

## 'Poverty Reduction' Initiatives at ADB

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Pro-poor growth, social development and good governance are the new buzzwords at the Asian Development Bank (ADB). In November 1999, the ADB approved a new poverty reduction strategy [[http://www.adb.org/Documents/Policies/Poverty\\_Reduction/default.asp?p=policies](http://www.adb.org/Documents/Policies/Poverty_Reduction/default.asp?p=policies)] which is now the 'overriding goal' of the Bank. Asia accounts for roughly two-thirds of the poor in the developing world with some 900 million people living on 'a-dollar-a-day'. This 'radical policy shift' will affect every aspect and level of the Bank's operations. A new Poverty Reduction Unit has been created at the Bank's Strategy and Policy Department (SPD).

To the ADB, poverty reduction can best be achieved by promoting economic growth that the poor and disadvantaged share in. To achieve this inclusive growth, the Asian economies should promote an overall policy environment that emphasizes economic openness and market orientation, labor market flexibility and prudent macroeconomic management.

The ADB, which finances roughly \$6 billion worth of projects and programs yearly, will allot at least 40 percent of all public sector lending to 'poverty interventions'. According to former ADB Vice-President Peter Sullivan in 1999, this meant 'more farm-to-market roads and fewer expressways, more rural electrification projects and fewer big power plants.' In the same year, about 40% percent of 66 loans approved by the ADB -- totaling US\$5 billion for 52 projects -- was focused on 'poverty reduction.' By sector, social infrastructure received the highest share of total lending (28 percent); the largest share of technical assistance (21 percent) went to agriculture and natural resources.

In March 2000, the ADB unveiled its new Private Sector Development Strategy (PSDS) [[http://www.adb.org/Documents/Policies/Private\\_Sector/default.asp?p=policies](http://www.adb.org/Documents/Policies/Private_Sector/default.asp?p=policies)] aimed at strengthening the role of the private sector as the engine of growth in Asia-Pacific. The PSDS will be the Bank's main instrument 'to harness the private sector's contribution to free the region of poverty.'

The three PSDS thrusts are: (a) creating enabling conditions for business to flourish and an environment conducive to pro-poor growth, and in the process 'shifting government's role from owner-producer to facilitator-regulator of private sector activities, thus freeing public resources for use in basic education, health services, and

social safety nets;' (b) generating business opportunities; and (c) catalyzing private investments.

The Bank's Long-Term Strategic Framework (2001-2015) likewise 'moves the poverty reduction agenda forward in Asia and the Pacific.' Promoting private sector role and regional cooperation and integration are among the key thrusts that will guide the strategic management of the institution over the next decade and a half.

It should be noted that the major multilateral institutions -- WB, IMF and ADB -- now have poverty reduction as their overriding concern. In some countries (e.g., Cambodia), the WB and ADB fund two different government ministries to come out with what is essentially the same poverty reduction strategy document for the country. This results in wasteful (and expensive!) duplication of efforts and resources, not only on the part of government but also on civil society groups that are supposed to provide comments/critique to these documents. But then again, this is perhaps the least of the worries of those in civil society who would have different perspectives on which way 'pro-poor growth'.

In each recipient country, the ADB will: 1) conduct poverty analysis; 2) organize a High Level Forum (HLF); 3) formulate the Country Operational Strategy (COS); 4) make a Partnership Agreement; 5) formulate the Country Assistant Plan (CAP); 6) follow project cycle (identification, design, implementation, and evaluation of projects). Poverty reduction processes have been initiated by the ADB in Indonesia, Philippines, Mongolia, Thailand, Cambodia, Laos, Vietnam, Burma, Bangladesh, Bhutan, India, China, Maldives, Pakistan and Sri Lanka. In 2000, some of these initiatives were the following:

### JANUARY

**Poverty reduction key topic at GMS conference.** Poverty reduction and further opening of borders topped the agenda at the 9th Ministerial Meeting of the Greater Mekong Subregion (GMS) Economic Cooperation Program. This meeting followed the 'precedent-setting' GMS accord signed in November 1999 that eases the cross-border movement of goods and people on the so-called East-West Corridor linking Thailand, Lao PDR and Viet Nam.

### MARCH

**ADB-Mongolia 'Poverty Partnership Agreement'.** The ADB and Mongolia signed a poverty partnership agreement

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\* The NGO FORUM ON ADB (FORUM) is a network of diverse non-governmental organizations (NGOs), peoples' organizations (POs), community-based organizations and other public interest groups with advocacy and campaigns relating to the Asian Development Bank (ADB). The Manila-based Secretariat can be reached at: Room 402, 107-A Kalayaan Avenue, Diliman, 1101 Quezon City, Philippines; Telefax: +632 9297987; E-mail: [forum@pacific.net.ph](mailto:forum@pacific.net.ph). Visit our homepage: [www15.brinkster.com/ngoforum](http://www15.brinkster.com/ngoforum).

with the aim of reducing by at least half the proportion of the country's poor by 2005. Thirty six percent of Mongolia's 2.5 million people live below the poverty line. According to the Bank, poverty is the result of the 'shocks' following the break-up of the former Soviet Union in 1991. These included the loss of capital inflows and trading arrangements; transition to a market economy; economic contraction and hyperinflation (1990-1993); the loss of financing for social services and the weakening of the social safety net.

APRIL

**Joint ADB-WB-UNDP anti-poverty consultations in the Philippines.** The ADB, UNDP, World Bank and the National Anti-Poverty Commission of the Philippines (NAPC) have agreed to collaborate on a 7-month series of poverty consultations to craft a national anti-poverty strategy and action program for the Philippines.

**'Landmark agreement' to fight poverty in Bangladesh.**

The ADB and the Government of Bangladesh signed a Poverty Partnership Agreement to achieve specified targets in various areas of poverty reduction – including nutrition, health and education – within clearly-defined time frames. This is the first such agreement in South Asia. The ADB views Bangladesh as a 'frontline state' in the war against poverty and plans to lend up to US\$500 million annually to the country.

MAY

**New Japan Fund for Poverty Reduction.** The ADB created the Japan Fund for Poverty Reduction to support its fight against poverty, with an initial contribution of ¥10 billion (approximately US\$90 million). It will provide ADB's developing member countries (DMCs) with grants to support innovative poverty reduction and related social development activities.

JUNE

**Microfinance is also key.** The ADB approved a Microfinance Development Strategy that will be a 'key tool in poverty reduction.' It is aimed at ensuring permanent access to institutional financial services for most poor people and their small businesses in Asia and the Pacific. Microfinance includes a broad range of services such as deposits, loans, money transfers, and insurance to poor and low-income households and their micro-enterprises.

JULY

**Spanish Cooperation Fund for Technical Assistance.** This untied fund will be generally used for project preparation, advisory services and project implementation directed to poverty-related sectors that include water treatment and supply, health and education.

NOVEMBER

**Capacity Building Seminar on Poverty Reduction Issues.** Co-organized by ADB, UN-ESCAP and IFPRI for DMC officials, the seminar aimed to deepen understanding of emerging poverty issues and to sharpen practical skills in poverty assessment, planning and implementation of 'pro-poor' development projects.

DECEMBER

**New Zealand raises ADF contribution.** The ADB's Asian Development Fund (ADF) provides concessional loans to the poorest countries in the region. At the conclusion of ADF VIII replenishment in September, New Zealand increased its contribution by more than 10 percent – to NZ\$40 million to help 'improve lives in our backyard.'

In February 2001, the ADB hosted the first *Asia and Pacific Forum on Poverty: Reforming Policies and Institutions for Poverty Reduction* at ADB Headquarters in Manila on 5-9 February 2001. The Forum aimed to build consensus on reform and investment priorities in the region's economies. It also sought to identify concrete mechanisms which foster pro-poor policy reforms. Participants discussed a range of poverty issues at the macro, sectoral, and micro levels. The participants included various actors and stakeholders (e.g., policymakers, private sector groups, representatives of non-government and civil organizations, and international donors). Out of a total 300, some 20 NGOs were invited. The keynote address was given by Nobel Laureate for Economics Robert Mundell on *Poverty, Growth and the International Monetary System*. More information on the Poverty Forum is available online at <http://www.adb.org/poverty/forum/papers.htm>.

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