

ASIAN DEVELOPMENT BANK

TAR: REG 33498-01

REGIONAL TECHNICAL ASSISTANCE

FOR

**POVERTY ASSESSMENT IN PACIFIC DEVELOPING MEMBER
COUNTRIES**

March 2000

ABBREVIATIONS

ADB	–	Asian Development Bank
PDMC	–	Pacific developing member country
PNG	–	Papua New Guinea
RETA	–	Regional technical assistance
TA	–	Technical Assistance
UNDP	–	United Nations Development Programme

NOTE

In this report, "\$" refers to US dollars.

I. INTRODUCTION

1. Poverty is a growing problem in some Pacific developing member countries (PDMCs).¹ The poverty reduction strategy of the Asian Development Bank (ADB) acknowledges that, although PDMCs are generally categorized as middle-income developing economies, their living standards are vulnerable to economic and environmental shocks.² The strategy also introduced country-specific poverty analyses, to be developed through a participatory and consultative process. For the PDMCs, an examination of the nature, causes, and consequences of vulnerability is an essential element of the poverty analyses, which constitute the bases for development of country poverty reduction strategies. The analyses encompass the nature, intensity, and spread of poverty; the distributional effects of macroeconomic policies; the focus and efficiency of public expenditures; and the effectiveness of government programs and institutions.³

2. The poverty reduction strategy paper observes that “With Pacific island members, ADB will take the lead in capacity building for poverty analysis.” closely integrating its efforts with those of governments and other development agencies.⁴ The regional technical assistance (RETA) seeks to assist PDMC governments poverty analyses or assessments. The proposal was endorsed by the RETA Screening Committee on 3 December 1999.⁵

II. BACKGROUND AND RATIONALE

3. Until recently, poverty had not been regarded as a significant problem among PDMCs, which have high per capita incomes by developing country standards and relatively productive subsistence sectors. Such cases of need as did exist were thought to be taken care of by the redistributive mechanisms of kinship networks. However, after two decades of generally poor economic performance among PDMCs, fairly rapid population growth and urban drift, rising expectations, and growing inequalities, poverty is a significant and growing problem in some countries. Traditional support mechanisms are under strain and, in some instances, are breaking down.

4. The 1996 *Fiji Poverty Report* established a country-specific poverty line of \$57.53 per week for an average household (1991 prices), and reached the following conclusions:

- (i) The proportion of households in poverty had risen from 15 percent in 1977 to 25 percent in 1990. The rise in urban poverty was especially marked.
- (ii) A further 20 percent of households were in constant danger of becoming poor as a result of accident or misfortune.

¹ See section II.

² *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*, Document R179-99, 19 October 1999, paragraph 2.

³ *Ibid.*, paragraph 37.

⁴ *Ibid.*, paragraphs 40, 78. Substantial work on poverty and sustainable livelihoods has been, and is, undertaken by the United Nations Development Programme.

⁵ The proposed RETA first appeared in ADB Business Opportunities in February 2000 (Internet edition).

- (iii) The poorest 20 percent of households accounted for just over 5 percent of income, while the richest 20 percent accounted for 50 percent of income (compared with India's figures of 8.5 percent and 42.6 percent , respectively).
- (iv) The Gini coefficient for household income was 0.461 (compared with 0.34 for India, 0.42 for the People's Republic of China, and 0.63 for Brazil), and ranged from 0.378 in rural areas to 0.507 in urban areas.

5. A World Bank report on Papua New Guinea (PNG) based on a 1996 household survey concluded that

- (i) approximately 37 percent of the population lived below a poverty line of \$350 per year (1996 prices).
- (ii) 31 percent of the population lived below the poverty line of \$1 per capita per day (1985 purchasing power parity prices): this was high compared with countries of similar income levels;
- (iii) 93 percent of the poor lived in rural areas, where 41 percent were below the \$350 per annum poverty line; and
- (iv) The Gini coefficient of household expenditure (0.46) was high compared with countries of similar income levels.⁶

6. Fiji and PNG are the only two PDMCs for which country-specific poverty lines have been established and the extent and severity of poverty documented (although in the Fiji case data are relatively old being based on household surveys conducted in 1990-1991). In both cases, significant percentages of the population are worse off than average income levels might suggest. Two other lower middle-income Melanesian countries where this is likely to be true are Solomon Islands and Vanuatu. Like PNG, they rank in the low human development category.⁷ They also score poorly on the United Nations Development Programme's (UNDP's) Gender-related Development Index, and rank high on the Human Poverty Index compared with 72 other developing countries.⁸

7. PDMCs other than PNG, Solomon Islands, and Vanuatu exhibit, to varying degrees, higher levels of human development and lower levels of human poverty. The table summarizes the data. Nonetheless, in all cases, poverty profiling is needed to establish the real nature and extent of poverty.

8. In addition, PDMCs are especially vulnerable to external economic shocks and natural disasters; and poverty and vulnerability are linked because the latter threatens the sustainability of livelihoods. A composite vulnerability index has been calculated and is a weighted aggregate

⁶ World Bank, *Papua New Guinea: Poverty and Access to Public Services*, Report No. 19584-PNG, October 1999.

⁷ UNDP's *Human Development Report 1998* ranks Solomon Islands, Vanuatu, and Papua New Guinea as 123rd, 124th, and 129th, respectively in a list of 174 developed and developing countries.

⁸ UNDP, *Pacific Human Development Report 1999: Creating Opportunities*, Suva, Fiji, 1999. The Human Poverty Index is a composite of the percentage of people not expected to survive to age 40, the percentage of adults who are illiterate, the percentage of underweight children, and the percentages of people without access to safe water and health services. Using this index, Papua New Guinea (52.2), Solomon Islands (49.1), and Vanuatu (46.4) can be grouped with such countries as Bangladesh, Ivory Coast, Mali, and Mozambique.

of openness as measured by export dependence, economic diversification as measured by the diversification index of the United Nations Conference on Trade and Development (UNCTAD), and susceptibility to natural disasters as measured by the proportion of population affected by disasters during 1970-1996. Among 111 developing countries, the PDMCs that were included ranked as follows: Vanuatu 1st (and most vulnerable); Tonga 3rd; Fiji 8th; Solomon Islands 11th; Samoa 20th; PNG 30th; and Kiribati 59th.⁹ Further work is needed to update and extend the country coverage of vulnerability indexes, prior to an analysis of the implications of vulnerability for formulation of poverty reduction strategies. Such analysis would have to consider the probability of disasters occurring, and the associated expected economic losses.

PDMCs' Human Development and Human Poverty Indices

Country	Human Development Index	Human Poverty Index
Cook Islands	0.822	6.1
Fiji Islands	0.667	8.5
Nauru	0.663	12.1
Tonga	0.647	5.9
Samoa	0.590	8.6
Tuvalu	0.583	7.3
Fed. States of Micronesia	0.569	26.7
Marshall Islands	0.563	19.5
Kiribati	0.515	12.6
Vanuatu	0.425	46.4
Solomon Islands	0.371	49.1
Papua New Guinea	0.314	52.2

Source: UNDP, *Pacific Human Development Report 1999: Creating Opportunities*, Suva, Fiji, 1999, pp. 16 and 18. The Human Development Index numbers in this report are not comparable with those in the UNDP's *Human Development Report 1998* because they use Gross Domestic Product (GDP) per capita expressed in US dollars at market exchange rates, rather than GDP per capita in purchasing power parity terms.

III. THE TECHNICAL ASSISTANCE

A. Objectives

9. The objectives of the RETA are (i) to prepare poverty assessments for each of the 12 PDMCs, using existing data, and consulting with government, the private sector, and civil society; and (ii) to assist the governments of Solomon Islands and Vanuatu in their efforts to generate and analyze data for poverty profiling. Achievement of these objectives will provide a foundation for ADB's dialogue with PDMC governments on the development of poverty reduction strategies, and for the effective monitoring of the implementation of such strategies.

B. Scope

10. The scope of the poverty assessments will vary across the PDMCs according to country socioeconomic circumstances, data availability, and the extent to which poverty is perceived to be an issue. However, all assessments will include the following components:

⁹ Joint Commonwealth Secretariat/World Bank Task Force, Conference on the Small States, St Lucia, West Indies, February 17-19, 1999, *Small States: A Composite Vulnerability Index*.

- (i) a poverty profile (with rural-urban breakdowns where possible) with economic indicators (including income per capita, labor market data, vulnerability index); social indicators (life expectancy, child and maternal mortality, and male and female literacy); demographic indicators (fertility, contraceptive prevalence, urbanization); environmental vulnerability indicators; measures of inequality; and available data on the poor — who they are (gender, age, and ethnic group); how numerous they are; where and how they live; what assets they own or can access; what economic and environmental risks they confront; and what basic services they can access;
- (ii) an analysis of the causes of poverty;
- (iii) an analysis of the effectiveness of government's role in promoting pro-poor, sustainable economic growth;
- (iv) an analysis of the distributional impacts of macroeconomic policy;
- (v) an analysis of the efficiency and effectiveness of government's efforts to improve the access of the poor to basic services (including health, education, utilities, and transport), and of the role of non-government organizations and the private sector as service providers;
- (vi) an examination of the affordability and effectiveness of social safety nets available to protect the poor and vulnerable; and
- (vii) preliminary recommendations of prioritized and feasible government actions to reduce poverty through economic management, access to basic services, and provision of safety nets.

11. In the Melanesian group of PDMCs, there already is evidence of significant poverty in the cases of Fiji and (especially) PNG; and there is a prima facie case for its existence in the cases of Solomon Islands and Vanuatu. In the latter two cases, the scope of the RETA will extend to the identification of appropriate poverty indicators and the improvement of data availability through sample survey and participatory methods, with an associated strengthening of domestic capacities for data collection and analysis. Assistance can be provided for the design and implementation of household income and expenditure surveys that could be conducted at regular intervals.¹⁰ These surveys would provide a basis for establishing poverty lines; for calculating the extent, depth, and severity of poverty; and, if conducted at regular intervals, for monitoring progress in poverty reduction and evaluating the impact of policies, programs, and projects on the lives of the poor.

12. The TA framework is shown in Appendix 1.

C. Cost Estimates and Financing Plan

13. The total cost of the RETA is estimated at \$400,000 equivalent. The TA will be financed by ADB on a grant basis from the ADB-funded TA Program. Detailed cost estimates are presented in Appendix 2.

¹⁰ This provision is expected to apply to Solomon Islands, whereas in Vanuatu assistance is needed for analysis of data generated by a 1998 household income and expenditure survey.

D. Implementation Arrangements

14. ADB will be the Executing Agency for the RETA, which will involve eight person-months of international consulting services. A poverty assessment expert will be recruited for 6 person-months, and an economic statistician will be recruited for 2 person-months, in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants. Detailed terms of reference are presented in Appendix 3. In addition, a domestic consultant will be engaged to work at ADB headquarters for eight person-months as an administrative/research assistant and will prepare quarterly progress reports for management, and a final report upon completion of the RETA. The RETA is expected to commence in June 2000 and to be completed by January 2001.

15. The consultants will liaise closely with country desk officers in the Office of Pacific Operations throughout the period of the RETA, in order to ensure that poverty assessments are linked effectively to the formulation of country poverty reduction strategies. Comments on poverty assessments completed under the RETA will also be sought from relevant divisions of ADB, including the Poverty Reduction Unit, and from other external agencies conducting poverty assessments in PDMCs. Close coordination with UNDP and the World Bank will ensure that duplication of work is avoided.

16. Computing equipment and software required under the RETA will be procured in Manila with assistance from ADB's Office of Information Systems and Technology. Acting on advice from the consultants, ADB's Office of Pacific Operations will be responsible for organizing and managing in-country training workshops, seminars, and conferences funded by the RETA.

IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, on a grant basis, in an amount not exceeding the equivalent of \$400,000 for the purpose of Poverty Assessment in Pacific Developing Member Countries, and hereby reports such action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal: Development of Pacific Developing Member Countries (PDMCs) poverty reduction strategies and associated ADB assistance strategies</p>	<p>Drafting of poverty reduction strategies by mid 2001</p>	<p>ADB staff</p>	<p>Poverty is a significant problem Governments committed to poverty reduction</p>
<p>Objectives: (i) to prepare poverty assessments for each of the 12 PDMCs, using existing data, and consulting with government, the private sector, and civil society; (ii) to assist the governments of Solomon Islands and Vanuatu in their efforts to generate and analyze data for poverty profiling.</p>	<p>Preparation by January 2001, and subsequent publication of, poverty assessments Improved domestic capacity for data collection and analysis</p>	<p>ADB staff</p>	<p>Effective consultative and participative process Availability of appropriately qualified counterpart staff for the required period</p>
<p>Outputs: (i) country poverty profiles; (ii) analyses of the effectiveness of government's role in promoting pro-poor, sustainable economic growth; (iii) analyses of the efficiency and effectiveness of government efforts to improve the health and education of the poor; (iv) examinations of the affordability and effectiveness of social safety nets available to protect the poor and vulnerable; and (v) preliminary recommendations of prioritized and feasible government actions to reduce poverty.</p>	<p>Formulation of a timetable for production of profiles, analyses, and recommendations</p>	<p>ADB staff</p>	<p>Timetable for preparation adhered to, with TA personnel encountering no disruptions to work programs</p>
<p>Activities: Technical assistance (TA) personnel to undertake work as specified in Terms of Reference. Counterpart staff available</p>	<p>Qualified TA personnel recruited and in place as scheduled</p>	<p>ADB staff</p>	<p>Appropriate TA personnel available for required period</p>

(Reference in text, page 4, para. 12)

COST ESTIMATES AND FINANCING PLAN

Item	Foreign Exchange	Total Cost
1. Consultants		
a. Remuneration and Per Diem		
i. International Consultants	144,000	144,000
ii. Domestic Consultants	24,000	24,000
b. International and Local Travel	10,000	10,000
c. Reports and Communications	15,000	15,000
2. Equipment	5,000	5,000
3. Training, Seminars, and Conferences		
a. Facilitators	20,000	20,000
b. Training Program	25,000	25,000
4. Surveys	100,000	100,000
5. Miscellaneous Administration and Support Costs	5,000	5,000
6. Contingencies	52,000	52,000
Total	400,000	400,000

Source: Staff estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Individual International Consultants

1. A total of eight person-months of consultancy services is to be provided for the preparation of preliminary poverty assessments of the 12 Pacific developing member countries (PDMCs) of the Asian Development Bank (ADB); in-depth assessments of the Melanesian group of Fiji, Papua New Guinea, Solomon Islands, and Vanuatu; and, in selected cases, assistance in sample survey design, implementation, and data analysis. The consultants will include an expert in poverty assessments (six person-months), and an economic statistician (two person-months).
2. The expert in poverty assessments will have:
 - (i) a tertiary level qualification in economics or other relevant social science discipline;
 - (ii) substantial experience in the theory and practice of poverty assessments in developing countries;
 - (iii) a sound knowledge of Pacific island economies and societies; and
 - (iv) demonstrated skills in engaging in a consultative process with governments, non-government organizations, the private sector, and civil society.
3. The consultant's responsibilities are to
 - (i) work with the domestic consultant to establish a poverty information base and identify information gaps; and
 - (ii) prepare for the PDMCs poverty assessments that include poverty profiles; with analyses of (a) causes of poverty outcomes, (b) effectiveness of economic management, (c) adequacy of access to basic services, (d) efficiency and effectiveness of safety net provisions, and (e) preliminary recommendations of appropriate poverty-reducing actions by governments.
4. The economic statistician will have:
 - (i) a tertiary degree in economics or statistics;
 - (ii) substantial experience in the design and implementation of household income and expenditure surveys in developing country environments, preferably including in Pacific island states;
 - (iii) well-developed skills in survey data analysis; and

- (iv) an ability effectively to transfer knowledge and skills to counterpart staff in government agencies.
5. The consultant's responsibilities are to
- (i) advise the selected PDMC governments on the design and implementation of household income and expenditure surveys,
 - (ii) advise staff of the statistical agencies on data analysis and reporting of survey results; and
 - (iii) prepare a report on the advisory activities completed.

B. Domestic Consultant

6. An administrative/research assistant will be engaged for eight person-months to provide assistance to ADB staff. The assistant's specific duties are to
- (i) thoroughly review published and unpublished sources of information pertinent to the completion of poverty assessments for each of the PDMCs;
 - (ii) help manage the regional technical assistance (RETA), including the organization of any in-country seminars and workshops; and
 - (iii) contribute to the evaluation of the TA, including preparation of the technical assistance completion report.

(Reference in text: page 4, para. 15)