

BACKGROUND

International Agenda

Poverty reduction has been a recurrent theme on the international development agenda. The World Bank's (WB) *World Development Report* has periodically covered poverty since 1980. The 1990 issue is considered a cornerstone publication on the subject. Starting the same year, the *Human Development Report* (HDR) of the United Nations Development Programme placed people in the center of development, and in doing so raised questions about poverty. The 1997 HDR was dedicated to poverty reduction, while other editions covered closely related issues. The United Nations organized a series of world summits on issues that relate to poverty reduction, most notably the World Summit on Social Development in 1995, highlighting key issues and raising the urgency to address them.

The Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD), in its report *Shaping the 21st Century*,¹ endorsed seven of the World Summit's targets, determining there-with global goals for poverty reduction and social development. The majority of the OECD's member countries have poverty reduction as their primary aim or as one of their two or three overarching goals.² Closer to the Asian Development Bank's (ADB's) own geographic focus, the 5th Asian and Pacific Ministerial Conference (1997) arrived at goals and

Despite progress made against a number of poverty indicators, millions of Asians still live in poverty

targets relevant to the region, including the reduction and eventual eradication of absolute poverty, reduction in malnutrition and ill health, improvement in literacy rates, and poverty-related environmental protection issues. ADB supports these goals through its poverty reduction strategy.³

The importance of poverty reduction arises from the continuing severity of poverty. Despite the progress made against a range of poverty indicators, such as the population living below the poverty line, life expectancy, health and nutrition status, and education levels, an



¹ OECD. 1996. *Shaping the 21st Century: The Contribution of Development Co-operation*. Paris.

² OECD. 1999. *Scoping Study of Donor Poverty Reduction Policies and Practices. Draft Synthesis Report*. Paris.

³ ADB. 1999. *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*. Manila.

overwhelming number of people still live in poverty. The persistence of the problem (in spite of efforts and significant resources spent on poverty reduction) arouses concern in the development community as it questions the effectiveness of past assistance. Policymakers in countries providing external assistance find it increasingly difficult to defend expenditure for development purposes if impacts on poverty cannot be brought about.

ADB's Poverty Reduction Thrust

ADB adopted poverty reduction as one of its five strategic development objectives (SDOs) in its first *Medium-Term Strategic Framework 1992-1995* (March 1992), although poverty reduction had been an important feature of ADB's work prior to that year. ADB intended to integrate poverty reduction concerns into various stages of its work. At the program level, country operational strategies (COSs), economic and sector work, and country assistance plans (CAPs) aim to integrate poverty reduction strategies into ADB's country operations. At the project level, ADB uses various interventions for reducing poverty: (i) economic growth projects that include poverty reduction concerns, (ii) targeted lending, (iii) providing the poor with access to social services and infrastructure, and (iv) protecting vulnerable groups. These activities evolved without a formal conceptual framework or operational guidelines.

ADB's guidelines for classifying projects according to SDO, revised in March 1995, state that projects with poverty reduction as their primary objective have to aim at "improving access for the poor to income/employment or human development services" and must fulfill one of the following two conditions: at least two thirds of the project beneficiaries are poor, or the components designed specifically to benefit the poor account for more than 50 percent of the total project cost. For projects with poverty reduction as their secondary objective, the last conditions are somewhat altered, reducing the required percentage of poor beneficiaries to one third and the project cost allocated to poverty reduction components to

20 percent. From 1991 to 1998, 123 projects valued at \$5,901 million were approved with poverty reduction as their primary or secondary SDO (Appendix 1). The projects cover 20 subsectors in 21 developing member countries (DMCs) of ADB. Most of the projects are still ongoing.

In 1999, poverty reduction gained even greater importance when President Tadao Chino, during his opening remarks at the 32nd Annual Meeting, placed poverty reduction in the center of attention, calling it the overarching goal for Asia and the Pacific and ADB. The poverty reduction strategy⁴ provides a new strategic focus to embed this vision into ADB's operations.

Evaluation

In recognition of the need for an operational approach to poverty reduction, ADB established in October 1997 an internal working group tasked to prepare a working paper on poverty reduction. After one year, the working group recognized that ADB did not have sufficient evaluative data to report on the extent to which poverty reduction was reflected in ADB's country strategies and projects, or on the first results of its poverty reduction operations. The present evaluation was initiated to fill the information gap. It is designed to analyze three issues: (i) the extent to which poverty reduction is integrated into country programming instruments and project designs, (ii) the adequacy of monitoring and evaluation systems to analyze whether poverty is reduced, and (iii) results achieved by a selected number of projects. The evaluation aims to provide insights into successes as well as areas where approaches and operations can be improved to ensure an effective incorporation of poverty concerns into the operations of ADB.

The evaluation uses a case study approach, which was the most meaningful way to evaluate country programs and projects, given the large number of diverse projects. It selected five countries that represent a cross section of ADB's DMCs. The number of ADB's poverty

⁴ Ibid.

reduction projects in the country was one criterion. The evaluation also aimed to cover a sample representing the different challenges that countries face: long-term persistent and widespread poverty (Bangladesh, Lao People's Democratic Republic [Lao PDR], and Nepal); challenges of transition (the Kyrgyz Republic and the Lao PDR); and effects of the economic crisis in Asia (Philippines). None of the Pacific DMCs of ADB were included in the evaluations because of the limited number of projects that have poverty reduction as their SDO classification. The evaluation analyzed COs, CAPs, and reports of country programming and review missions, using a standardized checklist to ensure a systematic analysis of documentation.

In each country four projects covering a cross section of sectors were chosen for the case studies. The projects were selected in consultation with governments and ADB's programs and projects departments. Some projects were approved prior to ADB's adoption of the SDOs, and others were not classified under poverty reduction for other reasons. The analysis determined whether and to what extent nonclassified projects address poverty reduction issues and evaluated the longer term results of older projects. The design of all projects was analyzed,⁵ and on the basis of the results, performance indicators that relate directly to project interventions were developed. The indicators were used to varying degrees in structured interviews with key informants, focus group discussions, and household surveys. Domestic consultants in each of the five countries conducted fieldwork from March to July 1999.

The evaluation differentiated between four dimensions of poverty because different benefits result from an increase in well-being, the capacity for self-support, and an expansion of choices, or

awareness thereof. Project designs and results were analyzed to identify which of these dimensions had been addressed:⁶

- (i) well-being/survival: issues that relate to immediate survival needs such as shelter, food and nutrition, health, and water and sanitation;
- (ii) access to resources: self-support through access to income sources, land and other assets, finance, transport, and markets;
- (iii) knowledge: education and skills, access to information on markets and technology, and social capital, which enable people to make informed choices; and
- (iv) rights: a supportive policy environment that helps the poor to actually exercise their choices, a legal and political environment that enables the poor to participate in social and economic community activities.

The evaluation report is based on the detailed country and project reports; discussions that the evaluation specialist had with government officials, representatives of other external agencies, nongovernmental organizations, and project beneficiaries; and observations at project sites.

⁵ The evaluation focused on the design elements (objectives, scope, and project framework). It did not analyze loan covenants and their effectiveness in enforcing pro-poor project performance. This could be the subject of a separate evaluation.

⁶ The evaluation recognizes that these dimensions have not previously been used by ADB. However, when using a broad definition of poverty, it is necessary to be aware of these dimensions and how interventions affect them.



Participation and empowerment require a supportive policy and social environment, ready to leave social exclusion behind.