

OPERATIONS MANUAL BANK POLICIES (BP)

These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.

POVERTY REDUCTION

A. Introduction

1. ADB adopted poverty reduction as its overarching goal in 1999. The strategy for achieving this goal is described in *Fighting Poverty in Asia and the Pacific—the Poverty Reduction Strategy of the Asian Development Bank (the PRS)*.¹ The strategy was reviewed in *Review of ADB's Poverty Reduction Strategy*.² This OM section summarizes key elements of the strategy as amended by the review.

B. The Policy

2. ADB's overarching goal is to help its developing member countries (DMCs) reduce poverty and improve living conditions. Poverty is a multidimensional phenomenon—both income (or consumption) and non-income dimensions—representing a deprivation of essential assets and opportunities to which every human is entitled. The framework of the PRS requires ADB support to be focused on the three interrelated pillars of pro-poor sustainable economic growth, social development, and good governance. To enhance and sustain inclusive development, the PRS also gives emphasis to five thematic priorities—capacity development, environmental sustainability, gender equality, private sector development, and regional cooperation. The Millennium Development Goals provide all development stakeholders, including ADB, with a framework of targets and indicators to help measure progress in reducing poverty in the region.

3. In pursuing poverty reduction, ADB ensures country focus by formulating its assistance around countries' own national poverty reduction strategies (NPRS). The scope and content of ADB support for poverty reduction is determined based on (i) thorough, and participatory, analyses of constraints to and opportunities for poverty reduction within its DMCs; (ii) ADB's own capacity; and (iii) assistance programs of development partners. ADB collaborates closely with all development partners in areas such as undertaking poverty assessments and other analytical work, identifying priority areas for its support to the DMCs, and implementing its assistance program in the DMCs. ADB's medium-term assistance plan is laid out in country strategies and programs (CSPs), and is updated through annual CSP updates.³ This approach applies, in principle, to ADB's operations at the subregional and regional levels.

¹ ADB. 1999. *Fighting Poverty in the Asia and Pacific Region—The Poverty Reduction Strategy of the Asian Development Bank*. Manila. In 2001, ADB adopted a long-term strategic framework to guide its strategic management toward realizing its vision of Asia and the Pacific without poverty over the next decade and a half. See ADB. 2001. *Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: the Long-Term Strategic Framework of the ADB (2001-2015)*. Manila.

² ADB. 2004. *Review of ADB's Poverty Reduction Strategy*. Manila.

³ See OM Section A2: Country Strategy and Program.

4. Considering the centrality of CSPs in determining ADB's assistance in DMCs, the PRS commits ADB to strengthen mechanism for assuring quality at entry of CSPs and associated sector and thematic analytical work. Such a mechanism seeks to ensure (i) greater focus by operations departments on the quality of country analytical work; (ii) enhanced oversight by Management and nonoperational departments; and (iii) an improved system to ensure quality at entry of CSPs, and make them "evaluable." To support this mechanism, a results framework will be introduced in each CSP. The results framework will show the linkages between the constraints to poverty reduction identified in poverty assessments, the proposed program, and desired outputs and expected outcomes.

5. To ensure effective delivery, ADB will manage the PRS through a results-based, monitoring and evaluation system. The system will help ADB assess progress and test assumptions, providing feedback for improvement of ADB's effectiveness at project, country, sector, and institutional levels. The system will be grounded on tracking inputs and measuring results. At the project level, ADB monitors the contribution of individual projects to outcomes specified in CSPs. Monitoring and evaluation at the country level will be based on CSPs. At the sector level, ADB monitors the progress in implementing sector specific strategies, improving the quality and alignment of projects with the PRS, implementing the projects, and contributing to knowledge management. Information on the progress achieved at these levels will also be integral to the ADB's framework to manage for development results, particularly through enhanced monitoring and evaluation at the institutional level.⁴

6. The PRS requires ADB to strengthen and realign its financial and organizational capacity to better respond to DMC needs.

C. Scope of the Policy

7. The PRS covers all aspects of ADB operations. Other OM sections provide summaries of ADB policies and operational procedures to guide staff in aligning ADB operations with the overarching goal of poverty reduction. This OM should be read with OM sections of other policies, which operationalize the PRS.

⁴ A separate Board paper on the Managing for Development Results is under preparation.

Basis: This OM section is based on: ADB. 1999. Doc. R179-99, *Fighting Poverty in Asia and the Pacific – The Poverty Reduction Strategy of the Asian Development Bank*, 19 October. Manila.

ADB. 2001. Doc. Sec. M17-01, *Long-Term Strategic Framework of the Asian Development Bank (2001-2015)*, 21 February. Manila.

ADB. 2004. Doc. Sec. R95-04, *Review of the Asian Development Bank's Poverty Reduction Strategy*, 10 June. Manila.

For inquiries: Questions may be directed to Regional and Sustainable Development Department.

**OPERATIONS MANUAL
OPERATIONAL PROCEDURES (OP)**

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POVERTY REDUCTION

This OM section does not contain operational procedures.