

JAPAN FUND FOR POVERTY REDUCTION (JFPR)

2010 POLICY GUIDELINES FOR JFPR PROJECT GRANTS

1. Objectives

- To provide grants in support of innovative¹ poverty reduction and social development activities to help alleviate poverty in ADB developing member countries (DMCs). Grants approved under the program are subject to the criteria set forth in these Guidelines.

2. Eligible Countries, Priority Areas and Activities

- All ADB DMCs will be eligible for JFPR project grants.
- JFPR Grants should support the Long-Term Strategic Framework and be compatible with the development objectives of the Country Partnership Strategy/Update, national poverty reduction strategy, poverty partnership agreement, or poverty reduction elements of the sector strategies. The Grants are intended to focus on activities which: (i) respond directly to the needs of the poorest and most vulnerable groups through new and innovative methods; (ii) support initiatives that lead to rapid, demonstrable benefits with positive prospects of developing into sustainable activities; or (iii) build ownership, capacity, empowerment and participation of local communities, non-governmental organizations (NGOs) and other civil society groups to facilitate their involvement in operations financed by ADB.
- *Project Grants* finance: (a) activities directly providing relief measures, supporting the improvement of services and facilities for poorer population groups, or reinforcing/reinvigorating social safety nets; and (b) innovation and testing new approaches, particularly in the social sectors.
- *Capacity Building Grants* finance capacity building and improvement measures, e.g., to bolster local communities and NGOs through learning by doing, or to expand the capabilities or coverage of social fund-type institutions, or to support local governments working with communities on ADB-funded projects/programs.
- To the extent possible, proposals should promote collaboration with local and international NGOs. In particular, priority will be given to proposals in which Japanese NGOs, Civil Society Organizations, aid agencies will be involved or cooperating.
- TAs deemed eligible for thematic Japanese Trust Funds, i.e. the Asian Clean Energy Fund (ACEF) and the Investment Climate Facilitation Fund (ICFF), shall be considered as candidates for ACEF or ICFF². Once proposals are submitted for ACEF and ICFF consideration, these are not supposed to be submitted to JFPR simultaneously.
- Any Grant proposals which will overlap with Japanese bilateral assistance will not be supported by JFPR.

¹ In case a proposal is similar to a project previously approved, value-added to the new project should be mentioned clearly in the proposal.

² If the project officer feels strongly that the proposal should be considered under JFPR instead of ACEF or ICFF, strong justification should be provided as appropriate.

3. **Amount**

- JFPR Grants can range from US\$200,000 to US\$3 million. Under exceptional circumstances, such as in the case of financial crisis response project proposals, and after prior clearance by the Office of Cofinancing Operations (OCO), a grant proposal of up to US\$4 million may be submitted for consideration³. Proposals exceeding US\$3 million would be subject to higher scrutiny by OCO; the latter may request technical reviewers to verify the validity and viability of proposed activities and that their costing follows a disciplined process.

4. **Funding Proposal**

- As early as during the concept stage and prior to entering it in the ADB's information systems, the proponent Office or Department is requested to provide advance information to OCO indicating the title of the project or TA proposal, DMC recipient, amount and a one-paragraph description. The submission should identify and disclose any sensitive aspects as well as potential risks that may arise as a result of the project (e.g., adverse environmental impacts, resettlement, etc.). OCO will provide an initial assessment as to whether JFPR funding could be considered.
- The concerned managing unit of the proponent Office or Department in ADB must sponsor the activity and designate a Project Officer. Grants are approved by the Government of Japan (GOJ) on the basis of a standard One-Page Grant Proposal, which may be downloaded from the OCO Website. The Proposal contains basic data, overall development objectives of the grant, expected key performance indicators and expenditure categories. In addition, the complete application form includes the project's design and monitoring framework, as well as supplementary information comprising a detailed description of the activities to be funded, a general plan for implementation, outputs and outcomes expected, a detailed budget and a checklist of questions to assist in evaluating the application's eligibility. Specific and concrete goals or objectives to be addressed by the proposal, including measurable indicators (to the extent possible, quantitative indicators), should be described in the Grant Proposals. Concomitant risks should also be mentioned. All proposals must be explained, with a concept paper, and discussed with the local Embassy of Japan⁴ at an early stage (preferably at concept paper preparation stage), i.e., before formal submission to OCO. Most importantly, the Grant Proposals should include the details of discussions and incorporate comments/suggestions from the Embassy of Japan into the design of the project. In order to expedite the approval process, information sharing with JICA/JBIC local office is also recommended.
- Requests must be in line with CPS/U objective(s), as confirmed by the Country Director and the relevant Division Director and Head of the relevant proponent Office or Department, and submitted to OCO after review by the Staff Review Committee (SRC)⁵.

5. **Eligible Expenditures**

³ With regard to assistance to Afghanistan, proposals exceeding US\$4 million would be considered on an exceptional basis in consultation with the Government of Japan.

⁴ The list of Japanese Embassy focal persons is found in the OCO Website which may be accessed through MyADB.

⁵ The peer review by Sector and Thematic Committees, if deemed necessary, will be made prior to the SRC.

- Eligible expenditures include goods, small civil works, services, training and workshops. Requests should also include the cost of annual external audits. Incremental costs (including staff consultant fee) of the relevant proponent Office or Department of up to five percent of the total grant amount may be requested mainly to facilitate community participation or NGO collaboration, but also for preparation and implementation activities in operations of unusual complexity which require ADB staff resources beyond those that can be financed by the regular administration budget.⁶

6. Ineligible Expenditures

- The following are ineligible expenditures: study tours, foreign training, academic research, purchase of vehicles (except when the use of and the need to purchase or lease a vehicle is fully justified in the proposal), salaries for civil servants in recipient countries, scholarships or long internships, detailed engineering, and other related expenses.

7. Letter of Agreement (LOA)

- Project Officers should prepare the draft LOA and submit to OGC for clearance. A copy of the LOA must be forwarded to OCO, CTL, COSO, and OGC after it has been signed.

8. Execution Arrangements

- Recruitment of consultants will be carried out in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). Procurement of goods and services will be carried out in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time).
- ADB will review and approve all relevant actions undertaken by executing agencies associated with the JFPR (i.e., recruitment of consultants, procurement of goods and services, and disbursement) in accordance with established procedures. In cases where ADB itself recruits consultants, all relevant ADB procedures governing such recruitment will be followed.
- Expenditures arising from JFPR-funded activities will be paid in accordance with ADB's standard procedures for disbursements, except where agreed otherwise with the Government.
- JFPR project grants will, in principle, be executed by DMC governments (central or local), public institutions, international or local NGOs, or local community groups which the Project Officer has determined are financially sound, have a strong track record, and employ satisfactory arrangements for use and accounting of grant funds⁷. If central and local governments and public institutions are expected to be the executing agencies, projects to be financed by the JFPR will still likely be managed and maintained by communities. Efforts will be made to ensure that communities are involved in

⁶ Please refer to the Memo on Budget and Administrative Arrangements for Business Travel and Staff Consultants issued by BPMSD, CTL and OCO on 16 June 2004. This may be found in the OCO Website.

⁷ This does not preclude the possibility that ADB may recruit consultants or procure works, equipment, or goods with Government's concurrence on a case-by-case basis.

determining the desired outputs and activities and setting targets and indicators. Likewise, input from civil society will be essential for the effective implementation of the JFPR. Active participation of communities and civil society in activity design, implementation, monitoring, and evaluation is essential to the success of JFPR projects.

In case the recipient or the implementing agency is an NGO or a local community group, it is required that the central or local government gives its agreement to the arrangement. UN agencies may not be recipients of JFPR grants⁸.

- The maximum grant implementation period is four years. The Project Officer of the Grant will carry out ADB's fiduciary responsibilities for grant supervision, in accordance with ADB standards.

9. Progress and Completion Reports and Dissemination of Results

- The Project Officer will be responsible for updating, on a semi-annual basis, the Grant Status in the Lotus Notes-based Progress Reporting System (PRS). The PRS contains basic grant data, grant status, utilization, performance ratings, issues and problems, and actions taken. In addition, an Implementation Completion Memorandum (ICM) will be prepared at completion documenting actual cumulative inputs, outputs and outcomes, and lessons learned through the grant implementation period. ICMs should be disclosed in the JFPR website, as with OCO's semi-annual report on JFPR. Project Officers are encouraged to disseminate as widely as possible, in-country as well as with ADB HQ staff, project outcomes and lessons from implementation.

10. Audit Report

- The audit report from the external auditor must be submitted to CTL, with a copy to OCO, not more than 6 months following the end of the fiscal year or project closing date (whichever is first). The report should include certified copies of the audited accounts and financial statements and the report of the auditors relating to said statements, including the auditors' opinion on the use of the JFPR Funds, and the operation of any imprest account and the application of any statement of expenditures (SOE) procedure authorized under the JFPR Project.

11. Reallocation of Funds and Changes in Scope or Implementation Arrangements

- For reallocation up to 30% of the amount for an approved expenditure category or component, or for reallocations involving amounts of less than \$20,000, regardless of the percentage of category of expenditure or component, the Project Officer should request approval from the relevant Division or Country Director and provide a copy of the approved memorandum to CTL, OGC, and OCO. Increases or decreases above 30% of the amount for an approved expenditure category or component, or dropping or adding new categories or components, involving amounts of at least \$20,000, require OCO concurrence. The request, endorsed by the Division or Country Director and approved by the Head of the proponent Office or Department, should be submitted to the Head of OCO for concurrence.

⁸ UN agencies may participate in JFPR grant activities as consultants provided the selection is in accordance with ADB Guidelines.

- Changes in scope and implementation arrangements are considered with respect to their impact on the project. A change in a project's scope or implementation arrangements is major if it has a fundamental, substantial, or material effect on the project's purpose, objectives, components, benefits, impact, procurement or other implementation arrangements. Notwithstanding that a change is classified as minor based on the above criteria, if the cost change among categories of expenditure is estimated in excess of 15 percent of the total project cost, then the change in scope is considered as major. The Project Officer consults COSO, CTLA, and OGC as to whether the proposed change is major or minor (email communication with cc. to OCO and the Directors concerned will be sufficient). If it is determined that the proposed change(s) in scope or implementation arrangements is a (are) minor change(s), the Division/Country Director may approve the proposed change. COSO, CTLA, OGC, and OCO should be copied on the approval. If the proposed change(s) is (are) major change(s), a request memo, endorsed by the Division or Country Director and the Head of Office or Department, must be sent to Head, OCO for approval.
- For significant changes in the Grant Development Objectives, a request, endorsed by the Division or Country Director and the Head of Office or Department, must be sent to OCO which will determine if GOJ approval is required. GOJ will approve/reject the request within four weeks of its receipt from OCO. Amendment of the Letter of Agreement requires clearance from OGC.

12. **Cancellation**

- The balance of grants is subject to cancellation by the proponent Department, in consultation with OCO, under the following circumstances: (i) the grant agreement has not been signed within 6 months of the formal grant approval date; and (ii) there has been no implementation progress including zero disbursements for six months after signature of the grant agreement. A request should be submitted to OCO for exceptions to (i) and (ii). When a JFPR project is cancelled, OCO must inform the GOJ of the cancellation immediately and in the next Semi-Annual Report.

13. **Japan Visibility and Coordination with Local Embassy of Japan Officials**

- In order to ensure harmonization and coordination with Japanese policies, Project officers are required to consult with the local Embassy⁹ of Japan about the project proposal before submitting the concept paper/Project Profile to OCO for processing. The concept paper/draft proposal must be explained to and discussed with the Embassy of Japan, with a brief summary which outlines the proposal. Documents should be submitted to the Embassy at least seven working days before the consultation to give the Embassy official time to consider them. Any comments made by the Embassy should be reflected and a summary of the consultation should be included in the Project Profile submitted to OCO. This step is crucial as GOJ places importance on the comments of the local Embassy of Japan during the internal approval process. In cases where a meeting with the Embassy is not possible, email exchange, telephonic discussion or any other form of inter-active communication may be used. In such cases, an email containing the Embassy's views/opinions on the proposal should be sought and reflected in the final proposal.

⁹ In the case of Regional Grants, officers are required to consult with all embassies mentioned in the proposal.

- Once the proposal has been approved by ADB, the Project officer should inform the local Embassy of Japan about the approval. Project officers are strongly encouraged to stage signing ceremonies related to the Project Letter of Agreement or launching ceremonies, etc. in the field, with the attendance of Japanese embassy officials. In coordination with the Resident Mission (RM), the Project Officer should aim to inform the Embassy of Japan as well as OCO – which will alert the Japanese authorities in Tokyo -- at least ten **working** days in advance of the signing ceremony. The Project officer should also draft a news release in consultation with the Department of External Relations and coordinate arrangements for the RM to invite the local and international press to these ceremonies. **From time to time, the Embassy of Japan should be informed about project progress and milestones especially when major changes in scope and objectives are required. Throughout all phases of the project, from concept to completion, the Project officers should answer inquiries from the Embassy of Japan regarding the project and discuss where necessary.**
- **Project officers are asked to help promote the visibility and local awareness of JFPR in recipient countries through the following types of activities (also, see Japan Funds Guidance Note on Visibility):**
 - **Publications, training programs, seminars and workshops financed by JFPR grants should clearly indicate that the activities in question have received funding from the Government of Japan;**
 - **The JFPR logo¹⁰ should be used in publications financed by the JFPR program, and in banners and any other materials used in seminars and training programs financed by JFPR grants;**
 - **All press releases issued by ADB with respect to JFPR grants should refer to the financial contribution from the Government of Japan; and**
 - **Recipients should be encouraged to ensure that JFPR-financed activities are well covered by local print and electronic media, and that all related publicity materials, official notices, reports and publications explicitly acknowledge Japan as the source of funding received.**
- Decisions on any future JFPR project grant for a DMC would take into consideration the ADB's and recipient's efforts to comply with the above. In addition, OCO will promote the visibility of the JFPR by: (i) informing Office and Department Heads of the importance of signing ceremonies to Japanese officials and the public to ensure recognition and support for JFPR funding; and (ii) continuing widespread distribution of the JFPR Annual Report, inclusion of JFPR information in relevant ADB documents, and occasional information sessions on JFPR for Japanese organizations.
- DMC governments should be informed about the project whether it is the government or an NGO which is the recipient. This applies as well to regional JFPR grants. As such, it is desirable that the government (or governments, in the case of regional grants) be represented in the LOA signing ceremony whether as principal signatory or as witness.

¹⁰ The logo is found in the OCO Website which may be accessed through MyADB.

In terms of enhancing the visibility of Japan, it is highly recommended that ADB involve and cooperate with Japanese NGOs, Civil Society Organizations, or aid agencies.

14. Maintenance of Documentation

- Proponent Offices and Departments will keep copies of key documentation related to JFPR project grants, for example, Terms of Reference and consultant contracts, reports and other outputs prepared by consultants, status reports, etc., in accordance with ADB's document retention policy.

15. Schedule

- OCO will submit JFPR project proposals to GOJ **five times in 2010** (see table below). OCO will announce the batch schedule and remind the deadlines in the daily electronic newspaper (ADB Today), ADB intranet, and the JFPR website. GOJ will confirm its decisions on proposals (whether they are approved or rejected) within four weeks from OCO's submission to GOJ where GOJ is satisfied with the contents of the application. In case GOJ requires clarifications, the final decision on the proposal may take longer.
- The schedule covers regular processing of project proposals. However, a special batch for urgent proposals, such as for financial crisis response proposals, may be arranged. Additionally, these guidelines may be eased whenever ADB and GOJ consider it necessary and urgent for operational expediency.

Proposed 2010 Batch Processing Schedule	
Deadline for Submission to OCO	Timetable for OCO's Submission to GOJ
Batch I: 18 January	Batch I: 28 January
Batch II: 8 March	Batch II: 18 March
Batch III: 10 May	Batch III: 20 May
Batch IV: 9 August	Batch IV: 19 August
Batch V: 11 October	Batch V: 21 October

* A special batch may be arranged between the last batch in October and the next batch of the following year.

- Operational Staff are encouraged to share the 2010 Policy Guidelines Document with Client Country Staff, including central ministries.

16. Fund Allocation

- In 2010, \$40 million is the indicative budget allocation for JFPR projects, to be approved through 5 batches during the year.