

**ASIAN DEVELOPMENT BANK**

**TAR: PAK 37711**

**TECHNICAL ASSISTANCE**

(Financed by the Poverty Reduction Cooperation Fund)

**TO THE**

**ISLAMIC REPUBLIC OF PAKISTAN**

**ON**

**DETERMINANTS AND DRIVERS OF POVERTY REDUCTION AND ADB'S  
CONTRIBUTION IN RURAL PAKISTAN**

**March 2004**

## **CURRENCY EQUIVALENTS**

(as of 1 March 2004)

Currency Unit	–	Pakistan rupee/s (PRe/PRs)
PRe1.00	=	\$0.017
\$1.00	=	PRs 57.25

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
CSP	–	country strategy and program
CSPU	–	country strategy and program update
NGO	–	nongovernment organization
PRSP	–	Poverty Reduction Strategy Paper
RSP	–	rural support program
TA	–	technical assistance

## **NOTES**

- (i) The fiscal year (FY) of the Government ends on 30 June.
- (ii) In this report, "\$" refers to US dollars.

<p>This report was prepared by N. Hamid, team leader and senior economic adviser to the Pakistan Resident Mission; and S. Parvez, programs officer, Pakistan Resident Mission.</p>
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## I. INTRODUCTION

1. Reducing rural poverty is a key objective of Asian Development Bank's (ADB) development assistance to Pakistan. ADB has historically provided the largest proportional share of its lending assistance for Pakistan—about 29%—for agricultural and rural development. From 1990 to 2001, ADB supported 18 agriculture and rural development projects with total assistance of \$1,452 million. Under its 2002–2006 Country Strategy and Program (CSP) for Pakistan, and the recently approved Country Strategy and Program Update (CSPU) for 2004–2006, ADB has maintained high priority on these sectors and has planned a number of rural development projects.

2. The proposed technical assistance (TA)<sup>1</sup> grant on determinants and drivers of poverty reduction and ADB's contribution in rural Pakistan will be used to conduct a detailed study of the high levels of chronic and transitory rural poverty in Pakistan in order to identify appropriate policy and implementation measures that could reduce such poverty on a sustained basis. The TA was prepared during a fact-finding mission from 3-24 November 2003. The mission reached an agreement with the Government on the TA's objectives, scope, financing, implementation arrangements, and terms of reference. The TA framework is shown in Appendix 1.

## II. ISSUES

3. Rural poverty rose sharply from 25% in 1990/91 to 39% of the rural population in 2000/01,<sup>2</sup> whereas poverty in urban areas fell from 27% to 23% of the urban population over the same period. The rural-urban gap in social indicators increased significantly during the 1990s. Paradoxically, reasonably high agricultural growth in the 1990s was associated with increased rural poverty.<sup>3</sup>

4. In addition, the phenomenon of transitory poverty—households that have mean expenditures above the poverty line but whose expenditure levels fall below the poverty line a defined number of times—is estimated to be quite high in rural areas. According to a study based on 5-year panel data, nearly three-quarters of rural households face transitory poverty. This study also found that smoothing of incomes across just 2 years resulted in a 66% drop in transitory poverty.<sup>4</sup>

5. Researchers have found that the rural poor (i) lack access to adequate land, water, and finance; (ii) have little human capital; and (iii) encounter limited employment opportunities in rural areas. The rural poor are, however, not homogeneous in terms of their natural, social, or economic environments; severity of poverty; or their sources of income. A vast majority are small landowners, sharecropping tenants, and landless laborers. Some are highly dependent on agriculture, but others have diversified their income sources since they are unable to meet their

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<sup>1</sup> The technical assistance (TA) grant first appeared in *ADB Business Opportunities* (Internet edition) on 3 October 2003. The concept paper of the TA was approved on 8 October 2003.

<sup>2</sup> Please see Ministry of Finance. 2003. *Economic Survey 2002–03*. Islamabad, for the official data on poverty, associated social indicators and income distribution during the 1990s. The rural poverty level is estimated based on an official poverty line of 2,450 calories per adult equivalent per day.

<sup>3</sup> In order to resolve this paradox it is necessary to examine the changes in rural income distribution, urban and rural real wage rates, rural and urban employment levels, prices of farm inputs and outputs, landlessness, and fluctuations in agricultural output because of the weather.

<sup>4</sup> McCulloch, Neil and Bob Baulch. 1999. Distinguishing the Chronically from the Transitorily Poor: Evidence from Rural Pakistan, *IDS Working Paper 97*. Brighton: University of Sussex.

basic needs through agriculture. The move away from agriculture, resulting in the rapid migration of people to urban areas, reflects the interaction of several factors, including access to land, water, and credit; land degradation; population growth; technological change; public policy and programs; and market forces. High persistent poverty damages the fragile resource base and the environment of all poor people in general, but it victimizes women more than men and children more than adults at the household level.

6. In the process of conceptualizing this TA, a background paper was commissioned to review existing evidence on agricultural growth and rural poverty.<sup>5</sup> The paper, which was based on a review of some 66 studies and data sources, pointed out various data gaps, and concluded that while there were several studies on determining the level of poverty and other studies on agricultural growth and productivity, there had been no systemic attempt to establish linkages between poverty and agricultural growth. The paper also concluded that there were even fewer studies specifically on the nonfarm rural sector and the relationship between changing socioeconomic dynamics in rural areas and poverty incidence. A comprehensive study of rural poverty is thus necessary to identify the major characteristics of Pakistan's rural poverty and the underlying causes of high levels of both chronic and transitory poverty. Such a study is also needed to assess the impact of various interventions to reduce rural poverty. By focusing on the major drivers of poverty reduction in rural areas, the outputs of the proposed project will assist in implementing the Poverty Reduction Strategy Paper (PRSP), which was finalized in December 2003. It will also help guide and inform future PRSP updates. The proposed project will also help ADB implement its poverty reduction strategy and design its poverty reduction interventions, both in Pakistan and in the region. More generally, it will contribute to the knowledge base and learning on rural poverty issues and will benefit the planning and implementation of poverty reduction operations of other development agencies and the civil society—nongovernment organizations (NGOs) and rural support programs (RSPs)—involved in promoting sustainable livelihoods in rural Pakistan.

### III. THE TECHNICAL ASSISTANCE

#### A. Purpose and Output

7. The goal of this TA is to help reduce rural poverty in Pakistan on a sustained basis. The purposes of the TA are to identify the major determinants of rural poverty, and to propose recommendations on public policy and project focus in designing rural poverty interventions by the Government, ADB, other development agencies, and NGOs/RSPs. The TA's scope includes (i) analyzing the relationship between agricultural growth and rural poverty to prioritize future agriculture-related interventions, while taking into account the role of subsectors (e.g. livestock, forestry, fisheries) in reducing the socioeconomic vulnerability of the rural poor; (ii) analyzing the link between rural poverty and transformation of the rural economy, and recommending nonfarm interventions and employment generation that would benefit the rural poor; (iii) analyzing the links between rural poverty, prevailing social structures, and access to social services; (iv) assessing the role of governance-related and institutional factors in perpetuating or reducing poverty; and (v) assessing the effectiveness of interventions for rural poverty reduction and social safety net programs of the Government, ADB, other development agencies, and NGOs/RSPs; and (vi) identifying interventions having the greatest impact.

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<sup>5</sup> Malik, Sohail Jehangir. 2003. *Agricultural Growth and Rural Poverty in Pakistan*. Islamabad: ADB (prepared under contract with ADB, Pakistan Resident Mission).

8. The outputs of the research project will include (i) a database on rural poverty profiles and determinants, comprising already available studies and data as well as studies completed and data collected under the TA; (ii) documentation of lessons learnt and successful practices; (iii) a comprehensive report highlighting the main findings and policy recommendations; and (iv) 4 policy papers in the areas identified in para. 10, with the specific topics to be identified during TA implementation.

## **B. Methodology and Key Activities**

9. The TA research has been divided into four major areas in an effort to describe the multidimensional nature of rural poverty, to analyze the complex interaction between its causes, and to provide analytical clarity. Gender and the environment—issues that cut across all aspects of poverty and drivers of poverty reduction—will be included in each area.

10. The first research area is the economics of rural poverty. It will emphasize (i) linkages between agricultural growth and rural poverty; (ii) household economies of the poor, including intrahousehold disparities by gender, age, and work status; (iii) the structural transformation of the rural economy and the importance of nonfarm income sources and employment generation in reducing rural poverty; (iv) the economic impact of migration; and (v) resource management at the household and community levels, with a focus on gender and the environment. The second is social structures and access to social services for the poor, focusing on (i) the cultural context and social structure and its relationship with rural poverty; (ii) intrahousehold relations by gender and age; (iii) access and entitlements of the rural poor to assets, finance, physical infrastructure, and social services such as education, health care, water supply, sanitation, and safety nets. The third is the impact of governance and institutional factors on rural poverty, including (i) issues related to transparency, rule of law, and corruption in public services and their impact on the rural poor; (ii) impact of decentralization and devolution; (iii) participation in decision-making; and (iv) impact of agricultural support prices and rationalization of agricultural subsidies. In the fourth area, the focus will be on assessing effectiveness of interventions for rural poverty reduction and social safety net programs, including programs and projects of the Government, ADB projects, projects funded by other development agencies, RSPs, and projects implemented by NGOs and civil society. Particular emphasis will be on implementation capacity and mechanisms, sustainability of interventions, and impact of interventions on intended beneficiaries.

11. A comprehensive analysis of these areas will involve several steps. The first will be a detailed review and analysis of available quantitative and qualitative data and information to establish the current state of knowledge on each area, including the crosscutting issues of gender and the environment. Preliminary conclusions will then be drawn. The collected data and information will also be compiled into a database on rural poverty that will serve as a reference for future work on related policy issues.

12. The second step will be identifying gaps in existing data and information and, if necessary, collecting primary data on a purposive sample basis from rural households and communities. New data collection will address specific research questions posed under the TA through focusing on geographical clusters where evidence for a particular phenomenon (such as role of off-farm employment and incomes in rural poverty reduction) could be found. The results of the sample survey will be analyzed to supplement existing knowledge for changes in

public policy and programs. As required, information and data will also be collected from primary sources for assessing the effectiveness of poverty reduction projects, including those assisted by ADB, others development agencies, the Government, and NGOs/RSPs.

13. The third step will interpret results and develop specific recommendations on designing and implementing poverty reduction policies, programs, and projects.

14. The above three steps will constitute the TA's first phase. Two workshops will be organized in Islamabad during this phase. The first workshop will take place after the review of data and literature in the four areas, with the purpose of sharing preliminary conclusions with stakeholders. The second workshop will follow the analysis and interpretation of the collected primary data to again share findings and conclusions with stakeholders, and to obtain feedback and input for finalization of the TA reports.

15. In the TA's second phase, research results and recommendations will be given a practical shape and disseminated through policy papers (para. 8). A workshop will also be organized in Islamabad to share research findings and policy papers with stakeholders.

### **C. Cost and Financing**

16. The total cost of the TA is estimated at \$500,000 equivalent, \$130,000 of it in foreign currency and \$370,000 in local currency. The TA will be administered by ADB and financed on a grant basis from the Poverty Reduction Cooperation Fund for \$400,000 equivalent (the entire foreign currency costs and \$270,000 in local currency costs). The Government's contribution of \$100,000 equivalent in kind will include office space, counterpart staff remuneration, and logistical support for meetings, workshops, and seminars. Detailed cost estimates and a financing plan are shown in Appendix 2.

### **D. Implementation Arrangements**

17. The executing agency for the TA will be the Ministry of Finance (PRSP secretariat). An advisory committee will be created and headed by the Ministry of Finance. Other members of the advisory committee will include representatives from the Planning Commission, the Ministry of Food and Agriculture, the Ministry of Local Government and Rural Development, Center for Poverty Reduction and Income Distribution, provincial Planning and Development Departments, as well as representatives from selected research institutions, RSPs, and other civil society institutions. Technical Groups will be constituted for each of the four research areas to provide technical guidance and peer reviews to support the research carried out under the TA.

18. The TA will be carried out over 18 months, beginning in February 2004 and ending in July 2005. There will be a total input of 27 person-months of consultancy, of which 6 person-months will be international and 21 person-months domestic. The consulting team will include an international consultant, who will be a rural economist (rural poverty specialist)/team leader (6 person-months). Domestic consultants will include a social structure and services specialist (4 person-months), a specialist on issues of governance and institutions (4 person-months), a project specialist for assessment of interventions (6 person-months), a gender specialist (3.5 person-months), and an environmental specialist (3.5 person-months). ADB will engage individual consultants according to ADB's Guidelines on the Use of Consultants. Individual consultants are proposed because it is difficult to find the broad range of expertise required in a single consulting firm. Outline terms of reference for consultants are in Appendix 3. Procurement of equipment under the TA will follow ADB's *Guidelines for Procurement*.

19. The consultants will submit four reports. The outline inception report will be submitted within 1 month of fielding consultants. A report containing a review and assessment of the existing literature (data and information) and proposed work plan (fieldwork and analysis), will be submitted 2 months after the submission of the inception report. A workshop will be organized and facilitated by the consultants at this stage, with assistance from the PRSP secretariat and ADB, to share the findings of the literature review and research plan with stakeholders. A full research report, including the analysis and interpretation of collected primary data and recommendations, will be submitted 9 months after the report on literature review and work plan. A second workshop will be organized and facilitated by consultants to discuss and share preliminary research findings. The final 6 months of the TA will comprise the second phase in which policy papers on topics identified in the full research report will be prepared and disseminated through a third workshop. A final report of the TA, which will be a compilation of the finalized versions of previous TA reports and policy papers, will be submitted within 6 months after the full research report. ADB will undertake regular reviews of progress on TA implementation. Tripartite review meetings involving ADB, the PRSP secretariat, and the consultants will be convened as needed.

#### **IV. THE PRESIDENT'S DECISION**

20. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$400,000 to the Government of Pakistan to be financed on a grant basis by the Poverty Reduction Cooperation Fund for Determinants and Drivers of Poverty Reduction and ADB's Contribution in Rural Pakistan, and hereby reports this action to the Board.

### TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goal</b></p> <p>To contribute to sustained reduction in rural poverty in Pakistan</p>	<p>Sustained reduction in the number of people living below the official poverty line</p>	<p>Pakistan Integrated Household Survey/Household Income and Expenditure Survey reports</p>	<p>Government commitment to poverty reduction and Poverty Reduction Strategy Paper (PRSP) targets is sustained, and targets for pro-poor poverty expenditure are met</p>
<p><b>Purpose</b></p> <p>To identify the major determinants of rural poverty in Pakistan, and propose recommendations on public policy and project focus in designing rural poverty interventions by the Government, the Asian Development Bank (ADB), other development agencies, and nongovernment organizations (NGOs)/rural support programs (RSPs).</p>	<p>Major determinants of rural poverty identified 12 months after commencement of technical assistance (TA), and specific recommendations proposed for poverty reduction by end of TA period</p>	<p>ADB reviews and tripartite review meetings; 4 reports by consultants; 4 policy papers; 3 workshops to obtain stakeholder views on TA findings and recommendations</p>	<p>Consultants receive full cooperation from Government, international financial institutions, and nongovernment institutions for accessing data and information; stakeholders actively and regularly provide input and comments to consultants</p> <p>There is a risk of overlap with previous studies. This will be managed by focusing on knowledge gaps identified by carefully reviewing existing literature</p> <p>Policymakers could perceive the study as academic. To counter this, the study design includes policy papers that have ownership of concerned government ministries and have been widely discussed through workshops</p>

<p><b>Outputs</b></p> <p>(i) Documentation of lessons learnt and best practices, (ii) database on rural poverty profiles and determinants, (iii) full research report highlighting the main findings and policy recommendations, and (iv) 4 policy papers</p>	<p>(i) Documentation of lessons learnt prepared 3 months after TA commences; (ii) an operational poverty database 12 months after TA commences; (iii) full research report produced 12 months after TA commences; and (iv) policy papers prepared 16 months after TA commences</p>	<p>ADB reviews and tripartite review meetings. Operational poverty database and consultants' reports, papers and documentation. Feedback at stakeholder workshops.</p>	<p>Full cooperation and regular feedback from stakeholders is received in the collection, analysis, and interpretation of data</p>
<p><b>Activities</b></p> <p>(i) Detailed review and analysis of data and information to establish the current state of knowledge on each area included in the TA (to be completed 3 months after TA commences); (ii) identification of gaps in existing data and collection of primary data on a purposive sample basis from rural households (to be completed 9 months after TA commences); (iii) data analysis, interpretation of results development of specific recommendations, and preparation of full research report (to be completed 12 months after TA commences); (iv) preparation of policy papers (to be completed 16 months after TA commences); (v) organization of 3 dissemination workshops (3, 12, and 16 months); and (vi) preparation of final report (to be completed 18 months after TA commences).</p>	<p>Timely and efficient completion of TA activities to enable preparation of Final Report on schedule</p>	<p>ADB reviews and tripartite review meetings. Consultants' reports, and stakeholders' views and feedback during workshops at the various stages of the TA.</p>	<p>Full cooperation and regular feedback from stakeholders is received during data collection, analysis, and interpretation</p>
<p><b>Inputs</b></p> <p>Consulting services, workshops, and fieldwork.</p>	<p>6 person-months of international and 21 person-months of domestic consulting services. At least 3 participatory workshops.</p>	<p>Consultants' reports.</p>	

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Costs
<b>A. Poverty Reduction Cooperation Fund Financing<sup>a</sup></b>			
1. Consultants			
a. Remuneration and Per Diem			
(i) International Consultants	108	0	108
(ii) Domestic Consultants	0	120	120
b. Reports and Communications	2	8	10
c. International and Local Travel	10	8	18
2. Equipment <sup>b</sup>	0.	5	5
3. Workshops, Seminars, and Publications	0	25	25
4. Preparation of Policy Papers (Outsourced)	0	16	16
5. Survey	0	50	50
6. Transportation, Database, and Miscellaneous Administration and Support Costs	0	10	10
7. Contingencies	10	28	38
<b>Subtotal (A)</b>	<b>130</b>	<b>270</b>	<b>400</b>
<b>B. Government Financing</b>			
1. Office Space and Equipment	0	25	25
2. Counterpart Staff Services	0	40	40
3. Support for Meetings	0	15	15
4. Support for Workshops and Seminars	0	20	200
<b>Subtotal (B)</b>	<b>0</b>	<b>100</b>	<b>100</b>
<b>Total</b>	<b>130</b>	<b>370</b>	<b>500</b>

<sup>a</sup> Administered by the Asian Development Bank.

<sup>b</sup> Includes cost of computers and printers.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE

1. The consulting team for the technical assistance (TA) will comprise one international consultant and five domestic ones. Each is required to work with the team in developing project outputs. Specific technical tasks associated with each consultant are outlined below.

### A. International Consultant

#### 1. Rural Economist (Rural Poverty)/Team Leader (6 person-months)

2. The rural economist should have proven team leadership skills, with broad experience in developing countries in the field of economics of rural poverty and its assessment. The specialist will ensure that the crosscutting issues of gender and the environment are adequately covered in the research.

3. As team leader, he/she will be responsible for

- (i) preparing an inception report, including a detailed work plan for the team;
- (ii) coordinating the activities of other team members;
- (iii) consulting regularly with the project steering committee, executing agency, the Asian Development Bank (ADB), and other development partners on the issues included in the study;
- (iv) assisting ADB and the executing agency in disseminating results of the studies through discussion papers and workshops; and
- (v) preparing TA reports with required revisions.

4. The activities of rural economist as specialist will include, but are not limited to

- (i) reviewing and assessing in detail all existing primary and secondary data on different macroeconomic and microeconomic aspects of poverty in Pakistan;
- (ii) identifying gaps in existing information and, if necessary, collecting quantitative and qualitative data from a sample of rural households in different farming systems on the sources of income, access to economic and social services, ownership of assets, and linkages with the public and private sectors, nongovernment organizations (NGOs), and rural support program (RSPs);
- (iii) identifying the characteristics of the rural poor and examining their nexus to the farm and nonfarm economies;
- (iv) analyzing the roles of macro- and micro-level factors in household poverty;
- (v) identifying the major determinants of poverty and making recommendations on the drivers of poverty reduction;
- (vi) organizing and facilitating TA workshops as required; and
- (vii) preparing research reports and papers as required.

### B. Domestic Consultants

#### 1. Social Structure and Social Services Specialist (4 person-months)

5. The social structure and social services specialist will have at least 5 years' experience on issues related to social contracts in rural societies and the development of social sectors. The specialist will assist the team leader in

- (i) reviewing and assessing in detail all existing primary and secondary data and information on rural social structure and services;
- (ii) identifying gaps in existing information and, if necessary, collecting relevant quantitative and qualitative data;
- (iii) assessing the intrahousehold and interhousehold constraints with regard to entitlements or access to food, social services (education, health care, sanitation, water supply, etc.), assets, physical infrastructure (including irrigation water), and safety nets;
- (iv) analyzing the delivery and sustainability of social services and physical infrastructure;
- (v) analyzing the effects of the prevailing social structure and social constraints on the rural poor, with a focus on women;
- (vi) analyzing the experiences of people who have come out of poverty under different social circumstances;
- (vii) organizing and facilitating TA workshops as required; and
- (viii) preparing research reports and papers as required.

**2. Specialist on Issues of Governance and Institutions (4 person-months)**

6. The governance and institutions specialist will have at least 5 years' experience on issues of governance and institutional development. The specialist will assist the team leader in

- (i) reviewing and assessing the existing information on the role of governance and institutions on issues of rural poverty;
- (ii) identifying gaps in the existing information base and, if necessary, collecting relevant quantitative and qualitative data;
- (iii) assessing the role and implementation of participatory institutions under the devolution plan on empowerment of the poor, transparency of decision making, efficiency of resource management, effectiveness of service delivery, and accountability of the elected and appointed officials;
- (iv) analyzing the effects of political expediency in decisions, professionalism of politicians, rule of law, and privatization under the structural reform program;
- (v) analyzing the role of participatory community organizations in rural poverty reduction and their inclusion in the devolution program;
- (vi) organizing and facilitating TA workshops as required; and
- (vii) preparing research reports and papers as required.

**3. Project Specialist for Assessment of Interventions (6 person-months)**

7. The specialist on assessment of project interventions will have at least 5 years of experience in conducting evaluation and assessment of development projects. The specialist will assist the team leader in

- (i) reviewing the existing information base on rural poverty reduction interventions and social safety net programs of the Government, ADB, other development agencies, and NGOs/RSPs;
- (ii) identifying gaps in existing information and, if necessary, collecting relevant quantitative and qualitative data;
- (iii) assessing the projects and programs with regard to implementation capacity and mechanisms, effectiveness, efficiency, impact on the poor, and sustainability;

- (iv) analyzing cases of “success” and “failure”, identifying the underlying factors, and making recommendations;
- (v) organizing and facilitating TA workshops as required; and
- (vi) preparing research reports and papers as required.

**4. Gender Specialist (3.5 person-months)**

8. The gender specialist, having at least 5 years of experience on gender issues, will assist the team leader in

- (i) reviewing literature, information, and data on gender issues related to rural poverty;
- (ii) assisting other specialists in designing questionnaires and a study framework to include the role and status of women at the household and community levels;
- (iii) reviewing and assessing the integration of gender in the crosscutting issues with a view to developing appropriate policy interventions and support to women; and
- (iv) producing notes or reports, if necessary, to strengthen the analytical and policy content of the draft reports of other specialists; and
- (v) making revisions in the draft reports and papers as required.

**5. Environment Specialist (3.5 person-months)**

9. The environment specialist, having at least 5 years of experience on environmental issues, assist the team leader in

- (i) reviewing literature, information, and data on the environment and its interaction with rural poverty;
- (ii) assisting other specialists in designing questionnaires and a study framework to include the role of the environment at the household and community levels;
- (iii) reviewing and assessing the integration of environmental concerns in the crosscutting issues, with a view to developing appropriate policy interventions and support for improving the environment in conjunction with reducing poverty;
- (iv) producing notes or reports, if necessary, to strengthen the analytical and policy content of the draft reports of other specialists; and
- (v) making revisions in the draft reports and papers as required.