

COUNTRY PROGRAMMING

The COS and CAP are the planning instruments that form the basis for ADB's country-specific thematic and sectoral priorities. The guidelines governing the COS/CAP preparation⁷ mention poverty reduction as one of ADB's SDOs, highlight the importance of economic growth as an "appropriate and effective poverty reduction strategy", and require that a section on crosscutting concerns, including poverty, be prepared. These instructions provide general guidance, but do not explain how poverty reduction issues should be analyzed and incorporated into the operational strategy. To assess how poverty reduction issues were actually integrated into COSs, the evaluation assessed data, policy, and institutional analyses undertaken for the five sample countries,⁸ which serve as case studies to underpin the evaluation's analysis or illustrate a particular point. The assessment does not reflect on the overall quality of the COSs, which may be entirely satisfactory from the economic and sectoral point of view, but makes poverty reduction the center of attention. This focus was adopted to determine the areas requiring additional analysis to ensure that poverty reduction emerges as the overarching goal of ADB's operations.

Overview of Selected Country Programs

Bangladesh has borrowed \$5,576 million for 129 projects since 1973, of which all except three were financed from the Asian Development Fund (ADF) which is ADB's soft loan

window. Poverty reduction is the overall objective of ADB's country operational strategy of 1993, with medium-term priorities focusing on efficient growth, access of the poor to growth benefits, and environmental concerns. A total of 22 projects costing \$1,059 million had poverty reduction as their primary or secondary SDO. Of the total portfolio, 45 projects were postevaluated: 38 percent of them were rated generally successful, 53 percent partly successful, and 9 percent unsuccessful (Box 1).

The Kyrgyz Republic started borrowing from ADB in 1994. The main objectives of ADB's assistance include supporting the Government's reform activities, encouraging the creation of a "new structure of output" accompanied by job creation, and arresting the rapid deterioration of long-term potential by investing in infrastructure and human resource development. Selective interventions for environmental protection are also foreseen. Of 12 ADF loans for \$314 million, 3 that amount to \$55 million have poverty reduction as their secondary objective.

For the Lao PDR, ADB has approved 44 loans since 1970, for a total of \$775 million from ADF sources. Ten projects were postevaluated: 40 percent were generally successful, 40 percent partly successful, and 20 percent unsuccessful. The COS (1996) includes three strategic objectives, namely: sustainable growth, policy

⁷ Staff Working Group on Review of the Bank's Business Processes. 1995. *Guidelines for Preparation of Country Assistance Plans, 1997-1999*. ADB, Manila.

⁸ The COSs for Bangladesh, Nepal, and Philippines were prepared in 1993. The Philippines COS was updated in 1998, while draft updates for the two other countries were prepared in 1999. The COSs for the Kyrgyz Republic and the Lao PDR were approved in 1996.

Box 1: Country Program Summary Data (as of December 1998)

	BAN	KGZ	LAO	NEP	PHI
Total Number of Projects	129	12	44	89	161
Asian Development Fund	126	12	44	88	40
Ordinary Capital Resources	3	-	-	1	121
Total Budget (\$ million)	5,576	314	775	1,583	7,134
Project Approvals 1991-1998	38	12	23	23	50
Budget 1991-1998 Approvals (\$ million)	2,373	314	565	603	3,073
Number of Poverty Projects	22	3	4	14	18
Primary Strategic Development Objective (SDO)	4	-	2	3	8
Secondary SDO	18	3	2	11	10
Percentage of Total Projects	17.1	25.0	9.1	15.7	11.2
Percentage of 1991-1998 Approvals	57.9	25.0	17.4	60.9	36.0
Poverty Project Loan Amounts (\$ million)	1,059	55	81	273	664
Primary SDO (\$ million)	149	-	20	56	335
Secondary SDO (\$ million)	910	55	61	217	329
Percentage of Total Budget	19.0	17.5	10.4	17.2	9.3
Percentage of 1991-1998 Approvals	44.6	17.5	14.3	45.3	21.6
Number of Postevaluated Projects	45	-	10	32	57
Percentage of Total Projects	34.9	-	22.7	35.9	35.4
Performance Rating (percent of total portfolio)					
Generally Successful	37.8	-	40.0	50.0	45.6
Partly Successful	53.3	-	40.0	25.0	31.6
Unsuccessful	8.9	-	20.0	25.0	22.8

Source: Asian Development Bank.

BAN=Bangladesh, KGZ=Kyrgyz Republic, LAO=Lao People's Democratic Republic, NEP=Nepal, PHI=Philippines.

support for an enabling environment, and human and institutional development. The related program elements include infrastructure support (development of hydropower and rural roads, markets, and irrigation systems), private and financial sector development, and social sector support (primary health care, basic education, urban development, sanitation, and nutrition). Four projects with a total budget of \$81 million each have poverty reduction as their primary or secondary SDO.

Since 1969, Nepal has borrowed from ADB a total of \$1,583 million for 89 projects, all but one being financed from ADF resources. Postevaluation of 32 projects showed 50 percent as generally successful and 25 percent each partly successful or unsuccessful. The COS of 1993 makes poverty reduction the strategic priority of ADB's program in the country, which is a new feature compared with the previous COS. This overarching priority is

reflected explicitly in two of the three medium-term priorities, namely: attaining broad-based growth that helps reduce poverty, and augmenting basic social services for the poor. The third medium-term objective, environmental protection, also relates to poverty reduction. Of the total project portfolio, 14 projects amounting to \$273 million had poverty reduction as primary or secondary SDO.

Lending to the Philippines started in 1969. Since then, 161 projects have been approved for \$7,134 million, with 121 of them financed from the ordinary capital resources. Postevaluation of 57 projects have rated 46 percent as generally successful, 32 percent partly successful, and 23 percent unsuccessful.⁹ The strategic objective in the 1993 COS was to increase sustainable economic growth rates and growth. The strategic focus of

⁹ Adds up to more than 100 percent due to rounding of figures.

activities with short-term impact included greater private sector investments, developing an internationally competitive economy, and providing credit. Primary activities with medium-term impact were infrastructure investments and environmental rehabilitation and protection, while secondary activities involved human resource development. Eighteen projects with a total budget of \$664 million had poverty reduction as their primary or secondary SDO.

Data Analysis

A comparison of the COSs shows that they contain a large amount of data on poverty, including indicators such as income poverty, unemployment, population below the poverty line, living standards, educational attainment, health status, and malnutrition and food security. The data is aggregated at the national level, showing the percentage of the total population living in poor conditions or suffering ill health. Other comparisons include geographic distribution of poverty, identification of disadvantaged areas, or information on the urban and rural poor. Income disparities are illustrated with the help of the Gini coefficient. Trend analyses are provided inasmuch as that is possible with the available data. At this aggregate level, the poor are treated as a homogeneous group, without distinguishing between the poor that have potential for self-help once development support is provided to them, and those that are dependent on continuous support. The more recent COSs have an appendix with more detailed poverty information. Very few details, if any, are provided on aspects of social exclusion. The CAPs contain a section on poverty, which updates information in the COS.

Analysis of Government Policies

All five DMCs expressed concern with poverty or living standards issues, although the COSs for three sample countries did not reveal whether the countries had specific poverty reduction policies or strategies at the time.

Some details, though scant, were contained in the COSs for Bangladesh and the Philippines. According to the Bangladesh COS, poverty reduction features as one of the three key objectives in the five-year development plan (1990/91-1994/95), but it is not clear whether the objective was supported by a comprehensive poverty reduction policy or strategy. Instead, a number of plan elements are listed (COS, para. 6), all of which are focused on economic dimensions without discussing their implications for poverty reduction. The draft Bangladesh COS (1999) is more specific in this respect in that it stresses that poverty reduction has taken a more prominent position in the most recent five-year development plan with explicit reference to poverty goals in general and as part of sectoral strategies. The then draft medium-term development plan of the Philippines mentions the "equalization of opportunity" (COS, para. 9), implying a poverty reduction policy in the making. Significant changes were observed in the 1998 COS for the Philippines, where the shift in the government's strategy was noted, and the government's policy for poverty reduction is discussed in greater detail.

Much greater attention is given to reviewing government policies at large, but their implications for the poor, whether negative or positive, are not always analyzed. For instance, COSs contain a summary of economic policies, but these are not interpreted from a poverty perspective. The need to phase out subsidies is mentioned, but the document does not spell out whether the poor or nonpoor benefit from subsidies and how they will be affected by the suspension of subsidies. ADB could contribute to identifying the misallocation of public resources to undeserving recipients and highlight how such resources could be better targeted. A few exceptions to the lack of poverty-sensitive policy analyses exist. One is the agriculture sector in general where poverty is most prevalent and linkages to poverty reduction are frequently made. Another is the COS for the Lao PDR, which realistically rules out possibilities for broadening the tax base. Instead, it highlights the need to increase taxation of the timber and energy sectors (COS,

para. 115), anticipates the impact of various economic growth rates on the incidence of poverty, and analyzes the impact of macroeconomic policies on poverty.¹⁰

The COSs, recognizing economic growth as an important but not necessarily sufficient ingredient for poverty reduction, suggest that the beneficial effects of economic growth need to be supplemented by public investments in the social and economic sectors to enable the poor to participate in the economy. However, potential conflicts between economic growth and poverty reduction are not explicit and their consequences are not examined in the COSs. For instance, the Bangladesh COS observes low economic growth rates due to low levels of mechanization – which advocates capital-intensive investments – but it does not show

poverty reduction at the local level. This evaluation does not take exception to the choices that are made, but highlights the absence of a systematic analysis and illustration of how the benefits of economic growth will reach the population at large and the poor in particular.

Other External Agencies and ADB's Comparative Advantage

Four of the five COSs described the work of other external agencies, but without specific focus on efforts to reduce poverty, and saw value in a coordinated approach. Several expressed concerns about weak coordination or poorly synchronized agency activities as in the case of Nepal, and the potential for externally

Policy analyses recognize that economic growth is important but not sufficient to ensure that the gains of economic growth reach the poor.

how low levels of mechanization relate to the labor-intensive growth strategy favored otherwise in the COS. It also noted that the government gave highest priority to the Jamuna Bridge, saying that this could be done without compromising local resource availability for social and poverty reduction programs (COS, para. 96). There is no analysis to corroborate this assertion, although other sections of the COS highlight the shortage of local resources as one of the impediments to smooth project implementation in any sector. In the Kyrgyz Republic, the need to close down inefficient State-owned enterprises and lay off workers compounds the urgency to create new job opportunities. In Nepal, the government's focus on hydropower as the main growth engine of the economy is mentioned, but there is no illustration of how the linkages with the agriculture and industry sectors will take place, and how such linkages will contribute to



driven aid portfolios, particularly in the case of Bangladesh. Both the Bangladesh and Nepal COSs questioned the successful targeting of the poor and the apparent focus of external agencies in attacking the symptoms of poverty without due regard to project outcomes and impacts. The COSs seem to subsume coordination of poverty issues among general coordination matters, although the latter tend to

¹⁰ The latter remains generic and does not specify whether any of the three examples given in the COS apply to the Lao PDR (COS, Appendix 3, para. 35).

focus on implementation and resource issues. To derive the full value of synergies that the programs of various agencies can have, it would be necessary to develop a concrete, country-specific poverty reduction strategy to which all government, nongovernment organizations, and external agencies can subscribe. The difficulties of agreeing on such a strategy with concrete goals and targets for poverty reduction lie in the myriad of stakeholders, their possibly differing convictions about how poverty can be reduced, and purely logistical problems. Some inroads have been made in Bangladesh, where the draft COS (1999) highlights poverty reduction as a common objective, unifying the development community.

The Nepal COS discusses ADB's comparative advantage in terms of the size of its operations (providing for almost 25 percent of total external assistance) and its regional roots (COS, para. 38). The Bangladesh COS discusses the sectoral leads ADB has taken, including reform and privatization of State-owned enterprises and secondary education. With its regional presence, ADB is in a strong position to take a leading role in poverty reduction efforts, as programming missions are an opportune time to engage in dialogue on poverty policies and analyses.

ADB's Country-Specific Poverty Reduction Strategy and Policy Dialogue

The evaluation analyzed whether the poverty reduction elements contained in the COSs add up to a poverty reduction strategy in each DMC. It reviewed data related to these questions: (i) what causes of poverty were identified and did ADB's interventions aim to address them and how, (ii) did ADB pursue country-specific poverty issues with a separate strategy or rather as an integral element of sector strategies, (iii) were priorities established and a sequence of interventions developed, and (iv) were targets and performance indicators defined?

The COSs associate the occurrence of poverty with an economic equation stating that

economic growth is insufficient to sustain a population that grows at a higher rate than the economy. Beyond this economic perspective, the manifestations of poverty – such as absence of access to land, resources, employment, or social services – are recognized, but the causes for their existence are not analyzed. Consequently, ADB's response to poverty is to promote economic growth and finance facilities that provide social services. However, the underlying reasons for social exclusion are not identified, except in the most recent draft COS for Bangladesh where these issues are discussed in conjunction with the governance agenda (COS, para. 30). An analysis of social exclusion requires an assessment of the social, cultural, historical, and political causes of poverty to understand why the poor do not have access to opportunities. This might be due in some cases to lack of physical infrastructure, but often it is caused by societal factors. Such an analysis is difficult, delicate, and time-consuming, but it is needed to identify structural issues that will prevent ADB operations from reaching poor beneficiaries, as observed in a number of COSs, and should form the basis for policy dialogue on poverty reduction in general as well as an integral part of sectoral policies and strategies.

None of the COSs specifies an ADB country-specific strategy for poverty reduction. Instead, the COS for Bangladesh proposes the concept of a poverty reduction loan (COS, paras. 110-111). The Kyrgyz Republic COS does not provide an ADB poverty strategy for the country, but summarizes the "scope for Bank involvement" (COS, Appendix 1, page 9) by extracting some of these details from the sector strategies. However, it does so in an incomplete fashion and does not provide any framework or guidance for incorporating poverty issues into the sector strategies.

All COSs integrate some poverty reduction elements into sectoral strategies. However, there is no apparent coherence that unifies the various interventions into a consistent poverty strategy, giving the impression that the inclusion of poverty issues depends on the judgment of the individual(s) preparing the COS. The following two examples illustrate the

fragmentary approach to poverty reduction. In Nepal the sector strategies cover various aspects affecting poverty, but do not discuss the connection between sector development and poverty reduction. An unwritten assumption is that sector improvements will automatically benefit the poor, but there is no analysis of the expected distribution of benefits among the poor and nonpoor, nor is there any mention of measures to ensure inclusion of poor beneficiaries. The interventions are spread thinly over several dimensions of poverty, such as survival needs, access to resources or employment, and basic education. But there is no conceptualizing how the composite parts will ensure that beneficiaries progress out of poverty. Likewise, the Philippines COS overlooks poverty issues in a number of sector strategies. It does contain some areas that have conceptual linkages, namely, marketable skills and microcredit. However, it cannot be determined from the COS whether these interventions will be provided to the same target group, and thus actually complement each other. The CAPs do not go beyond this approach.

The COSs tend to identify one or two priority sectors and priorities within sectors, while permitting assistance outside these preferences. Apart from the Bangladesh COS (1993) and the draft COS for Nepal (1999), it is not obvious whether poverty is used as a criterion for setting priorities. The absence of poverty issues in a number of sector strategies in the COSs suggests that this may not be the case. Sequencing of interventions was attempted in one isolated example in Nepal, where the agriculture strategy chose to work in a better-off geographic region to attain growth in the agriculture sector before moving into less developed, remoter areas (COS, para. 58). This demonstrates a deliberate decision to prioritize and phase assistance so as to increase effectiveness. The Kyrgyz Republic COS recognizes broad priority development needs of the country, ranking them in the short, medium, and long term. However, the actual sectors of ADB intervention are whittled down to four areas, which are not prioritized (COS, para. 113).

Infrastructure and social services are important to reduce poverty, but providing access requires more than physical facilities.

A logical consequence of not adopting a country-specific poverty strategy is a lack of specific targets and indicators.¹¹ Setting targets is not a simple matter because poverty reduction is complex and affected by a number of factors beyond ADB's control. Given this difficulty, the absence of concrete targets becomes understandable but measurable targets remain desirable to help focus ADB's poverty reduction interventions.

Policy dialogue, which is part of the programming cycle, manifests itself in the COSs and in back-to-office reports of country programming and country program review missions. Recent reports were examined to determine the degree to which they covered poverty reduction. Countrywide policy discussions focused on economic growth and development without reflecting whether poverty issues were considered, although discussions of some specific project proposals featured poverty aspects. Since 1999 programming missions have increasingly emphasized ADB's commitment to poverty reduction. These expressions of intent need to be supplemented by substantive debates on issues, such as distribution of benefits, barriers to the advancement of the poor, and the integration of poverty reduction efforts into development policies and strategies.

¹¹ The indicators mentioned in a number of COSs are aggregate macroeconomic, economic, and social indicators that are not necessarily relevant to ADB's poverty reduction portfolio. Therefore, they are useful only to measure changes at the national level without determining ADB's contributions to these changes.

