malnutrition. Please refer to Appendix 1.1 of the ADB *Poverty Reduction Strategy* for figures and target years.

Particular emphasis should be given to households and communities that are excluded for reasons of class, caste, or ethnicity.

19. **Risk and Vulnerability Profile:** The profile will assist in understanding the dynamics of poverty. The poor consist of those who are poor at all times (absolute poor) and those who move in and out of poverty (relative poor). This latter group is strikingly large in Asia, and thus the poverty analysis should depict which are the major risks that affect populations and may bring them into poverty; how severe are these vulnerabilities, and how frequently occurring. Risk may be idiosyncratic (individual) or macro (covariant), having impacts on the short or long term. The vulnerability and risk profile<sup>3</sup> will rank the main causes of vulnerability by assessing the gravity of risks and the quantity of people they affect, by age group, gender, geographical area, and other relevant criteria. Appendix 8.1 provides further details and some sample templates for a vulnerability profile—these are indicative; a vulnerability profile should in any case include:

- † *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 (droughts, floods, earthquakes, etc), and (iv) social/governance related (e.g., corruption, crime, discrimination);
- † *incidence of risks by population group*, including quantification of affected populations by age groups (children under 5, children and youth from 5 to 18, adults from 19 to 60 or 65, and the elderly), income group, gender, and different country regions; and
- † *coverage gaps and priorities to be addressed:* how effective are existing programs in assisting populations to manage/cope/mitigate risks? Because of the large social needs in the Asia and Pacific region, and the limited amount of resources available, prioritization of risks to be addressed, based on the quantification of affected population, is essential to determine future development interventions.

20. **A Summary Labor Market Assessment** should further assist in determining the poverty profile—the analysis should assess which sectors/subsectors and geographical areas have a demand for labor, which areas may have an unmet supply of labor, and identify the right mix of public policies (see Appendixes 9.1 and 9.2). A labor market analysis is a key element in the strategic link between economic growth and poverty reduction, and the summary should provide recommendations to ensure efficient and inclusive development patterns. Given that all ADB interventions must be designed in accordance with the international Core Labor Standards,<sup>4</sup> the summary assessment should indicate the country's compliance/noncompliance with labor standards. The summary labor market analysis should include the following:

- ✓ *Employment and labor-related data:* Employment, unemployment, and underemployment rates; incidence of seasonal labor; sectoral distribution (people employed in agriculture, industry, services); regional disparities; real wage dynamics; labor-intensive sectors and their potential for generating employment; the informal sector; the self-employed; changes in participation rates (especially for women); working conditions; compliance with national and international labor laws and standards including the reported existence of child or bonded labor and violations to other Core Labor Standards.
- ✓ *The country's labor-absorbing development pattern: Matching the supply and demand of labor.* Has growth been sufficient to employ all the population in working age? What is the percentage of the population below 18, the future entrants into the labor market? Will the economy be able to absorb all new entrants into the labor market? Which are the most

<sup>3</sup> ADB.2001: *Social Protection Strategy*. Manila

<sup>4</sup> ADB. 2001. *Social Protection Strategy*. Manila.

dynamic sectors of the economy? Are those labor-intensive? Which sectors/policies, in which geographical regions, should be promoted in the short/long term to secure employment for all citizens? How can ADB support inclusive and labor-absorbing development patterns, enhance welfare, and help allocate human capital to their most productive uses?

21. **Causes of Poverty:** The 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 it is obvious that these dimensions are interrelated. Some of these are

- ✓ *economic:* shortage of existing resources (e.g., land) that, even when evenly distributed, would still leave the population impoverished simply because of a minimal resource base and resultant lack of economic activities and opportunities;<sup>5</sup> economic crisis associated with losses of jobs and safety nets as economies go through transition; inadequate factor markets and economic policies that do not favor the poor (see also below for policy analysis); and insufficient or unaffordable public services;
- ✓ *historical, societal, vulnerable groups:* traditional social structures that might perpetuate dependence of the poor on the nonpoor; social norms that discriminate against and socially exclude the poor, for instance by preventing them from entering certain professions, using public services, etc.; racial exclusion, or choice to maintain ethnic traditions, thus ensuring that certain groups remain outside the mainstream of society;
- ✓ *governance and institutional:* requirements and norms that hinder the poor from full participation in their community, such as legislation that explicitly or implicitly works to the disadvantage of the poor; tacit codes of communication accepted by a community that prevent a poor person from addressing a community leader; or requirements of appropriate attire that may prevent access of a poor person to offices; and
- ✓ *disasters:*<sup>6</sup> natural and sudden in their impact (e.g., floods, earthquakes, etc.), slow in materializing (e.g., crop failures, environmental degradation, etc.), or man-made (e.g., civil strife) that disrupt a socioeconomic development path.

## (ii) Responses to Poverty to Date

22. In this part of the poverty analysis, policies and initiatives of the government, NGOs, private sector, and civil society, as well as external agencies, including ADB, should be described and analyzed. The analysis should not only cover aspects that are pro-poor but also reveal areas where policies or institutions work to the disadvantage of the poor. The following is an indicative list of questions that should guide the analysis.

## 23. Government Policies and Initiatives<sup>7</sup>

- ✓ *Poverty Reduction Policy or Strategy:* Does the government have a poverty reduction policy or strategy? Does it set specific targets? Is it comprehensive? How well is it being implemented? Has the government signed on to the International Development Goals or similar internationally agreed goals? How are they translated into government policies?
- ✓ *Macroeconomic Policies:* Review economic management (inflation, financial sector stability, fiscal management, exchange rate and trade regimes) and assess whether these policies are coherent with the poverty reduction policy? If the government does not

<sup>5</sup> Lack of money is not a cause but a manifestation of poverty. The cause may be uneven distribution of or access to assets and opportunities, or a genuine limit of resources in a particular location.

<sup>6</sup> See *Operations Manual*, Bank Policies, OM Section 25/BP, Rehabilitation Assistance after Disasters.

<sup>7</sup> Throughout the analysis it is important to identify whether any of the policies, public resource allocations, or institutional arrangements or practices exclude the poor from participating in the economic and social life of the country and community.

- have a poverty reduction policy, do these policies introduce pro- or antipoor biases? What is the impact of fiscal policy on domestic prices and financial stability and how are the poor affected? Do monetary, foreign exchange, investment, and/or trade policies erode the position of domestic goods and industries, particularly those that affect the poor? Are these policies supporting labor-absorptive patterns? Who are the main beneficiaries of policy prescriptions? Are policies silent or explicit on issues of discrimination and/or access of the poor to resources and services, and if they are explicit: which position do they take? Are any policies discriminating against women? Are policies, particularly pro-poor aspects, actually implemented?
- ✓ *Public Resources:* Revenue—what are the levels and main sources of revenue? Is the tax system pro- or antipoor (for instance, are the poor excluded from taxation or do special tax breaks exist for high-income earners)? Does the import/export tax regime favor the nonpoor or poor? Do nonincome-based taxes such as capital gains, wealth, and inheritance tax exist and are they enforced? Expenditure—what are the main items of public expenditure? Is public expenditure concentrated in certain geographical areas, and if so what is the incidence of poverty in them as compared with other areas? Is public expenditure in line with the poverty reduction policy, if one exists? How are social expenditures distributed, and how efficiently do social expenditure allocations target the poor?
  - ✓ *Subsidies:* Are any goods and services subsidized? If so, which? Who benefits from the subsidies (the poor or nonpoor) and how would the different groups of poor be affected by a discontinuation of subsidies? What are the chances that public resources freed by cutting subsidies can be channeled into better-targeted public services that benefit the poor? What has been the experience of targeting in terms of cost and precision?
  - ✓ *Sector Policies:*<sup>8</sup> Do policies favor labor or capital-intensive investments, or do they hinder further capital investments into labor intensive industries? Do policies promote or hinder small and medium enterprises? What is the employment pattern of the poor (sectors)? Do wage policies exist, and how do they affect the poor—issues of the protection of the rights of the poor as well as adverse effects on employment need to be analyzed. Are sector policies coherent with the poverty reduction policy or do they introduce pro- or antipoor biases? Who are the main beneficiaries of policy prescriptions? Are policies silent or explicit on issues of discrimination and/or access of the poor to resources and services, and if they are explicit, which position do they take? How well are policies, particularly pro-poor aspects, actually implemented?
  - ✓ *Institutions:* Who in the government hierarchy deals with poverty reduction issues? Is the responsibility centralized or spread among line ministries? How effective is the institutional structure to influence policy formulation and implementation, and resource allocation? Does the government hierarchy have the capacity to deal with gendered aspects of poverty? How does the antipoverty government apparatus interact with representatives of civil society and private sector?
  - ✓ *Programs and Initiatives:* What type of poverty reduction programs has the government pursued—magnitude, geographical location, sectors, approaches, types of projects (investments, capacity building, decentralization, targeted support schemes), experience with them (monitoring and evaluation results), etc. Do the government's poverty reduction programs address relevant gender issues? Do they include providing services (such as access to social services, opportunities for economic activities through microcredit and

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<sup>8</sup> Similar to the current CSP format, the policies for each sector should be analyzed, however, with a particular focus on their impact on the poor and potential/actual influence on poverty and its reduction.

training, etc.)? Do active<sup>9</sup> and passive<sup>10</sup> labor programs exist; who provides them and what do they entail? Are they effective, i.e., if the government provides these services, do the poor benefit and does the private sector cooperate (see below)?

- ✓ *Monitoring, Evaluation, and Research Capacity.* Do the government, academe, or civil society/NGOs have the capacity to monitor the implementation of antipoverty programs? Who is involved, at which stages? Is research undertaken, and by whom? Are the results of monitoring, evaluation, and research used? By whom and for what decisions?

#### 24. **Civil Society and Private Sector**

- ✓ *Organization:* Do organizations (NGOs, community-based organizations) exist that represent some segments of the poor? Are there segments of the poor, including segments of poor women, that are not represented? What is the relationship of representative organizations with the government? What are their interests/policies? Do trade unions exist (formal sector), and if so, what is their relationship to industries/the private sector? Is their position supportive or a hindrance to job creation? Is the informal sector organized? Do these organizations fund and/or implement poverty reduction initiatives? Describe and analyze them.
- ✓ *Participation:* Do mechanisms exist that would ensure the participation of the poor? If so, describe which, and analyze how effective they are.
- ✓ *Private Sector:*<sup>11</sup> Which sectors are growing and what is the potential benefit of these sectors to the poor? What is the position of the private sector association (chamber of commerce/industry, business association) regarding labor laws, minimum wages, worker/industrial relationships, and collaboration on technical and vocational education? What are the business relationships between large industries and small enterprises? 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?

#### 25. **External Agencies**

- ✓ *Policies and Strategies:* Do other 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? Highlight areas where ADB has a comparative advantage and been in the lead, and areas where ADB has not been active.<sup>12</sup>
- ✓ *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.

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<sup>9</sup> Employment generation, employment services (job brokerage, counseling), redeployment programs and labor training market.

<sup>10</sup> Unemployment, injury and disability insurance, income support, and labor standards issues.

<sup>11</sup> This section should discuss country-specific aspects to the private sector, for instance, such that arise in former or currently socialist economies.

<sup>12</sup> ADB's strategic options, i.e., selection of geographical areas, sectors, and subsectors will continue to be determined in the CSP. The Poverty Analysis should provide an overview of activities of all external agencies, including ADB, to identify synergy effects, overlaps, and gaps.

- ✓ *Coordination Mechanism*: Does the existing 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?

### (iii) Poverty Reduction Options

26. This section of the poverty analysis should identify and develop several options or scenarios for antipoverty strategies. Strategic options depend entirely on the opportunities for and obstacles to reducing poverty that exist in the country. There are no standard prescriptions that can be suggested.

27. Core areas, where interventions can be most effective in resolving root problems first, should be identified through a systematic cause-and-effect analysis, which should provide an understanding of the linkages between reasons for and manifestations of poverty. Such an analysis will be difficult, as linkages are complex and are unlikely to form linear cause-and-effect relationships. It should spell out which assumptions were made and which prerequisites need to be in place for implementing the suggested alternative strategies and for attaining expected outcomes.

### D. Implementation Arrangements

28. There is no one standard approach to implementing the poverty analysis. Depending on the situation in the country, the analysis may emphasize different aspects of the process (analytical, consultative, consolidating, or strategizing), although in most cases it will require a combination of all.

29. Finding a *champion* for the process is useful. It signals commitment of the government and helps guide the work of the poverty analysis team, composed of representatives of stakeholders and consultants (in many cases local NGOs and/or consultants will be best placed to organize consultations and other participatory processes).

30. A process of building an *analytical team* that brings the stakeholders together is useful to stimulate a continuous dialogue in the country. In cases where analytical capacities are limited and training is needed, ADB assistance may be provided to build such capacities through in-country training for representatives of all stakeholder groups (which would contribute to team building). Further ADB assistance, such as international consultants, may be brought in to address specific aspects as required, such as issues that may be difficult or sensitive to analyze or discuss internally.

31. The conduct of a poverty analysis would normally be financed by ADB through its technical assistance or staff consultant resources.

## 2.3 HIGH-LEVEL FORUM

### A. Definition and Purpose

32. The high-level forum (HLF) is a meeting of all stakeholders to discuss and debate alternative approaches to reducing poverty. The HLF should bring together policymakers and officials with influence in the formulation and implementation of national poverty reduction strategies. To the extent possible, an appropriate level of government official/policymaker should attend. This is not necessarily a technical working forum but a more broad-based event, which engages in policy discussions, and should assist in the formulation of any poverty reduction strategy. Ranking government officials attending should not only articulate their government's policies and positions, but also listen to the concerns of civil society.

33. The HLF, and the analyses and consultations leading to it, will aid government decisions in adopting or refining a national poverty reduction strategy. The process will also assist other stakeholders, including external agencies, in deciding how they will support the national poverty reduction agenda. In countries where the government has a comprehensive poverty reduction strategy, the HLF will be used to review progress and determine the roles of development partners, including ADB, in support of the existing government strategy.

### B. Relationship to the Operational Cycle

34. The HLF is the last step in the consultative process that takes place during the poverty analysis. It takes place at the time of the ADB strategy formulation mission, and is the link between the poverty analysis and the CSP. The HLF provides the opportunity to discuss the findings of the poverty analysis, develop or refine a national antipoverty strategy, and jointly agree on the areas that will be supported by external agencies, including ADB. The outcome of the discussions at the HLF determines the choices made in the CSP and in drafting the poverty partnership agreement for poverty reduction. Where a poverty reduction strategy is already in place, the HLF is a consultative mechanism that will clarify whether ADB needs to change its CSP.

### C. Guidelines for Preparation

35. The HLF

- ✓ is organized by the government, with the assistance of ADB and other external agencies as needed;
- ✓ brings together stakeholders from government, civil society, private sector, and the development community; Participants should include female and male representatives of these stakeholder groups;
- ✓ should be preceded by other meetings that ensure consultation with a large number of diverse stakeholders throughout the country, and particularly from different segments of society; these consultations may take place at subnational levels, and can be focused on specific geographic areas, or target elements of society that need an opportunity to raise their concerns; These consultations should be part of the poverty analysis process and their conclusions will form an input to the HLF discussions;
- ✓ discusses the strategic choices for poverty reduction that evolve from the poverty analysis and stakeholder consultations, assisted by ADB and/or other development partners;

- ✓ can be organized as part of a regular consultation process that government may be hosting, such as round table meetings, or meetings organized by other external agencies; the HLF should not duplicate other meetings or consultation processes; and
- ✓ should aim to assist the government in shaping or revising its antipoverty strategy, and help external agencies identify their roles in its implementation.

## 2.4 POVERTY PARTNERSHIP AGREEMENT

### A. Definition and Purpose

36. A poverty partnership agreement (PPA) is a jointly agreed document between the partner government and ADB that formalizes the joint commitment to effective poverty reduction. The PPA states the long-term vision for ADB assistance in the country and establishes the framework for a sustainable partnership in achieving development objectives, based on a joint endorsement of the outcomes of the poverty analysis and the consultative process that culminated in the HLF. The PPA thereby influences the medium-term strategy adopted by ADB in its CSP for a particular DMC. The main purpose of the PPA is to determine specific, achievable, poverty reduction goals and targets, expressed in terms that can be monitored and measured, to which the government and ADB are committed. This clear statement of commitment helps in focusing ADB assistance and measuring achievements.

### B. Relationship to the Operational Cycle

37. The PPA is prepared in parallel with the CSP. The process is iterative and mutually beneficial. The CSP becomes more focused as the choice of indicators in the PPA highlights issues for which planning is too vague. Likewise, indicators are chosen that represent realistic targets for the CSP. The CSP team in consultation with the government and other stakeholders prepares the first draft of both documents after the ADB strategy formulation mission and the high-level forum. Both documents are reviewed within ADB and by the government, and the PPA is signed after the ADB Board of Directors' seminar on the CSP.<sup>13</sup>

38. In countries for which no new CSP is being prepared, the PPA is developed after the poverty analysis and the high-level forum. It influences the CSP update, in which the CSP is adjusted to reflect targets set out in the PPA.

39. The PPA should be monitored regularly and reviewed annually during the CSP update mission. Changes in the country context or other factors may require that the PPA be amended at this time, although any changes are only likely to concern short-term actions. It is unlikely that longer-term visions would change over a short time. A new PPA should be prepared and signed every three to five years, in parallel with the preparation of a new CSP.

### C. Content

40. The PPA takes the form of a memorandum of understanding (MOU). It results from the consultation process within the country, including the HLF, is based on the strategic choices that evolve from the poverty analysis, and are reflected in the CSP. It is a subset of the government's own antipoverty strategy, goals and targets, because the PPA covers ADB's contribution to achieving these.

41. The Poverty Partnership Agreement

- ✓ sets out a long-term vision for cooperation between the government and ADB, which guides current and future CSPs;
- ✓ focuses on areas in which the government and ADB are committed to work together and achieve concrete results, identifying both medium-term goals and short-term actions;

<sup>13</sup> See "Poverty Analysis, High Level Forums and Partnership Agreements: Advisory Notes," issued on 17 April 2000.

- ✓ defines indicators that translate the CSP into targets, expressed as measurable improvements over an explicitly stated baseline and over a defined period of time. The selection of indicators is country-specific, but is expected to match at least some of the indicators that measure the international development goals (see Table I.1);
- ✓ is the basis for measuring the poverty reduction impact of ADB assistance; and
- ✓ sets out monitoring and evaluation arrangements that will ensure progress is assessed regularly and remedial action taken if required.

42. **Quality:** The quality of the PPA is important for several reasons. It is a succinct document (three to five pages) that expresses the commitment of the government and ADB to poverty reduction and sustainable development. It provides the long-term context of the CSP and determines lending and technical assistance priorities in the short (2–3 years), medium (5–7 years), and long (10–15 years) term. Since the PPA is the basis for assessing the development impact of ADB assistance, goals should therefore be specific and realistic.

**Table II.2**

43. **Indicators:** The PPA should establish a baseline reference year for each indicator, and should determine a target and time frame for specified, measurable improvement. For qualitative indicators, a comprehensive description of the situation at the time of signing the PPA should be combined with the types of improvements that could be observed after a specified period. It may also include monitoring of process changes. The choice of indicators is entirely dependent on the country context and ADB's CSP for the DMC. It is therefore important not to predetermine a template. In this context, the following sets out some general principles for preparing the PPA.

International Development Goals <sup>1</sup>	Target Year
<b>For economic well-being:</b> <ul style="list-style-type: none"> <li>• Reduce by half the proportion of people in extreme poverty.</li> </ul>	2015
<b>For social development:</b> <ul style="list-style-type: none"> <li>• Achieve universal primary education.</li> <li>• Eliminate gender disparities in primary and secondary education.</li> <li>• Reduce by two thirds the mortality rates for infants and children under 5 years old, and by three fourths the mortality rates for mothers.</li> <li>• Provide access to reproductive health services for all females of appropriate age.</li> </ul>	2015 2005 2015 2015
<b>For environmental sustainability and regeneration:</b> <ul style="list-style-type: none"> <li>• Implement national strategies for sustainable development.</li> <li>• Reverse current loss of environmental resources globally and nationally.</li> </ul>	2005 2015

<sup>1</sup>Targets established in 1996 by the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD)

- ✓ **Long-Term Vision:** The focus is on targets that will be achieved in 10–15 years. Indicators can be drawn from the International Development Goals (Table II.2) and from national long-term plans and strategies. They should address key antipoverty priorities and be representative of the CSP or its update. Indicators included here may change only over a longer time (e.g., literacy or mortality rates), and thus measure the *impact* of ADB assistance. Long-term goals and indicators allow the identification and monitoring of *trends*, and are particularly useful when addressing issues that change gradually, such as access to clean water.
- ✓ **Intermediate Goals:** The intermediate goals are milestones that can be achieved in five to eight years and are a necessary step toward attaining the long-term vision. The time frame for the chosen indicators and targets may coincide with that of the CSP. The choice of indicators should focus on policies, sectors, institutions, and possibly also geographical areas that ADB assistance will support over a five-to eight-year period from signing the PPA, and should reflect outcomes that are expected to result from this assistance.
- ✓ **Short-Term Indicators:** Poverty indicators often do not change in the short term. Still, some short-term indicators need to be observed to assess whether progress can be made toward achieving medium- and long-term goals. The short-term indicators can focus, for instance, on *processes*. They can also include milestones for introducing proactive, pro-poor *policies* or removing anti-poor policies. Such milestones would include timeframes for achieving policy change, as well as for each step in the process (for example, the timetable for steps to legislative approval).

- ✓ *Poverty Line*: The poverty line, which will subsequently be used in all ADB project designs and in project classification, should be spelled out in the PPA. Should the poverty line be controversial, for instance when several poverty lines exist for the country, a detailed discussion of poverty line issues may be appended to the PPA, should this be necessary to clarify options and the positions of different stakeholders.

44. **Monitoring and Evaluation Arrangements:** Indicators and targets fulfill a purpose only if progress against them is monitored. Monitoring and evaluation is meaningful only if the information is used to inform decisions about ongoing and future projects. Therefore, monitoring and evaluation arrangements must generate performance information and feed this information into decision-making processes. The PPA should identify the key decision makers and processes that are in place to monitor whether poverty is reduced, specifying how and by whom monitoring and evaluation data will be used, and identifying the decision-making processes into which this information will flow. The PPA should also specify arrangements for data collection, compilation, analysis, reporting, and follow-up, including who has responsibility for each aspect.

45. Monitoring and evaluation findings should be used by ADB to determine adjustments needed in the CSP and to inform decisions on lending and technical assistance levels. Partner governments will use this information to assess whether their programs are effective or need redirection.

## 2.5 COUNTRY STRATEGY AND PROGRAM

### A. Definition and Purpose

46. The country focus of ADB planning and programming seeks to harmonize ADB's overarching goal of poverty reduction with the development priorities and preferences of the partner country, thus ensuring that a distinctive role is identified for ADB in poverty reduction. The CSP paper is a document that translates the underlying principles discussed during consultations and endorsed at the HLF into specific activities, including the identification of specific, measurable goals for each activity. The CSP defines ADB's strategy for each DMC, and identifies a three-year portfolio of ADB assistance designed to maximize poverty reduction impact and assist the DMC government to achieve the International Development Goals (Table II.2). The prioritization of programs, projects and technical assistance involves a careful evaluation of the trade-offs between economic and social development, and will be consistent with the findings of the prior poverty analysis.

### B. Relationship to the Operational Cycle

47. The CSP is prepared as a key output of the country programming process. It covers three years, and is updated annually to ensure it remains relevant and continues to reflect government priorities for ADB assistance. The CSP is prepared in parallel with the PPA and is based on the outcomes of the HLF and other consultations within the partner country. It is the primary country-specific document in the planning and programming cycle, setting the priorities considered to be most effective in reducing poverty. These priorities form the basis of ADB's lending and nonlending activities in the DMC.

48. The poverty analysis is one of three key inputs in preparing the CSP.<sup>14</sup> It describes the conditions faced by poor people and analyzes the original causes of poverty. It also assesses the effectiveness of policies and programs of government and others to reduce poverty. All of this information assists the CSP team deciding on a strategy that will best support the country in its efforts to reduce poverty.

### C. Guidelines

49. Poverty reduction and economic growth are interdependent. Regardless of what growth strategies might be selected for inclusion in the CSP, they will need to be sensitive to poverty issues. Poverty reduction requires creating economic opportunities for all to participate. It is not synonymous with charitable welfare extended to the destitute, but rather aims to empower people and include them in an economic and social development process. Economic growth is thus a necessary, although not sufficient, part in any poverty reduction program. It is important that policies and institutions function equitably and create an inclusive environment.

50. During the preparation of the CSP, country teams will assess the desirable mix of poverty interventions in the context of country strategic priorities for development in general and poverty reduction in particular (see Table II.3). ADB's approach will be based on the findings of the poverty analysis. It will also take into account the macroeconomic and policy framework to assess its consistency with the country's strategic priorities. In effect, the CSP team will identify projects that will impact positively on the poverty indicators specified in the PPA. Thus, the projects themselves are tools for delivering the contribution to which ADB has committed in the PPA.

<sup>14</sup> The others are (i) an evaluation of the past country strategy; and (ii) economic, thematic, and sector work.

**Table II.3: Poverty Analysis in Country Strategy and Program Preparation**

<b>CSP Preparation Stage</b>	<b>Poverty Reduction Purpose</b>	<b>Tool / Process</b>	<b>Output</b>
<b>Reconnaissance Mission</b>	Identify and analyze the country context for the CSP, including changes in poverty trends and issues	Stakeholder Consultations	<ul style="list-style-type: none"> <li>• Participation Plan</li> <li>• Aide Memoire and Back-to-Office Report (BTOR)</li> </ul>
<b>Poverty Analysis</b>	Determines country priorities for effective poverty reduction	Poverty and Social Analysis Consultations, High-Level Forum	<ul style="list-style-type: none"> <li>• Country Poverty Analysis</li> <li>• Poverty Partnership Agreement</li> </ul>
<b>Initiating Process</b>	Identify the major strategy and programming issues to be addressed in the context of the poverty reduction strategy	Stakeholder Consultations; Workshop	<ul style="list-style-type: none"> <li>• CSP Initiating Paper</li> <li>• Terms of Reference (TOR) for Strategy Formulation Mission</li> </ul>
<b>Strategy Formulation Mission</b>	<p>Assess poverty reduction issues affecting development and propose a poverty reduction strategy for ADB, including recommendations for implementation arrangements</p> <p>Reach consensus on medium-term strategies and performance targets for poverty reduction</p>	Stakeholder Consultations; Poverty Analysis; High-Level Forum	<ul style="list-style-type: none"> <li>• Medium-Term Strategies, including: <ul style="list-style-type: none"> <li>† Sector Strategies</li> <li>† Special Target Groups or Regions</li> <li>† Performance Targets</li> <li>† Recommendations on the Amount and Mix of ADB Assistance</li> </ul> </li> <li>• Tentative Concept Papers</li> <li>• Necessary Thematic, and Sector Approaches to Achieve Strategy Identified in Some Detail</li> </ul>
<b>Country Strategy and Program</b>	Identify a pipeline of interventions that serves poverty reduction priorities	Follow-up Consultations; Committee on Country Strategies (CCS) assessment	<ul style="list-style-type: none"> <li>• CSP Paper</li> <li>• Poverty Partnership Agreement</li> <li>• Economic, thematic and Sector Work Program (three- year)</li> <li>• Concept Papers</li> </ul>

ADB = Asian Development Bank, BTOR = back-to-office report, CCS = Committee on Country Strategies, CSP = country strategy and program, TOR = terms of reference.

51. Whatever findings of the poverty analysis, the CSP would seek to translate these into the pipeline in terms of the selection of projects, programs, and TAs. The impact on specific poverty indicators of project identification and design can be via direct or indirect means.

- ✓ *Example 1:* In some cases, literacy rates may be increased by improving the outreach and quality of education. In other cases, transport services for school children and an enabling environment to increase income-generating opportunities for parents might be needed. The solution depends on the problem that poor people face in the assisted areas.
- ✓ *Example 2:* In some cases, reducing the incidence of poverty by increasing access to opportunities may best be achieved by removing inefficiencies and corruption in the economic sectors. Sector reforms that increase access to goods and services, reduce prices, and limit corruption can contribute to an environment that enables the poor to participate in economic opportunities.

52. Tools such as the logical framework approach, problem analysis, etc. can be used to structure the information in the poverty analysis to assist the CSP team make strategic choices. It is important to identify underlying systemic problems and to assess how these can be addressed over time with an appropriate mix of policy dialogue, lending, and TA.

53. Economic, thematic, and sector work (ETSW) will also provide important information on different aspects of poverty, by focusing on how economics, institutions, sectors, and other areas help in or hinder poor people from improving their situation. A number of key areas and thematic priorities will be studied as part of the poverty analysis. A need for further studies and background papers may be identified through the CSP preparation process. These may be carried out by ADB, the DMC, or jointly, and may point to priority areas for future ETSW programs.

## 2.6 CONCEPT PAPER

### A. Definition and Purpose

54. The CSP formulation process results in the identification and selection of projects that may be included in the CSP or in separate concept papers (CPs) as part of the CSP paper. Each CP presents the linkage of the project to the CSP, and broadly describes the purpose and the expected results/benefits of the project. Expected social or environmental issues or concerns (if any) are identified, and the project classified according to ADB's project classification system. Finally, the CP identifies resources needed during project design and preparation.

### B. Relationship to the Operational Cycle

55. A CP is prepared as part of the CSP preparation process. Each proposed project activity intended for inclusion in the portfolio of ADB assistance should be attached to the CSP document for consideration during CSP approval. The CP constitutes the link between country programming and TA fact-finding mission. Since poverty considerations are to be an integral part of each phase of project preparation, implementation, and review, the project justification may, from the earliest stage, clearly explain how the proposed project is expected to contribute to poverty reduction.

### C. Guidelines

56. The CP should describe in general terms the expected contribution of the project to poverty reduction by describing the linkages to CSP. Although the CP will build on the country poverty analysis, social analysis, and ongoing sector and other studies, it is important that the CP does not predetermine a detailed project design approach.