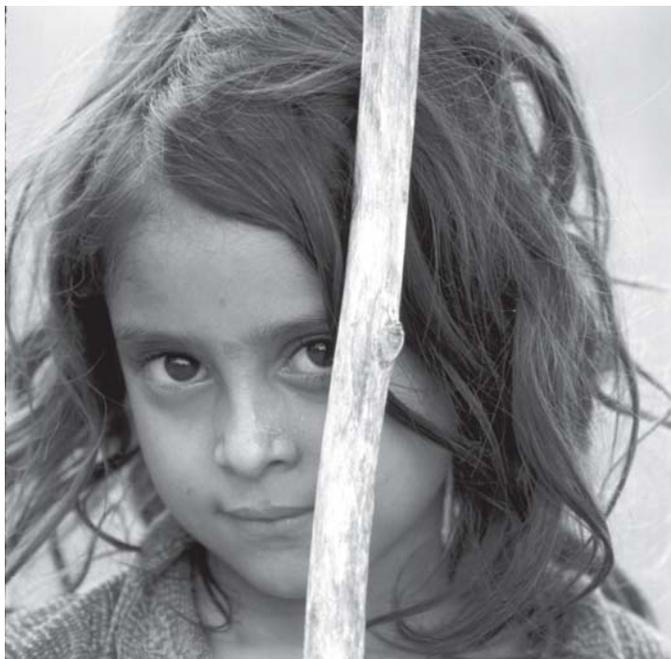


OUR FRAMEWORK Policies and Strategies

ADB



ENHANCING THE FIGHT AGAINST POVERTY IN ASIA AND THE PACIFIC

The Poverty Reduction Strategy
of the Asian Development Bank

Asian Development Bank

Foreword

The Asian Development Bank (ADB) formally adopted poverty reduction as its overarching goal in 1999 and announced its Poverty Reduction Strategy (PRS) to achieve this end. Four years after the adoption of the PRS, a comprehensive review was undertaken to obtain feedback from the implementation experience of the PRS and examine its relevance in the context of the major changes that have occurred both within the region and globally. This process was completed in July 2004. This document summarizes the essential elements of ADB's strategy for poverty reduction today enhanced by feedback from the review.

Back in 1999, the region was still reeling from the economic crisis that had struck two years earlier. There has since been a strong economic recovery from the 1997 financial crisis, but the region is now facing new political and economic challenges. In addition, a new global architecture for development cooperation has emerged with the adoption of the Millennium Development Goals as the benchmark for monitoring progress in poverty reduction. The new architecture places stronger emphasis on development partnerships, harmonization, results orientation, and capacity development of developing countries in support of poverty reduction.

The PRS review has confirmed that in the face of all these challenges and changes, the basic framework for poverty reduction comprising the three pillars—pro-poor, sustainable economic growth; social development; and good governance—has retained its relevance. But to achieve greater effectiveness, the review recommends refinements in strategic directions, including a greater country focus that will align ADB operations with a country's own poverty reduction strategy and the fostering of partnerships around the strategy. It also calls for increased attention to results, monitoring, and evaluation; and greater emphasis on capacity development.

Despite significant progress, the scourge of poverty is still all too prevalent in Asia and the Pacific, which remains home to two thirds of the world's poor. Income poverty may have declined in recent years, but progress has been far too slow in many other areas. We can and must accelerate our efforts, build on past successes, and re-energize ourselves in order to improve significantly the impact of ADB's interventions to reduce poverty. Building on the experience of DMCs and the findings of the review, the enhanced PRS will guide ADB toward achieving its vision of Asia and Pacific region free from poverty.

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Abbreviations

ADB	– Asian Development Bank
ADF	– Asian Development Fund
CSP	– country strategy and program
DMC	– developing member country
GMS	– Greater Mekong Subregion
M&E	– monitoring and evaluation
MDG	– Millennium Development Goal
MfDR	– management for development results
NGO	– nongovernment organization
NPRS	– national poverty reduction strategy
PPA	– poverty partnership agreement
PRS	– Poverty Reduction Strategy
RCSP	– regional cooperation strategy and program
RSDD	– Regional and Sustainable Development Department
SWAp	– sector-wide assistance approach

I. The Asian Development Bank's Mission

A. Poverty Reduction: the Overarching Goal of the Asian Development Bank

1. The goal of an Asia-Pacific region free of poverty clearly defines the mission of the Asian Development Bank (ADB). All other strategic objectives will be pursued in ways that contribute most effectively to this goal. Poverty is an unacceptable human condition in the 21st century. It is not immutable; public policy and action can and must help eliminate it. Although considerable progress in reducing poverty in the region has been made, almost two thirds of the world's poor live in Asia and the Pacific. This must change.

2. Poverty is characterized by a lack of access to essential goods, services, assets, and opportunities to which every human being is entitled. Everyone should be free from hunger, should be able to live in peace, and should have access to basic education and primary health care services. Poor households need to sustain themselves by their labor and be reasonably rewarded and should have a degree of protection from external shocks. In addition, individuals and societies are also poor—and tend to remain so—if they are not empowered to participate in making the decisions that shape their lives.

3. ADB has always been concerned with poverty reduction. Beginning with a focus on economic growth, ADB has progressively expanded its development approach to encompass a wide range of social and environmental concerns. The experience gained in the Asia-Pacific region has given rise to unprecedented confidence that absolute poverty can be substantially reduced.

4. Following the United Nations Millennium Declaration, ADB incorporated the Millennium Development Goals (MDGs) that clearly enunciate targets for

reducing income and non-income dimensions of poverty into its poverty reduction strategy. Progress on achieving the MDGs will be used to monitor the strategy's impact. On an operational level, ADB assists its developing member countries (DMCs) to integrate the MDGs into their national poverty reduction strategies and to monitor their progress.

B. Reducing Poverty by Building on Success

5. In the early 1970s, more than half the population of the region was poor. In 1990, about 32% or 900 million people in the region survived on less than US\$1 a day. By 2000, this number had declined by around 180 million to 720 million. This was achieved in spite of a major financial crisis in 1997 that depressed regional growth and triggered a temporary setback in poverty reduction.

6. There is still a long way to go, however. Poverty remains at unacceptable levels and progress has been uneven across the region. During the 1970s and 1980s, poverty reduction was most pronounced in East and Southeast Asia. During the past decade, on the other hand, it has been most apparent in the People's Republic of China and in India. According to official estimates, the incidence of poverty declined from 31% to 16% in the People's Republic of China and from 41% to 33% in India. The rest of the Asia-Pacific region did not experience major improvement.

7. In addition, less progress has been made in the non-income dimensions of poverty. For instance, the mortality rate of children under 5 years in the region fell from 85 per 1,000 live births in 1990 to 70 in 2000, a rate too slow to meet the MDG target of reducing under-five mortality by two thirds by 2015. The biggest challenge lies in South Asia where child and infant mortality rates remain exceptionally high. Under-five mortality rates declined slowly there in the 1990s from 120 to 94 per 1,000 live births while infant mortality was reduced from 69 to 58 per 1,000 live births. Progress in reducing the proportion of undernourished children, in expanding immunization coverage, in increasing the number of births attended by skilled health staff, and in combating HIV/AIDS also remains slow. These indicators are strongly linked to the poor status of women.¹

¹ See Economic and Social Commission for Asia and the Pacific (ESCAP) and United Nations Development Programme (UNDP). 2003. *Promoting the Millennium Development Goals in Asia and the Pacific*. Bangkok: ESCAP and UNDP.

8. Thus, while the Asia-Pacific region as a whole appears to be on track for meeting the MDGs for income poverty, several countries are likely to be left behind. Others that are likely to meet the overall target may still have sizable pockets of poverty. In addition, accelerating the pace of progress to meet the MDG targets relating to non-income poverty also continues to be a formidable challenge.

C. ADB's Response to the Challenges

9. In January 2002, ADB reorganized its operations to align its structure and business processes with its overarching goal of poverty reduction. To achieve greater country focus and client orientation, operations are being progressively decentralized to resident missions that have been considerably strengthened. More specialists in poverty and social development were recruited to bolster ADB's internal capacity to address poverty reduction. In ADB headquarters, the Regional and Sustainable Development Department (RSDD) was established to help align policies with the poverty reduction strategy (PRS), to review the quality of operations, and to foster knowledge management. Research analyzing the impact of poverty was undertaken to better inform country strategies and project design.

10. The review of the PRS indicates that the greater strategic focus on poverty reduction had a perceptible impact on ADB and its operations. Partnerships with civil society and other development agencies were strengthened. At the country level, poverty assessments helped to inform assistance programs while country strategies and programs (CSPs) generally became more sharply focused on poverty reduction. The review concluded that the strategic focus and orientation of the 1999 PRS continue to be relevant. It recommended that ADB's country support be more closely aligned with national poverty reduction strategies; that more comprehensive approaches to monitoring be adopted; and that the focus of ADB performance monitoring be shifted to results in the DMCs related to the MDGs.

11. ADB draws on strengths that equip it uniquely to reduce poverty. These include the exclusive focus on Asia and the Pacific; regional location; and majority shareholding of regional members. At the same time, the participation of members outside the region ensures that global resources and perspectives are brought to bear on regional development issues. ADB undertakes grant-financed assistance, public sector lending, and private sector operations under a single roof and takes advantage of the synergies that result.

12. While the primary responsibility for poverty reduction rests with DMCs themselves, ADB's intellectual and financial contributions can play a crucial, catalytic role in reinforcing national efforts. The enhanced PRS embodies ADB's commitment to eradicate poverty in the region.

II. A Framework for Poverty Reduction

Pillars of the Poverty Reduction Strategy

13. The nature of poverty is complex, and its causes are diverse. The poor may not have acquired essential assets or capabilities because they live in remote, conflict-prone, or resource-poor areas. They may be vulnerable due to age, health, living environment, or occupation. Economic stagnation may limit opportunities for gainful or productive employment. The poor may be denied access to assets or services because they belong to an ethnic minority or a community considered socially inferior, or simply because they are female, disabled, or just different. At a broader level, poverty may stem from situations where gross inequality persists because of vested interests and entrenched power structures. The great diversity of the conditions and causes of poverty implies that interventions to reduce it must be tailored to particular circumstances.

14. An effective strategy for poverty reduction must help to achieve pro-poor, sustainable economic growth; inclusive social development; and good governance. These three pillars constitute the framework of the PRS and are closely linked and mutually reinforcing. Successful poverty reduction therefore requires policies that simultaneously strengthen all three. The relative importance of each pillar will depend on country circumstances at a particular time.

15. Within the framework of the three pillars, interventions for poverty reduction can be short term (such as those that sustain basic services to the poor); medium term (such as targeted interventions); or long term (such as those that build human resources, stimulate pro-poor growth, and encourage expansion of the private sector). ADB's main strengths lie in financing relatively large investments with medium- or long-term impact and in conducting dialogue with governments to support policy and institutional reforms that have a widespread, indirect impact.

A. Pro-poor, Sustainable Economic Growth

16. Rapid, broad-based economic growth is the single most important factor in sustaining poverty reduction. The experience of the East and Southeast Asian economies highlights the importance of a dynamic public policy and an active state role in creating enabling conditions for rapid economic growth.

17. **The Growth-Poverty Nexus.** The complex relationship between economic growth and poverty reduction is illustrated by long-term trends in Asia. From the 1960s until about the mid-1990s, the “miracle” economies of East Asia grew faster than any other group of developing countries in the world. By the 1990s, poverty had been virtually eliminated in the newly industrialized East Asian economies, while Indonesia, Malaysia, and Thailand had also made impressive strides. The social indicators of many of these countries are gradually converging toward industrial country averages. In contrast, South Asia experienced sluggish growth in the three decades preceding the early 1980s with per capita income growth averaging about 1.5–2.0% per annum. Poverty reduction was correspondingly lackluster.

18. The relationship between economic growth and poverty is two-way in nature. High, sustained growth increases labor demand and wages, reducing poverty. Better earnings lead to increased labor productivity and growth. Growth also improves public revenues and enables more public spending on physical and social infrastructure, helping reduce poverty as well as improving an economy’s productive potential.

19. **Policies for Labor-Utilizing Growth.** While economic growth favors poverty reduction, broad-based, labor-utilizing growth will have a stronger impact. A combination of sound macroeconomic management and policies that encourage steady growth in employment has proven to be a powerful pro-poor measure. Such policies include the gradual removal of market-distorting interventions. Other policies in this category are those that develop a conducive environment for the private sector and those aimed at increasing employment and income-generating opportunities for women and other groups that may be outside the formal labor force. Similarly, opportunities for self-employment have made an important contribution to poverty reduction.

20. **Growth and Private Sector Development.** The private sector, the engine of growth, has a direct role in poverty reduction. It can participate in building physical and social infrastructure including provision of basic services that will benefit the poor. For the private sector to contribute more effectively to the delivery of such services, an enabling environment must be established, and the financial sector must be developed. As the role of the private sector expands, the role of the government should shift from the owner and producer of goods and services to that of a facilitator and regulator. An effective regulatory framework becomes critical to promote competition, enforce fair practices and standards, and ensure that essential services reach the poor.

21. **Growth and Infrastructure.** Infrastructure development has both social and economic effects. It can contribute to poverty reduction both indirectly by fostering growth and development, as well as directly through job creation and improving access to economic activities and basic social services. For an economy to grow, expanding infrastructure and related services that enhance capacity and efficiency are essential. Expanding opportunities at the local level requires integration with national markets which infrastructure can facilitate. Market-driven growth typically benefits better-off areas where infrastructure and human capital are already reasonably well advanced. In underdeveloped areas, poorer households may not be able to share in the expanding opportunities provided by growth elsewhere, and targeted public investment may be necessary.

22. **Regional Cooperation to Underpin Growth.** Another important way to accelerate growth is regional and subregional cooperation that offers larger markets, economies of scale, and division of labor. Such cooperation is especially useful for small countries with limited options. Cooperation may work best at the subregional level as in the Greater Mekong Subregion (GMS) and the “growth triangles” pioneered by ADB in the Association of Southeast Asian Nations, South Asia, and the Central Asian republics. In order to strengthen and support such cooperation, ADB prepares and implements regional cooperation strategies and programs (RCSPs). Several RCSPs have been prepared and are being implemented such as for the GMS and Central Asia. In 2003, ADB prepared its first RCSP for the Pacific.

23. **Environmental Sustainability.** Environmental sustainability is central to pro-poor economic growth. Growth will be short-lived if it does not conserve the natural environment and resources. Although much damage

in the past was caused by powerful vested interests, the pressures of poverty and population compound the threat through deforestation, overgrazing, and depletion of fish stocks. The rural poor are often forced to live on fragile lands and waters that require sensitive resource management in the face of increasing degradation. The urban poor are exposed to disease and illness resulting from overcrowding and polluted living conditions. Poverty reduction strategies need to incorporate policies and actions that enhance the quality and productivity of the environment and natural resources.

B. Inclusive Social Development

24. Economic growth must be accompanied by effective social development programs that enable disadvantaged groups in society to benefit from the expanding opportunities it provides. ADB supports the efforts of DMCs by helping them plan for human capital development and by developing the policies, institutions, and infrastructure needed to deliver basic social services to the poor effectively. Consistent with the MDGs, ADB recognizes that each person should have access to basic education, primary health care, and other essential services. Such access creates opportunities for poor people to improve the quality of their lives and to participate more fully in society. A proactive approach needs to be adopted to help reverse social and economic discrimination and to promote initiatives that meet the needs of previously excluded groups. The reach and sustainability of social development is improved when all people, especially the poor and excluded, have an opportunity to participate in shaping public policies and programs. Ensuring that the voice of the poor is heard at all levels of decision making is central to the success of social development efforts.

25. **Human Capital.** Human capital is often the only asset of the poor, and its development is of fundamental importance in poverty reduction. Building marketable skills, protecting the poor against health hazards and risks, and eliminating harmful practices like child labor are central to the development of human capital. It is necessary to ensure the relevance, quality, and quantity of social services to boost the productivity and participation of all members of society.

26. **Population Policy.** The correlation between family size and self-perpetuating poverty is generally strong, especially in rural areas. Most countries realize the need to reduce population growth by giving highest priority to (i) ensuring universal education for girls, (ii) providing accessible

reproductive health services, and (iii) increasing economic opportunities for women.

27. **Gender and Development.** In many societies, women suffer disproportionately from the burdens of poverty and are systematically excluded from access to essential assets and services. Improving their status addresses a key aspect of poverty and provides important socioeconomic returns through reduced health and welfare costs and lower rates of fertility and maternal and infant mortality. Giving women voice and promoting their full participation can make important contributions to the overall development of society.

28. **Social Capital.** When poverty is pronounced, social cohesion is often weak, and communities suffer from conflict, marginalization, and exclusion. In such cases, strong, proactive policies are required to reverse perceptions of social and psychological inferiority, to foster a sense of empowerment, and to create genuinely participatory institutions. Social capital and a more inclusive society can be promoted through antidiscrimination legislation, land reform, legal recognition of user groups, and accessible systems of justice. Specific measures may be required to provide suitable social services and equitable access to economic opportunity for ethnic minorities.

29. **Social Protection.** Every society has people who are vulnerable because of age, illness, disability, natural disasters, economic crises, or civil conflict. Social protection comprises a cluster of programs designed to assist individuals, households, and communities to manage risks better and to ensure economic security. Such programs include old age pensions, unemployment and disability insurance, and social safety nets. Also included are policies to improve labor mobility and to enforce labor standards. Adopting efficient strategies and public programs for managing risk and vulnerability can help enable the poor and the excluded to participate in economic growth and development.

C. Good Governance

30. **Public Sector Reform.** Good governance is critical to poverty reduction as weak governance hurts the poor disproportionately. Public sector inefficiency, corruption, and waste leave insufficient resources for basic public services and antipoverty programs. Good governance facilitates participatory, pro-poor policies as well as sound macroeconomic management that

encourages economic growth and maintains price stability. Better revenue administration and carefully prioritized and implemented expenditures, particularly for basic services, are essential. Lack of accountability, domination by local elites, widespread corruption, historic patterns of inequality, and lack of participation of the poor must also be addressed in public service delivery in order to raise the living standards of the poor.

31. **Corporate Governance.** Good governance is necessary in the private sector as well to protect depositors, investors, and consumers; to enhance competition; to increase efficiency; and to expand financial resources for all. As the Asian economic and financial crisis of 1997 has shown, good governance is also essential to avoid or reduce the severity of economic shocks in an era of increasing liberalization and globalization.

32. **Mainstreaming Good Governance.** ADB mainstreams good governance into its operations. It strives to devolve the provision of public services to the lowest appropriate level. ADB assists DMC governments to operate in a transparent and accountable manner, to uphold basic rights, to provide public safety, and to promote the rule of law and stresses the importance of legal reform. Participatory processes involving civil society and the poor in promoting and sustaining responsive, responsible government are emphasized.

33. **Partnerships with Civil Society.** Civil society has an important role to play in fostering good governance. Numerous nongovernment organizations (NGOs)—both national and international—are engaged in development work or in championing the legal rights of the poor. The establishment of the NGO Center in 2001 has greatly facilitated ADB’s coordination and collaboration with them. NGOs have also been closely involved in preparing ADB policies particularly in water, energy, environment, and social protection. ADB will continue to cooperate with NGOs to benefit from their experience and perspective and to take advantage of their grassroots networks.

III. The Strategy

34. The following sections describe how the three pillars translate into a comprehensive strategy to guide policy reform, investment projects, and capacity building in individual countries.

A. Greater Country Focus

35. Focusing on individual countries is an essential element of the PRS and requires improving the quality of poverty and other analytical work; strengthening partnerships around national poverty reduction strategies (NPRS); and developing high-quality, results-oriented country strategies and programs.

1. Country-Focused Poverty Analysis

36. The analysis begins with a comprehensive examination of the constraints and opportunities for poverty reduction in each country that assesses the nature, intensity, and spread of poverty; its many causes; the effects of public policies; the focus and efficiency of public expenditures; and the effectiveness of government programs and institutions. ADB will involve other stakeholders in the analysis and will build on the extensive data already developed by governments and the donor community. It will also review poverty targets under the MDGs and sector strategies. In addition, the analysis will discuss the relationship between the incidence of poverty and interventions in the thematic areas and sectors. Wherever possible, ADB makes extensive use of poverty assessments done by development partners.

37. ADB recognizes that a great deal of work is ongoing in the region and that many borrowing countries have well-developed poverty reduction strategies and monitoring systems, in some cases developed with ADB's help. ADB will also support improved data collection and management, research, and poverty analysis. The ADB Institute will assist in formulating long-term

strategies for economic and social development and poverty reduction. Poverty assessments will review and comment on national strategies and recommend policies.

2. Building Partnerships around National Poverty Reduction Strategies

38. Prospects for poverty reduction are greatest if DMCs lead the preparation of the NPRS and commit to its full implementation. ADB should strengthen its operational links to the NPRS by fully mobilizing all stakeholders, strengthening partnerships, and improving the quality of its CSP. ADB's resident missions will play lead roles in these efforts.

39. Developing partnerships is essential to poverty reduction and attaining the MDGs; DMC governments must take the lead. ADB collaborates with United Nations agencies and multilateral banks to assess poverty, to understand various approaches to reduce it, and to support preparation and implementation of the NPRS. Such partnerships also allow ADB to mobilize complementary resources to scale up interventions and access grant funds to test innovative approaches to poverty reduction. NGOs have also been actively involved in formulating ADB's new framework for ADB-NGO cooperation for 2003-2005.

40. Close cooperation and harmonization efforts among development partners can reduce transaction costs and thus increase development effectiveness. ADB will further its collaboration with the International Monetary Fund and the World Bank, United Nations agencies, and bilateral development organizations to include country strategy, program implementation, analytical work, cofinancing, sector-wide assistance approaches (SWAs), policy advocacy, and measuring and monitoring accomplishments in relation to the MDGs and to other poverty indicators. Working through resident missions, ADB will strengthen donor cooperation and will act together with stakeholders and civil society to monitor progress in reducing poverty.

3. Country Strategies and Results-Oriented Programming

41. Since 2000, most DMCs have formulated and adopted national poverty reduction strategies or have included them in their national development plans. If requested, ADB will assist with developing capacities for preparing and updating the strategies and will participate in discussions organized and

led by governments—the key stakeholders—to discuss them.² The CSP then translates the substance and priorities of the NPRS into specific activities and a program of loans and assistance.

42. The CSP is generally prepared every 3–5 years but is updated regularly. The development objectives in the NPRS will be critically assessed during the preparation phase of the CSP to ensure that ADB’s role and objectives are clear, that there is a credible strategy and program in the CSP for achieving them, and that time-bound indicators are specified. The CSP should be prepared in close partnership with development partners and stakeholders, and reflect full ownership by the DMC.

43. The CSP will define the sector, subsector, and project type according to the country specific poverty context, national strategies and priorities for poverty reduction, and the availability of good practices to scale-up poverty reduction. The CSP will also specify whether ADB operations will directly target the poor or assist them indirectly. That choice will be made on the basis of in-depth country knowledge and experience.

44. All new CSPs will have a framework for results that includes monitoring and that links the constraints to poverty reduction identified in poverty assessments with the proposed program, desired outputs, and expected outcomes. Strengthening quality assurance for country assessments—poverty, sector, thematic, and past performance of ADB’s country assistance—will help to improve the consistency and coherence of the CSP.

45. CSP outcomes are quantified by indicators for each relevant pillar, sector, and thematic priority. The CSP will indicate how the desired outcomes can be met through the country program by linking each lending, technical assistance, or knowledge product to one or more country outcome indicators. To complement the results framework, links between project outputs and sector outcomes will be emphasized in sector roadmaps. Collating these sector outcome indicators in the CSP will demonstrate the overall contribution of the country program to outcomes for the strategic pillars and thematic priorities (Figure 1).

² In 1999 when the PRS was adopted, poverty partnership agreements (PPAs) were agreed on with DMC governments to signal ADB’s commitment to meeting national poverty reduction goals. To date, 24 PPAs have been concluded. The NPRS has replaced the PPAs. Accordingly, ADB will no longer conclude PPAs when a DMC adopts an NPRS. In countries in which a PPA has already been concluded, the goals and medium-term targets established in the NPRS will guide future planning.

B. Thematic Priorities

46. Five themes complement the three pillars and are essential elements of the PRS: gender equality, environmental sustainability, private sector development, regional cooperation, and capacity development.

47. **Gender Equality.** Two thirds of the poor in the region are female, so improving the status of women is central to any strategy to reduce poverty in the region. ADB takes gender and development issues into consideration in its economic and sector work, loans, technical assistance, and other activities. ADB prepares country gender briefing papers and collaborates with civil society and development partners to learn about the status of women in its DMCs. ADB's gender analyses feed directly into CSPs and project designs and support policy dialogue to integrate gender considerations more effectively into operations and broader public policy reform. Gender-inclusive measures are promoted in relevant projects. Stand-alone projects or project components targeting gender issues are designed and implemented. Such interventions will be required as long as structural constraints and barriers restrict women's development. This is especially true where cultural traditions dictate the segregation of sexes or in situations where women require special assistance to enable their full participation in economic and social activities.

48. **Environmental Sustainability.** Environmental sustainability is critical for poverty reduction and is intimately intertwined in development strategies that promote economic growth; provide essential services, including clean water and sanitation; increase agricultural productivity; and improve the overall quality of life for the poor. For inclusive development to be achieved, a better understanding is needed of the environmental implications of policies to reduce poverty and of the impacts on the poor of environmental policies. The environment and natural resources in the region are under intense pressure. Recognizing this, ADB adopted an environmental policy that addresses (i) environmental interventions; (ii) mainstreaming of environmental issues in projects aimed at fostering economic growth; (iii) the maintenance of global and regional life support systems; (iv) fostering effective partnerships; and (v) integrating environmental considerations into ADB operations. ADB helps combat environmental degradation through advisory, regional, and project interventions. In addition to stand-alone interventions with specific environmental objectives, many important environmental issues are addressed through projects with other development aims. Environmental assessments are widely disseminated and

discussed, and appropriate safeguards are taken to ensure that ADB projects respect the highest standards of sustainable development.

49. **Private Sector Development.** Development of a strong and dynamic private sector is crucial to long-term, rapid economic growth and is necessary for poverty reduction. ADB helps DMCs to create an enabling environment for private sector participation in development and to generate business opportunities through public sector operations. The contribution of the private sector to poverty reduction is enhanced through developing enterprises, expanding infrastructure and other public services, and bettering the quality and terms of employment by improving corporate governance and responsibility. Private operators are enabled to provide infrastructure and public services and projects targeting the poor. Regulatory reform precedes sector-specific approaches such as privatization, contracting-out, and private-public partnerships. In the CSP framework, ADB's non-guaranteed private sector operations seek to achieve development impact by demonstrating new approaches and by removing obstacles to investment.

50. **Regional Cooperation.** Economic development increases when DMCs actively pursue regional and subregional cooperation. Regional cooperation can also spur private sector development, promote peace and stability, and provide greater economic opportunities to people living close to the borders who are often among the poorest in many countries. Cooperation is important for providing regional public goods that address joint constraints and opportunities such as preventing communicable diseases and environmental degradation. Building on its strong track record, ADB will continue to accord a high priority to regional cooperation as a means for DMCs to eliminate both physical and institutional impediments to trade and investment hence lowering transaction costs and increasing attractiveness to potential investors. Regional cooperation can help DMCs achieve greater economies of scale; diversify the structure of domestic production and exports; harmonize standards; share technologies; and jointly develop the facilities required for the delivery of essential public services such as health care, education, sanitation, electrification, and social protection. It can also promote regional environmental sustainability, facilitate the combating of global crimes such as money laundering and trafficking of women and children, and enhance the global bargaining power of individual states. It is also useful for knowledge sharing of all kinds.

51. **Developing Capacity: A New PRS Emphasis.** Achieving inclusive growth requires enhanced DMC capacity to formulate and implement policies, reforms, and investments. The importance of developing capacity is also underlined by the growing emphasis on the role of NPRS for managing poverty reduction in individual countries. This calls for strategic support for continuous development of knowledge and skills of societies, organizations, and individuals—including the poor—in DMCs. ADB has long recognized the importance of capacity development and has provided extensive support for it. ADB will aim at providing strategic support to enhance a DMC’s capacities to formulate and implement policies, reforms, and investments needed for poverty reduction. ADB will continue to support capacity development by developing and sharing new knowledge products; by reviewing constraints; by providing demand-driven advisory services; and by supporting investments aimed at building institutions and organizations that are fully accountable, effective, efficient in their operations, and responsive to the needs of the poor.

IV. Implementing the Strategy

52. Implementation of the PRS has been and will continue to be accorded paramount priority; ADB is committed to poverty reduction and will lend its weight and influence to achieve it. This chapter sets out important actions and activities that will be carried out in this endeavor.

A. Managing for Development Results

53. ADB management and operations will become increasingly results oriented to make demonstrable improvements in the development impact of operations. A series of management reforms enhance openness, accountability, and responsiveness. These include (i) establishing a management-for-development-results (MfDR) unit; (ii) developing strategic and operational processes/procedures for MfDR; (iii) mainstreaming MfDR throughout ADB; (iv) improving human resource management systems and processes and implementing a new human resource strategy; (v) aligning operational policies, strategies, and approaches with ADB's key strategic agenda including the enhanced PRS and long-term strategic framework; and (vi) improving ADB's approaches to supporting capacity development in DMCs. In line with the overall MfDR framework, a comprehensive, results-oriented monitoring and evaluation (M&E) system will be established at the project, sector and thematic, country, and institutional levels.

54. **M&E at the Project Level.** Strengthening project performance management will ensure that contributions to outcomes and to the pillars and thematic initiatives specified in CSPs are clearly established. A logical framework for each project will continue to specify its contribution to sector outcomes. Project teams will ensure quality of design and effective implementation and self-assessment of projects at completion. This will be supplemented by independent post-evaluations by Operations Evaluation Department.

55. **M&E at the Sector and Thematic Level.** ADB will monitor, evaluate, and report on the progress of PRS implementation in sector operations and thematic priorities. Annual reports will be prepared with inputs from regional departments, sector and thematic networks, and the project performance management system that summarize operations in the sector and thematic area during the year and outline plans for the following year. The reports will assess the success in implementing sector and thematic policies or strategies, in improving technical quality, in aligning and implementing projects with the PRS, in mainstreaming thematic considerations, and in contributing to knowledge management. The responsibility for sector and thematic reports will rest with RSDD.

56. **M&E at the Country Level.** Consistent with the ADB-wide MfDR framework, all new CSPs will include a results framework (that includes a monitoring framework) that links the constraints to poverty reduction identified in a NPRS with the proposed program, desired outputs, and expected outcomes. Country outcomes will be monitored in terms of the three pillars and thematic priorities and will be aggregates of all ADB interventions—both lending and non-lending—in the country. Country teams will be responsible for monitoring the PRS at the country level. CSP updates will monitor progress on outputs and outcomes.

57. **M&E at the Institutional Level.** The impact of the PRS on poverty reduction at the regional level will be monitored through achievement of MDGs 1–7 (11 targets and 31 indicators). While it is recognized that results cannot be solely attributed to ADB’s efforts, it is nonetheless important to monitor trends to ensure that such efforts are effectively aligned with the MDG targets. The expected outcomes of PRS implementation are improvements in CSP and project outcomes, in DMC policies and institutional capacity for poverty reduction, and in ADB’s capability to reduce poverty. The outputs of PRS implementation will be measured in the following dimensions: (a) improved quality of CSPs; (b) improved quality of projects (improved alignment of ADB operations with the key components of the PRS); (c) effective project implementation; (d) enhanced contribution of a knowledge base supporting poverty reduction; and (e) stronger partnerships for achieving the MDGs. The overall responsibility for institutional monitoring will rest with RSDD supported by the Strategy and Policy Department. An annual report will be prepared summarizing the assessment at the institutional level of the previous year’s experience in implementing the PRS.

58. **Project Classification for Tracking of Inputs.** Where the poor are “trapped” by geographical, cultural, or social circumstances, targeted interventions are required to ensure equal opportunities to overcome those disadvantages and to participate in mainstream development. Although no numerical target will be set, projects will be classified as targeted interventions if they focus on households, on specific geographic areas, or on sectors/subsectors directly supporting achievement of the MDGs relating to non-income poverty.

B. Fostering Learning and Developing New Tools

59. Putting knowledge—global, regional, and local—to work in the campaign to reduce poverty is essential for successful implementation of the PRS. Effective dissemination will ensure that lessons learned from current operations are utilized effectively in planning future ones and in assisting DMCs in formulating strategies, plans, and programs to combat poverty.

60. In some situations, new instruments or new ways of using existing ones may be required. Piloting new approaches to poverty reduction has already started in some DMCs. Lending to local governments to build capacity to reduce poverty gained momentum after the 1999 PRS was adopted especially in larger countries. Variants of existing instruments already in use will be formalized for more appropriate and wider application. These include: (i) SWAps in country programs to partner with other agencies more effectively for achieving sector goals; (ii) policy loans for NPRS to facilitate long-term support for their implementation; (iii) an adaptable program loan to allow greater flexibility for supporting policy reforms and institutional development; (iv) greater use of pilot loans to test innovative approaches to poverty reduction; (v) promoting social investment funds; and (vi) supporting NGOs that have proven track records in working with the poor. A grant element has already been introduced in Asian Development Fund IX.

C. Building ADB’s Capacity to Implement the Enhanced Strategy

61. **Financial Capabilities.** ADB’s ability to implement the PRS depends on the continued availability of financial resources, particularly concessional resources. There is an urgent need for donors to commit resources over the medium term to improve the predictability and sustainability of financial assistance, especially when DMCs launch medium-term strategies and

programs for poverty reduction. High-quality analytical work and sustained support for capacity development are critically dependent on adequate and effectively used grants. Similarly, supporting countries at risk of not achieving the MDGs and those unable to sustain further external borrowing will require access to Asian Development Fund resources. In line with the middle-income framework, ADB is simplifying borrowing conditions and improving the lending terms for borrowers of ordinary capital resources to enhance the poverty focus of its operations.

62. ADB will widen the range of available financial instruments and modalities to better tailor its assistance to the complex needs of poverty reduction. It will aim at providing grant assistance on a selective basis to assist the poorest countries; it will support MDG achievement in middle-income countries; and it will explore new ways to augment resources for regional cooperation.

63. An effective global partnership for development is essential for any poverty reduction strategy to succeed. Slow progress in generating international assistance for poverty reduction and in attaining the MDGs presents a serious risk in PRS implementation. ADB will support international efforts to advance MDG 8.

64. **Organizational Capacity.** ADB will continue strengthening its organizational capacity to effectively pursue poverty reduction in its DMCs. The responsibility for implementing the PRS primarily rests with operational departments supported by RSDD; the functions of both will be strengthened for this purpose. ADB's organizational competence is being strengthened in line with the new strategy on human resources. Better balance in the distribution of workloads and a closer alignment of staff incentives with the goal of poverty reduction will be pursued, in particular for preparing high-quality country analytical work and CSPs, for improving project implementation performance, for promoting partnerships, and for sharing knowledge and innovations for poverty reduction.

65. To implement an operational strategy effectively, the PRS must be well understood throughout the organization. ADB will continue to build the required knowledge base through well-focused skill training and mentoring programs. ADB will provide training in poverty reduction methodologies and techniques for all operational and new staff, including heads of departments and managers.

66. To sharpen its country focus, ADB will enhance the capacity of its resident missions to monitor and report on poverty and to assist in integrating poverty in ADB operations. The latter will require the missions' continued active involvement in country programming and policy dialogue in general and an enhanced role in project administration. Resident missions will be further encouraged to forge partnerships with development partners, including bilateral agencies and NGOs, to complement their own capacity for poverty assessment and analyses.

Appendix

MILLENNIUM DEVELOPMENT GOALS AND TARGETS AND ASSESSMENT OF PROGRESS

Goal 1: Eradicate extreme poverty and hunger

Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day

Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger

Goal 2: Achieve universal primary education

Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

Goal 3: Promote gender equality and empower women

Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005; in all levels of education, no later than 2015

Goal 4: Reduce child mortality

Target 5: Reduce by two thirds, between 1990 and 2015, the under-5 mortality rate

Goal 5: Improve maternal health

Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio

Goal 6: Combat HIV/AIDs, malaria, and other diseases

Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

Goal 7: Ensure environmental sustainability

Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources

Target 10: Halve by 2015 the proportion of people without sustainable access to safe drinking water

Target 11: Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers

Goal 8: Develop a global partnership for development

Target 12: Develop further an open, rules-based, predictable, nondiscriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction, both nationally and internationally)

Target 13: Address the special needs of the least developed countries (includes tariff- and quota-free access for exports, enhanced program of debt relief for and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction)

Target 14: Address the special needs of landlocked countries and small island developing states (through the Program of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions)

Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth

Target 17: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries

Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communication technologies

ASSESSMENT OF PROGRESS TOWARD THE MILLENNIUM DEVELOPMENT GOALS
Status of Millennium Development Goals in Asia

Country	Proportion of Population Below \$1 Per Day at 1993 Purchase Power Parity (%)		Ratios of Girls to Boys at Primary Education		Under-Five Mortality Rate (per 1,000 live births)		Infant Mortality Rate (per 1,000 live births)	
	1990	2000	Early 1990s	Late 1990s	1990	2001	1990	2001
	Afghanistan	—	—	0.52 (90)	0.47 (95)	260	257	162
Azerbaijan	<2.0	—	0.94 (90)	0.95 (98)	105	105	74	74
Bangladesh	35.9	29.1	0.81 (90)	0.92 (98)	144	77	96	51
Bhutan	—	—	0.74 (93)	0.82 (98)	166	95	107	74
Cambodia	48.3	35.5	0.81 (93)	0.84 (98)	115	138	80	97
China, People's Republic of	31.3	15.3	0.86 (90)	0.92 (98)	49	39	38	31
Cook Islands	—	—	—	0.91 (98)	32	23	26	19
Fiji	—	—	0.95 (91)	0.93 (98)	31	21	25	18
India	52.5	44.2	0.71 (90)	0.81 (98)	123	93	84	67
Indonesia	20.6	8.3	0.95 (90)	0.94 (96)	91	45	60	33
Kazakhstan	<2.0	<2.0	0.97 (93)	0.97 (98)	67	76	54	61
Kiribati	—	—	0.98 (90)	0.96 (97)	88	69	65	51
Kyrgyz Republic	—	—	0.99 (90)	0.96 (98)	83	61	69	52
Lao People's Democratic Republic	53.0	34.6	0.77 (90)	0.82 (98)	163	100	120	87
Malaysia	0.5	0.0	0.95 (90)	0.94 (98)	21	8	16	8
Maldives	—	—	0.96 (92)	0.96 (98)	115	77	80	58
Marshall Islands	—	—	—	0.93 (98)	92	66	63	54
Micronesia	—	—	—	—	31	24	26	20

— = not available

Source: United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) Promoting the Millennium Development Goals in Asia and the Pacific: Meeting the Challenges of Poverty Reduction, 2003. Available at <http://www.unescap.org/LDC&Poverty/MDG.asp>

ASSESSMENT OF PROGRESS TOWARD THE MILLENNIUM DEVELOPMENT GOALS

Status of Millennium Development Goals in Asia (con't)

Country	Proportion of Population Below \$1 Per Day at 1993 Purchase Power Parity (%)		Ratios of Girls to Boys at Primary Education				Under-Five Mortality Rate (per 1,000 live births)		Infant Mortality Rate (per 1,000 live births)	
	1990	2000	Early 1990s		Late 1990s		1990	2001	1990	2001
	Mongolia	13.9	—	1.00	(90)	1.01	(98)	107	76	77
Myanmar	—	—	0.94	(90)	0.97	(98)	130	109	91	77
Nauru	—	—	—	—	1.02	(98)	—	30	—	25
Nepal	37.7	—	0.56	(90)	0.72	(98)	145	91	100	66
Pakistan	47.8	31.0	0.48	(90)	0.55	(98)	128	109	96	84
Papua New Guinea	23.7	18.5	0.8	(90)	0.82	(98)	101	94	79	70
Philippines	19.1	13.2	0.95	(90)	0.94	(95)	66	38	45	29
Republic of Korea	<2.0	—	0.94	(90)	0.89	(97)	9	5	8	5
Samoa	—	—	0.98	(90)	0.95	(98)	42	25	33	20
Solomon Islands	—	—	0.8	(90)	—	—	36	24	29	20
Sri Lanka	4.0	6.6	0.93	(90)	0.94	(98)	23	19	20	17
Tajikistan	—	—	0.96	(90)	0.95	(96)	78	72	57	53
Thailand	12.5	5.2	0.94	(90)	0.93	(98)	40	28	34	24
Timor-Leste	—	—	—	—	—	—	—	—	—	85
Tonga	—	—	0.92	(90)	0.86	(98)	27	20	23	17
Turkmenistan	20.9	12.1	—	—	—	—	97	99	56	76
Tuvalu	—	—	0.91 ^a	(90)	0.85	(98)	56	52	40	38
Uzbekistan	3.3	—	0.96	(90)	—	—	62	68	47	52
Vanuatu	—	—	0.89	(90)	0.91	(98)	70	42	52	34
Viet Nam	50.8	9.6	—	—	0.90	(98)	50	38	36	30

— = not available

^a Including three years of education provided in community training centers.

Source: United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) Promoting the Millennium Development Goals in Asia and the Pacific:

Meeting the Challenges of Poverty Reduction, 2003. Available at <http://www.unescap.org/LDC&Poverty/MDG.asp>

ASSESSMENT OF PROGRESS TOWARD THE MILLENNIUM DEVELOPMENT GOALS

Status of Millennium Development Goals in Asia (cont)

Country	Estimated HIV Prevalence Rate (%) in Young People (15–24), end 1999				Proportion of Land Area Covered by		Urban Water Supply Coverage (%)		Rural Water Supply Coverage (%)	
	Female		Male				Forest (%)			
	Low	High	Low	High	1990	2000	1990	2000	1990	2000
Afghanistan	—	—	—	—	2.1	2.1	—	19	—	11
Azerbaijan	—	—	—	—	11.5	13.1	—	93	—	58
Bangladesh	<0.01	0.01	<0.01	0.02	9.0	10.2	99	99	93	97
Bhutan	—	—	—	—	64.2	64.2	—	86	—	60
Cambodia	2.31	4.70	0.94	3.77	56.1	52.9	—	54	—	26
China, People's Republic of	0.02	0.03	0.07	0.18	15.6	17.5	99	94	60	66
Cook Islands	—	—	—	—	95.7	95.7	—	—	—	—
Fiji	—	—	—	—	45.5	44.6	—	43	—	51
India	0.40	0.82	0.14	0.58	21.4	21.6	88	95	61	79
Indonesia	0.02	0.04	0.01	0.04	65.2	58.0	92	90	62	69
Kazakhstan	—	—	0.05	0.09	3.7	4.5	—	98	—	82
Kiribati	—	—	—	—	38.4	38.4	—	82	—	25
Kyrgyz Republic	—	—	—	—	4.0	5.2	—	98	—	66
Lao People's Democratic Republic	0.05	0.05	0.02	0.05	56.7	54.4	—	61	—	29
Malaysia	0.08	0.10	0.03	0.82	65.9	58.7	—	—	—	94
Maldives	—	—	—	—	3.3	3.3	—	100	—	100
Marshall Islands	—	—	—	—	—	—	—	—	—	—
Micronesia	—	—	—	—	34.8	21.7	—	—	—	—

— = not available

HIV = human immunodeficiency virus

Source: United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) Promoting the Millennium Development Goals in Asia and the Pacific: Meeting the Challenges of Poverty Reduction, 2003. Available at <http://www.unescap.org/LDC&Poverty/MDG.asp>

ASSESSMENT OF PROGRESS TOWARD THE MILLENNIUM DEVELOPMENT GOALS
Status of Millennium Development Goals in Asia (con't)

Country	Estimated HIV Prevalence Rate (%) in Young People (15–24), end 1999				Proportion of Land Area Covered by		Urban Water Supply Coverage (%) Forest (%)		Rural Water Supply Coverage (%)	
	Female		Male		1990	2000	1990	2000	1990	2000
	Low	High	Low	High						
Mongolia	—	—	—	—	7.2	6.8	—	77	—	30
Myanmar	1.13	2.30	0.42	1.67	60.2	52.3	—	89	—	66
Nauru	—	—	—	—	—	—	—	—	—	—
Nepal	0.13	0.26	0.06	0.23	32.7	27.3	93	94	64	87
Pakistan	0.03	0.1	0.02	0.10	3.6	3.1	96	95	77	87
Papua New Guinea	0.16	0.33	0.03	0.13	70.1	67.6	88	88	32	32
Philippines	0.04	0.08	0.01	0.05	22.4	19.4	93	91	82	79
Republic of Korea	<0.01	0.01	0.01	0.03	63.8	63.3	—	97	—	71
Samoa	—	—	—	—	46.1	37.2	—	95	—	100
Solomon Islands	—	—	—	—	90.3	88.8	—	94	—	65
Sri Lanka	0.0	0.07	0.02	0.07	35.4	30.0	91	98	62	70
Tajikistan	—	—	—	—	2.7	2.8	—	93	—	47
Thailand	1.53	3.11	0.47	1.89	31.1	28.9	87	95	78	81
Timor-Leste	—	—	—	—	36.6	34.3	—	—	—	—
Tonga	—	—	—	—	6.5	5.5	—	100	—	100
Turkmenistan	—	—	—	—	8.0	8.0	—	—	—	—
Tuvalu	—	—	—	—	—	—	—	—	—	—
Uzbekistan	—	—	—	—	4.6	4.8	—	94	—	79
Vanuatu	—	—	—	—	36.2	36.7	—	63	—	94
Viet Nam	0.09	0.10	0.15	0.38	28.6	30.2	86	95	48	72

— = not available

HIV = human immunodeficiency virus

Source: United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) Promoting the Millennium Development Goals in Asia and the Pacific: Meeting the Challenges of Poverty Reduction, 2003. Available at <http://www.unescap.org/LDC&Poverty/MDG.asp>