

The logo of the Asian Development Bank (ADB), consisting of the letters 'ADB' in a white serif font on a black square background.

## Grant Assistance Report

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Project Number: 39481  
March 2006

### Grant Assistance Philippines: Developing Financial Cooperatives Project (Financed by the Japan Fund for Poverty Reduction)

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 10 March 2006)

Currency Unit	–	peso (P)
P1.00	=	\$0.0195
\$1.00	=	P51.31

## ABBREVIATIONS

ADB	–	Asian Development Bank
BSP	–	Bangko Sentral ng Pilipinas
CDA	–	Cooperative Development Authority
CSP	–	country strategy and program
DOF	–	Department of Finance
EA	–	executing agency
JFPR	–	Japan Fund for Poverty Reduction
MDP	–	Microfinance Development Program
MFI	–	microfinance institution
MIS	–	management information system
NAPC	–	National Anti-Poverty Commission
NCC	–	National Credit Council
NGO	–	nongovernment organization
PIC	–	program implementation committee
PIU	–	project implementation unit
ra	–	republic act
SCA	–	Standard Chart of Accounts
TA	–	technical assistance

## NOTES

- (i) The fiscal year of the Government of the Philippines ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

<b>Director General</b>	S. Curry, Officer-in-Charge, Southeast Asia Department (SERD)
<b>Director</b>	A. Konishi, Governance, Finance, and Trade Division, SERD
<b>Team leader</b>	E. Sasaki, Financial Sector Specialist, SERD

# PHILIPPINES DEVELOPING FINANCIAL COOPERATIVES PROJECT



- ⊕ National Capital
  - City/Town
  - Main Road
  - Provincial Road
  - Provincial Boundary
  - Regional Boundary
- Boundaries are not necessarily authoritative.

- NCR - National Capital Region
- ARMM - Autonomous Region in Muslim Mindanao
- CALABARZON - Cavite, Laguna, Batangas, Rizal, Quezon
- CAR - Cordillera Administrative Region
- CARAGA - Agusan del Norte, Agusan del Sur, Surigao del Norte, and Surigao del Sur
- MIMAROPA - Mindoro, Marinduque, Romblon, Palawan
- SOCCSKSARGEN - South Cotabato, North Cotabato, Sultan Kudarat, Sarangani, and General Santos

**JAPAN FUND FOR POVERTY REDUCTION (JFPR)  
JFPR Grant Proposal**

<b>I. Basic Data</b>	
<b>Name of Proposed Activity</b>	Developing Financial Cooperatives Project
<b>Country</b>	Republic of the Philippines
<b>Grant Amount Requested</b>	<b>\$900,000</b>
<b>Regional Grant</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Grant Type</b>	<input type="checkbox"/> Project <input checked="" type="checkbox"/> Capacity building

**II. Grant Development Objective(s) and Expected Key Performance Indicators**

**Grant Development Objectives:** The Asian Development Bank (ADB) Philippine Country Strategy and Program (CSP) 2005–2007 and the Philippine Republic Act (RA) No. 8425 on Social Reform and Poverty Alleviation recognize the development of microfinance as one of the key strategies for poverty reduction. Ensuring permanent access to institutional financial services for poor and low-income households at competitive prices is also a goal of ADB's Microfinance Development Strategy. The CSP envisages ADB support for the proposed Microfinance Development Program supported by a program loan, which aims at developing a sustainable Philippine microfinance industry. To complement the program and associated technical assistance (TA), the proposed JFPR assistance aims to support the development of financial cooperatives and strengthen the institutional capacity and efficiencies of the Cooperative Development Authority (CDA), which oversees financial cooperatives.

As a major part of the Philippine microfinance sector, financial cooperatives need to develop sound financial operations for their members. The Project aims to promote the healthy development of a sustainable microfinance industry in the Philippines to increase household incomes and reduce poverty and vulnerability of the poor to shocks. This will be done by improving the performance of financial cooperatives through (i) capacity building, (ii) strengthening their compliance with CDA's regulatory requirements, and (iii) CDA's institutional strengthening.

The objectives of the Project are as follows:

- Strengthening savings and credit cooperatives' operations through training sessions for cooperative staff. This will be conducted by cooperative federations accredited by CDA and will standardize the training module on sound microfinance operations based on international best practices. The component also provides training to CDA regulators (component A).
- Improving the regulatory capacity of CDA by installing advanced registration/management information system (component B).

**Expected Key Performance Indicators:**

- Availability of improved and standardized training modules for microfinance cooperatives
- Awareness and understanding of CDA performance standards by financial cooperatives
- Increased availability of training sessions for cooperative officers, cooperative trainers, and CDA regulators
- Improved cooperative compliance with higher CDA performance standard requirement of 70%.

**III. Grant Categories of Expenditure, Amounts, and Percentage of Expenditures**

<b>Category</b>	<b>Grant Amount in \$</b>	<b>Percentage of Expenditures</b>
1. Civil Works	23,967	2.6
2. Equipment and Supplies	310,701	34.5
3. Materials Development	83,010	9.2
4. Training, Workshops, and Seminars	230,190	25.6
5. Consulting Services	81,510	9.1
6. Management/Coordination and other Project Inputs	76,122	8.5
7. Audit	4,500	0.5
8. Contingencies	90,000	10.0
<b>Total</b>	<b>900,000</b>	<b>100.0</b>

## JAPAN FUND FOR POVERTY REDUCTION

**JFPR Grant Proposal  
Background Information**

<b>A. Other Data</b>	
<b>Date of Submission of Application</b>	24 November 2005
<b>Project Officer</b>	Eiichi Sasaki, Financial Sector Specialist
<b>Project Officer's Division, Email, Phone</b>	Governance, Finance, and Trade Division (SEGF) <a href="mailto:esasaki@adb.org">esasaki@adb.org</a> 632-6337 / 5906
<b>Other Staff Who Will Need Access to Edit/Review the Report</b>	Julie Rogers: <a href="mailto:jrogers@adb.org">jrogers@adb.org</a>
<b>Sector</b>	Finance
<b>Subsector</b>	Microfinance
<b>Theme</b>	Governance
<b>Subtheme</b>	Capacity development
<b>Name of Associated ADB Financed Operation</b>	PHI: Microfinance Development Program (included in 2005 program)
<b>Executing Agency</b>	National Credit Council (NCC), Department of Finance (DOF)
<b>Grant Implementing Agency</b>	Cooperative Development Authority (CDA) Lecira V. Juarez, Chairperson 5th floor Ben-Lor Building, 1184 Quezon Avenue, Quezon City, Philippines Phone: 63-2-373-6894 / 6906 e-mail: <a href="mailto:cda_ococda.gov.ph">cda_ococda.gov.ph</a> Fax: 63-2-371-2077

**B. Details of the Proposed Grant****1. Description of the Components, Monitorable Deliverables/Outcomes, and Implementation Timetable**

<b>Component A</b>	
Component Name	<b>Building Capacity of Financial Cooperatives</b>
Cost (\$)	500,000
Component Description	CDA will standardize the training module on financial cooperative development. Standardized training will be targeted at financial cooperatives by CDA-accredited cooperative federations, in association with CDA. Through the training sessions, the standard chart of accounts and the performance standards (COOP-PESOS) <sup>1</sup> developed in partnership with the NCC, DOF, and Bangko Sentral ng Pilipinas (BSP) will be disseminated to cooperatives engaged in financial services. Training of CDA regulators will also be undertaken to better guide financial cooperatives to sound microfinance operations.
Monitorable Deliverables/Outputs	<ul style="list-style-type: none"> <li>• Cooperative development training will be standardized</li> <li>• A total of 20 training sessions will be conducted by cooperative federations in association with CDA for 1,000 staff and 100 cooperative trainers from about 600 cooperatives by end-2008</li> <li>• A total of 10 training sessions will be conducted for CDA regulators by end-2009</li> <li>• Increased rate of cooperative compliance with higher CDA performance standard requirements of 70%</li> </ul>

<sup>1</sup> The CDA "COOP-PESOS" standards imply administrative and performance standards for (i) compliance with administrative and legal requirements, (ii) organizational structure and linkages, (iii) operation and management, (iv) plans and programs, (v) portfolio quality, (vi) efficiency, (vii) stability, (viii) operations, and (ix) structure of assets.

Implementation of Major Activities: Number of months for grant activities	Standardization of cooperative development training (18 months) Conducting training, workshops, and seminars (30 months)
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<b>Component B</b>	
Component Name	<b>Strengthening CDA Regulatory Capacity</b>
Cost (\$)	400,000
Component Description	The advanced registration/management information system (MIS) will be installed in CDA, which will improve its performance monitoring of cooperatives. Annual performance reporting of cooperatives will be facilitated online by the new system.
Monitorable Deliverables/Outputs	Increased compliance rate of annual performance reports submission by financial cooperatives from the current 20% to 70%
Implementation of Major Activities: Number of months for grant activities	Systems development (18 months) Hardware and software procurement (6 months)

## 2. Financing Plan for Proposed Grant to be Supported by JFPR

Financier	Amount (\$)
JFPR	900,000.00
Government	203,239.85
Cooperatives	12,850.00
<b>Total</b>	<b>1,116,089.85</b>

## 3. Genesis

The Asian Development Bank's (ADB) Country Strategy and Program (CSP) 2005–2007 identifies the development of microfinance as one of the key strategies for more rapid poverty reduction. The Philippine Republic Act (RA) No. 8425 on Social Reform and Poverty Alleviation recognizes microfinance as the central strategy for poverty reduction. In accordance with these documents, the proposed JFPR assistance aims to support the development of financial cooperatives and strengthen the institutional capacity and efficiencies of the Cooperative Development Authority (CDA)—which oversees financial cooperatives—in order to provide sustainable microfinance services to the poor.

Of the 4.3 million poor households in the Philippines, less than one third (1.17 million) have access to microfinance services. Improved access and efficient provision of sustainable microfinance services can enable the poor to smoothen their consumption, manage their risk better, build assets, and enhance their income-earning capacity. The challenge is how to provide access to sustainable microfinance services (including savings services and remittances) for more than 3 million households that currently do not have access. The Microfinance Development Program (the Program), to be supported by a program loan from ADB, will provide the necessary frameworks and reforms needed to achieve the national outreach envisioned. The key reforms envisaged include (i) strengthening regulatory and supervisory authorities, and (ii) strengthening the institutional capacity and efficiency of microfinance institutions (MFIs). The program loan is accompanied by technical assistance (TA) that will (i) promote financial literacy, (ii) increase the efficiency of MFI operations, (iii) study on the privatization of the Postal Savings Bank, and (iv) support consumer protection.

To complement the Program and the TA, the proposed JFPR assistance is formulated to strengthen the supervisory and regulatory capacities of CDA and enhance the institutional capacity and operational efficiency of financial cooperatives—for sustainable microfinance services to the poor.

Financial cooperatives engaged in savings and credit operations form a major part of microfinance institutions in the Philippines. As of 30 June 2005 there were 4,660 savings and credit

cooperatives.<sup>2</sup> With a growing number of cooperatives starting to provide microfinance services, CDA should adequately supervise such financial cooperatives engaged in microfinance operations.

The proposed JFPR project will help CDA to standardize the training of financial cooperatives on sound savings and credit operations, in compliance with the CDA performance monitoring requirement. The cooperative training and dissemination of CDA performance standards will be designed and conducted in coordination with cooperative federations. CDA staff training for more effective cooperative supervision will also be designed and conducted under the Project. At the same time, the Project will strengthen CDA's performance monitoring capacities by designing and installing an advanced MIS to replace the current obsolete system. The Project will improve the quality of microfinance operations conducted by financial cooperatives, and help provide sustainable microfinance services to the poor.

To promote microfinance operation by the cooperatives, CDA—in collaboration with NCC—developed a standard chart of accounts and COOP-PESOS performance standards to be applied to credit and other types of cooperatives engaged in savings and credit services. The remaining challenge for sound sector development, however, is to increase cooperative compliance with these CDA performance standards. This will be achievable through (i) capacity building of cooperatives so that they will be better equipped to respond to the CDA requirement, and (ii) training of CDA regulators for effective cooperative supervision. CDA should develop a standard training module on credit risk management, accounting, asset-liability management, corporate governance, and other subjects relating to sound financial service operations; and encourage cooperatives to conduct such training for their staff.

For sound development of the cooperative sector, RA No. 6938 Cooperative Code gives CDA the mandate to facilitate sector development through policy formulation, registration, and regulation of cooperatives.<sup>3</sup> CDA conducts registration of all types of cooperatives and their federations and unions on a manual basis, with no centralized database. This reduces CDA's oversight capacity, as no data on a cooperative is immediately available. CDA is currently under transition from being an agency focused on promotion of the cooperative sector to a cooperative regulatory agency. RA No. 6938 Cooperative Code of the Philippines and RA No. 6939 CDA Act are being legislatively amended for this purpose. However, CDA does not have enough qualified regulators to examine the books of financial cooperatives, and lacks basic data and MIS for efficient supervision. There is an urgent need to strengthen training for CDA regulators on (i) cooperative performance monitoring, and (ii) cooperative management and compliance officers—for compliance with the CDA regulatory requirement. CDA's current obsolete data system and MIS also need to be modernized to ensure a successful transition.

#### **4. Innovation**

A cooperative training module will be developed by CDA—in collaboration with NCC, BSP, cooperative federations, and academies—to cover wide-ranging issues, i.e., cooperative development, sound microfinance practices, and effective regulation. Distance learning will be applied to cooperative training in remote areas and CDA staff training will be based on a cooperative development postgraduate course.

An online filing system to be installed at CDA will facilitate cooperatives and CDA in generating performance monitoring reports, and dramatically increase processing efficiency.

#### **5. Sustainability**

CDA will conduct a training awareness campaign under the Project—including dissemination of a standardized training module, standard charts of account, and COOP-PESO performance standards. However, cooperative federations and participants will fund training for cooperatives on a cost-recovery

<sup>2</sup> About 20,000 multipurpose cooperatives were also undertaking microfinance operations. Financial cooperatives in this document include (i) savings and credit cooperatives, and (ii) multipurpose cooperatives engaged in microfinance operations.

<sup>3</sup> CDA was created in 1990 by RA No. 6939. Its main goal is to promote the viability and growth of cooperatives as instruments of equity, social justice, and economic development. A board of administrators, consisting of the chairman and six members, governs CDA.

basis. The training will give a multiplier effect, as trained cooperative staff or trainers will train remaining cooperative staff. Once the new registration system is established, its operation will be financed by the existing budgetary appropriation to CDA, thus no incremental cost will be required. All equipment provided under the Project will be used for the annual training programs of the CDA and cooperative federations. The equipment will be handed over to the Implementing Agency (CDA) after the project period is over and will continue to be used for training purposes.

## 6. Participatory Approach

NCC, BSP, cooperatives, cooperative federations, and academies will collaborate with CDA to develop and standardize a training module on sound microfinance operations by cooperatives. Cooperatives, cooperative federations, and unions will be involved in the process of CDA MIS development.

Primary Beneficiaries and Other Affected Groups and Relevant Description	Other Key Stakeholders and Brief Description
Cooperative members <ul style="list-style-type: none"> <li>• Benefit through strengthened capacity of cooperatives in providing microfinance services and enhanced transparency of cooperative operations</li> </ul> Cooperatives <ul style="list-style-type: none"> <li>• Benefit through training sessions</li> <li>• Participating in CDA MIS development and training module standardization</li> </ul> Cooperative federations/Cooperative unions <ul style="list-style-type: none"> <li>• Conducting training sessions</li> <li>• Collaborating with CDA in standardizing training module</li> <li>• Participating in CDA MIS development</li> </ul>	NCC/BSP <ul style="list-style-type: none"> <li>• Ensuring sound microfinance operations based on international best practices</li> </ul>

BSP = Bangko Sentral ng Pilipinas, CDA = Cooperative Development Authority, MIS = management information system, NCC = National Credit Council.

## 7. Coordination

There is no direct intervention by other donors in nationwide credit cooperative development. The US Agency for International Development-sponsored Credit Union Empowerment and Strengthening Program is a TA program to strengthen the capacity of credit cooperatives restricted to Mindanao and Region 8.<sup>4</sup>

## 8. Cost Estimates

Please refer to Appendix 1 for the summary cost table and Appendix 2 for the detailed cost estimates.

<sup>4</sup> The Credit Union Empowerment and Strengthening Program works with credit cooperatives to revitalize their savings and credit business through an institutional strengthening program called Model Credit Union Building, and a Savings and Credit with Education Outreach Program that focuses on providing financial services and nutritional education to poor women. The establishment of the Model Cooperative Network is a major thrust under the project. The implementing partners are various credit cooperatives in Mindanao and Region 8 (Leyte/Samar).

## C. Linkage to ADB Strategy and ADB-Financed Operations

### 1. Link to ADB Strategy

Document	Document Number	Date of Last Discussion	Objectives
Philippine Country Strategy and Program (CSP) 2005–2007			The CSP identifies the development of microfinance as one of the key strategies for more rapid poverty reduction.
Microfinance Development Strategy			A goal of the strategy is to ensure permanent access to institutional financial services for poor and low-income households at competitive prices.

### 2. Linkage to Specific ADB-Financed Operation

<b>Project Name</b>	PHI: Microfinance Development Program (MDP)
<b>Project Number</b>	ADB Loan 2199- PHI
<b>Date of Board Approval</b>	22 November 2005
<b>Loan Amount (\$ million)</b>	150

### 3. State the above-mentioned project's development objective

The overall objective of the MDP is to improve household incomes, reduce poverty, and reduce the vulnerability of the poor. To achieve this objective, the MDP will undertake reforms to (i) remove regulatory impediments and policy distortions to promote market efficiencies and increased outreach of services at competitive prices for the poor, (ii) build MFIs that can provide efficient and cost-effective retail delivery of services to the poor, (iii) strengthen regulatory and supervisory capacities and authority for a sound microfinance sector, and (iv) increase financial literacy and consumer protection for the poor.

The proposed JFPR project will complement the MDP on (ii) and (iii).

### 4. List the project's main components

No.	Component Name	Brief Description
1.	Remove regulatory impediments and policy distortions to promote market efficiencies and increase outreach of services to the poor at competitive prices	1.1 Support implementation of the NCC policy and strategy for microfinance 1.2 Remove BSP regulations on opening new bank branches in areas where there is existing service 1.3 Amend the Truth-in-Lending Act to strengthen MFI disclosure practices 1.4 Rationalize tax incentives to MFIs and remove distortions 1.5 Reduce the expansion of unregulated MFIs that cannot legally accept deposits and have limited sustainability 1.6 Support the establishment of an interim credit bureau in BSP, and development of implementing rules and regulations as required 1.7 Support the mobilization of savings on a large scale by establishing a legal and regulatory framework to facilitate remittances from Overseas Filipino Workers into MFI deposit accounts 1.8 Support privatization of the Philippine Postal Savings

No.	Component Name	Brief Description
		Bank to accelerate mobilization of savings through postal savings networks
2.	Build MFIs that can provide efficient and cost-effective retail delivery of services to the poor	2.1 Expand training programs through universities and training institutes, and consolidate various current training programs and materials into a government certified/required program 2.2 Support the establishment of a central credit information bureau
3.	Strengthen regulatory and supervisory capacities and authority for a sound microfinance sector	3.1 Help restructure CDA into a full regulatory body 3.2 Provide capacity building for CDA staff, and support the development and formulation of prudential rules and regulations for deposit-taking cooperatives 3.3 Assist CDA in modernizing its registration and information system 3.4 Support the capacity building and improvement of data and monitoring systems for BSP and Securities and Exchange Commission
4.	Increase financial literacy and consumer protection for the poor	4.1 Prepare to amend the Consumer Act of 1992 for broader coverage and greater focus on financial services sector 4.2 Develop a certification program to ensure compliance officers' understanding of applicable laws and regulations

## 5. Rationale for Grant Funding versus ADB Lending

The MDP was proposed to be supported by a program loan, Japan Special Fund-financed TA, and a parallel project proposed to be supported by JFPR for capacity building. Appendix 3 shows the complementarity between the program loan, TA, and JFPR project.

## D. Implementation of the Proposed Grant

<b>1. Implementing Agency: CDA</b>	<p>Day-to-day project activities will be undertaken by the project implementation unit (PIU) to be established in CDA under the supervision of the project implementation committee (PIC), which will comprise DOF, CDA, ADB, BSP, cooperative federations, and cooperative representatives. Please refer to Appendix 4 for the implementation arrangements and Appendix 5 for the fund flow arrangement.</p> <p>All procurement under the Project will be conducted in accordance with ADB's <i>Guidelines for Procurement</i>. Consultants will be recruited by ADB in accordance with ADB's <i>Guidelines on the Use of Consultants</i> to provide the services for implementation, management, and progress monitoring of the Project.</p>
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## 2. Risks Affecting Grant Implementation

Type of Risk	Brief Description	Measure to Mitigate the Risk
Policy drift	Drift of the government policy for microfinance development	Implementation of MDP can help reduce this risk
Delay in implementation	Possible delay in government procurement and consultant recruiting actions	The second tranche conditions of MDP will ensure timely implementation of strengthening regulatory authorities and MFI's institutional capacity

Security concerns in some provinces	Some cooperatives are in areas of conflicts or other security concerns	PIU will cooperate with cooperatives that have gained trust among locals
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### 3. Incremental ADB Costs

Not applicable.

### 4. Monitoring and Evaluation

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for M&E
Improved and standardized training modules for microfinance operations by cooperatives	PIU quarterly and annual reports	PIC meetings and review missions
Dissemination of CDA performance standards to financial cooperatives	PIU quarterly and annual reports	PIC meetings and review missions
Increase in the availability of training sessions to cooperative officers, cooperative trainers, and CDA regulators  A total of 20 training sessions will be conducted for 1,000 staff from 600 cooperatives	PIU quarterly and annual reports	PIC meetings and review missions
Improved cooperative compliance with higher CDA performance standard requirement of 70%	PIU quarterly and annual reports	PIC meetings and review missions

### 5. Estimated Disbursement Schedule

Fiscal Year (FY)	Amount (\$)
FY2006	280,000
FY2007	310,000
FY2008	210,000
FY2009	100,000
<b>Total Disbursements</b>	<b>900,000</b>

### Appendixes

1. Summary Cost Table
2. Detailed Cost Estimates
3. Support for the Financial Cooperatives Sector in the Philippines
4. Implementation Arrangements
5. Fund Flow Arrangement

## Summary Costs Table (\$)

<div style="display: flex; justify-content: space-between;"> <div style="text-align: center;">           ↓ Inputs / Expenditure category         </div> <div style="text-align: center;">           → Grant Components         </div> </div>	<b>Component A</b> Building Capacity for CDA and Financial Cooperatives	<b>Component B</b> Strengthening CDA Regulatory Capacity	<b>Total</b> (Input)	<b>Percent</b>
1. Civil Works	18,967	5,000	<b>23,967</b>	2.6
2. Equipment and Supplies	69,033	241,668	<b>310,701</b>	34.5
3. Materials Development	83,010		<b>83,010</b>	9.2
4. Training, workshops, seminars, public campaigns	173,940	56,250	<b>230,190</b>	25.6
5. Consulting Services	32,150	49,360	<b>81,510</b>	9.1
6. Grant Management	68,400	7,722	<b>76,122</b>	8.5
7. Other Inputs	4,500		<b>4,500</b>	0.5
8. Contingencies (0-10% of total estimated grant fund):	50,000	40,000	<b>90,000</b>	10.0
<b>Subtotal JFPR grant financed</b>	<b>500,000</b>	<b>400,000</b>	<b>900,000</b>	<b>100.0</b>
<b>JFPR Contribution</b>	500,000	400,000	900,000	<b>80.6%</b>
<b>Government contribution</b>	80,751.85	122,488	<b>203,239.85</b>	18.2%
<b>Other Donor(s) Contributions</b>	12,850		<b>12,850</b>	1.2%
<b>Community's Contributions (mostly in kind)</b>				
<b>Total Estimated Costs</b>	<b>593,601.85</b>	<b>522,488</b>	<b>1,116,089.85</b>	<b>100.00%</b>
<b>Incremental Costs</b>	Not Applicable	Not Applicable	Not Applicable	

**DETAILED COST ESTIMATES (Component A)**  
**(\$)**

Code	Supplies and Services Rendered	COSTS				CONTRIBUTIONS				
		Unit	Quantity Units	Cost per Unit	Total \$	JFPR		Government	Cooperatives	Communities
						Amount	Method of Procurement *			
	<b>Component A: Building Capacity of Financial Cooperatives</b>									
1.1	<b>Civil Works</b>									
1.1.1	Renovation	Lump sum			3,000.00	3,000.00	LCB			
1.1.2	Rent	m <sup>2</sup> / mo.	30 / 36	6.00	6,480.00	3,240.00	DP	3,240.00		
1.1.3	Office furniture	Lump sum			1,747.00	1,747.00	DP			
1.1.4	Office maintenance	Lump sum								
	a. Electricity/power/Water	Mo.	36	140.00	5,040.00	5,040.00	DP			
	b. Telephone	Mo.	36	100.00	3,600.00	3,600.00	DP			
	c. Utility	Mo.	36	65.00	2,340.00	2,340.00	DP			
	<b>Subtotal</b>					<b>18,967.00</b>		<b>3,240.00</b>		
1.2	<b>Equipment and Supplies</b>									
1.2.1	Personal computer (desktop) with printer	Set	3	960.00	2,880.00	2,880.00	LCB			
1.2.2	Personal computer (laptop) with printer	Set	2	2,000.00	4,000.00	4,000.00	LCB			
1.2.3	Computer printer (laser, colored)	Pc.	1	700.00	700.00	700.00	LCB			
1.2.4	Multimedia projector	Pc.	34	1,300.00	44,200.00	44,200.00	LCB			
1.2.5	Calculator with printer	Pc.	1	65.00	65.00			65.00		
1.2.6	Calculator without printer	Pc.	2	20.00	40.00			40.00		
1.2.7	Facsimile machine	Pc.	1	220.00	220.00	220.00	DP			
1.2.8	Document scanner (flatbed)	Pc.	2	220.00	440.00	440.00	DP			
1.2.9	Digital video camera	Pc.	1	1,000.00	1,000.00	1,000.00	DP			
1.2.10	Television set	Pc.	1	1,000.00	1,000.00	1,000.00	LCB			
1.2.11	DVD/CD player	Pc.	1	500.00	500.00	500.00	LCB			
1.2.12	Photocopier	Pc.	1	4,545.00	4,545.00	4,545.00	LCB			
1.2.13	Office supplies	Lump sum			16,680.00	9,548.00	DP	7,132.00		
	<b>Sub-total</b>				<b>76,270.00</b>	<b>69,033.00</b>		<b>7,237.00</b>		
1.3	<b>Materials Development</b>									
1.3.1	Meetings of the Program Coordinating Committee									
	a. Per diems and allowances	Pax / Mtg.	10 / 5	25.00	1,250	1,250.00				
	b. Salaries of CDA personnel	Mtg.	5	45.45	227.25			227.25.00		
	c. Salaries of personnel of cooperatives	Mtg.	5	50.00	250				250.00	
	d. Miscellaneous expenses	Mtg.	15/5	20.00	1,500	1,500.00	DP			
1.3.2	Materials development workshops (6 workshops per module)									
	a. Per diems and allowances	Module	6	270.00	1,620	1,620.00				
	b. Salaries of CDA personnel	Module	6	45.00	270			270.00		
	c. Salaries of personnel of cooperatives	Module	6	500.00	3,000				3,000.00	
	d. Miscellaneous expenses	Module	6	9,000.00	54,000	54,000.00	DP			
1.3.3	Regional consultations									
	a. Plane fare	Pax / Batch	8	1,200.00	9,600	9,600.00	DP			
	b. Per diems	Pax / Batch	8 / 10	18.00	1,440	1,440.00				
	c. Salaries of CDA personnel	Batch	10	180.00	1,800	1,800.00		1,800.00		

	d. Salaries of personnel of cooperatives	Batch	10	300.00	3,000.00				3,000.00	
	e. Miscellaneous expenses (Staff)	Pax / Batch	10 / 10	50.00	5,000.00	5,000.00	DP			
	f. Miscellaneous expenses (Participants)	Pax / Batch	75 / 10	12.00	9,000.00	8,600.00	DP	200.00	200.00	
	<b>Subtotal</b>				<b>91,957.25</b>	<b>83,010.00</b>		<b>2,497.25</b>	<b>6,450.00</b>	
<b>1.4</b>	<b>Training, Workshops, and Seminars</b>									
1.4.1	Training for CDA personnel									
	a. Plane fare for staff and coordinators	Batch	8	1,200.00	9,600.00	9,600.00	DP			
	b. Per diems	Pax / Day / Batch	8 / 3 / 10	18.00	4,320.00	4,320.00				
	c. Salaries of CDA personnel (staff)	Batch	12	2,727.30	32,727.60			32,727.60		
	d. Salaries of personnel of cooperatives	Batch	12	200.00	2,400.00				2,400.00	
	e. Miscellaneous expenses	Pax / Day / Batch	60 / 3 / 10	45.00	81,000.00	81,000.00	DP			
1.4.2	Training for cooperative federations/unions									
	a. Plane fare for staff and coordinators	Batch	6	1,200.00	7,200.00	7,200.00	DP			
	b. Per diems	Pax / Day / Batch	8 / 3 / 10	18.00	4,320.00	4,320.00				
	c. Salaries of CDA personnel	Batch	10	270.00	2,700.00			2,700.00		
	d. Salaries of personnel of cooperatives (staff)	Batch	10	400.00	4,000.00				4,000.00	
	e. Miscellaneous expenses	Pax / Day / Batch	50 / 3 / 10	45.00	67,500.00	67,500.00	DP			
	<b>Subtotal</b>				<b>215,767.60</b>	<b>173,940.00</b>		<b>38,977.60</b>	<b>6,400.00</b>	
<b>1.5</b>	<b>Consulting Services</b>									
1.5.1	Local consultant for training module	Module	5	1,750.00	8,750.00	8,750.00	IS			
1.5.2	Local consultant for materials development	Module	5	1,750.00	8,750.00	8,750.00	IS			
1.5.3	Plane fare for regional consultations	Pax/Consult	5 / 8	150.00	6,000.00	6,000.00	DP			
1.5.4	Editing consultant (local consultant )	Module	5	650.00	3,250.00	3,250.00	IS			
1.5.5	Facilitator-consultant for trainings	Training	15	200.00	3,000.00	3,000.00	IS			
1.5.6	Plane fare of facilitator-consultant	Batch	16	150.00	2,400.00	2,400.00	DP			
	<b>Subtotal</b>				<b>32,150.00</b>	<b>32,150.00</b>				
<b>1.6</b>	<b>Management and Coordination of Component</b>									
1.6.1	Project implementing officer	Mo.	36	800.00	28,800.00	28,800.00	DS			
1.6.2	Finance officer	Mo.	36	400.00	14,400.00	14,400.00	DS			
1.6.3	Secretariat	Mo.	36	350.00	12,600.00	12,600.00	DS			
1.6.4	Bookkeeper	Mo.	36	350.00	12,600.00	12,600.00	DS			
1.6.5	CDA employees	Pax / Mo.	2 / 36	400.00	28,800.00			28,800.00		
	<b>Subtotal</b>				<b>97,200.00</b>	<b>68,400.00</b>		<b>28,800.00</b>		
<b>1.7</b>	<b>Audit Services</b>					4,500.00				
1.7.1	External auditor	Year	3	1,500.00	4,500.00	4,500.00	DS			
	<b>Subtotal</b>					<b>4,500.00</b>				
<b>1.8</b>	<b>Contingencies</b>	Lump sum				50,000.00		50,000.00		
	<b>Subtotal</b>					<b>50,000.00</b>		<b>50,000.00</b>		
	<b>COMPONENT TOTALS</b>				<b>590,051.85</b>	<b>500,000.00</b>		<b>80,751.85</b>	<b>12,850.00</b>	

DP = direct purchase, DS = direct selection of Firm, IS = individual selection, LCB = local competitive bidding.

**DETAILED COST ESTIMATES (Component B)**  
**(\$)**

Code	Supplies and Services Rendered	COSTS				CONTRIBUTIONS				
		Unit	Quantity Units	Cost per Unit	Total US\$	JFPR		Government	Cooperatives	Communities
						Amount	Method of Procurement *			
	<b>Component B: Strengthening CDA Regulatory Capability</b>									
2.1	<b>Civil Works</b>									
2.1.1	Renovation	Lump sum			5,000	5,000	DP			
2.1.2	Rent	sq. m. / mo.	30 / 18	6.00	3,240			3,240		
	<b>Subtotal</b>				<b>8,240</b>	<b>5,000</b>		<b>3,240</b>		
2.2	<b>Equipment and Supplies</b>									
2.2.1	Computer server	Set	4	2,180	8,720	8,720	LCB			
2.2.2	Personal computer (desktop)	Set	50	820	41,000	41,000	LCB			
2.2.3	Personal computer (notebook)	Pc.	170	820	139,400	139,400	LCB			
2.2.4	Multimedia projector	Pc.	2	1,273	2,546	2,546	LCB			
2.2.5	Document scanner	Set	2	2,100	4,200	4,200	LCB			
2.2.6	Wireless router/switch	Pc.	3	182	546	546	LCB			
2.2.7	Licensed software									
	a. Microsoft office (professional)	Pc.	224	182	40,768	40,156	LCB	612		
	b. SQL (multi-user)	Pc.	1	1,820	1,820	1,820	LCB			
	c. VV.net (multi-user)	Pc.	1	1,820	1,820	1,820	LCB			
	d. Dreamweaver	Pc.	1	910	910	910	LCB			
	e. SPSS (for Windows)	Pc.	1	550	550	550	LCB			
2.2.8	Flash Drive	Pc.	175	40	7,000			7,000		
	<b>Subtotal</b>				<b>249,280</b>	<b>241,668</b>		<b>7,612</b>		
2.3	<b>Trainings, Workshops, and Seminars</b>									
2.3.1	Development of users' manual (1 seminar)	Pax / day	15 / 5	50	3,750	3,750				
2.3.2	Trainers' training (1 training)	Pax / day	25 / 2	50	2,500	2,500				
2.3.3	Users' training (18 trainings)	Pax / day	500 / 2	50	50,000	50,000				
2.3.4	Office supplies and materials (20 trainings)	Per training	20	350	7,000			7,000		
	<b>Subtotal</b>				<b>63,250</b>	<b>56,250</b>		<b>7,000</b>		
2.4	<b>Consulting Services</b>									
2.4.1	Systems analyst (local consultant)	Mo.	18	730	13,140	13,140	IS			
2.4.2	Computer programmer (local consultant)	Pax / Mo.	4 / 18	260	18,720	18,720	IS			
2.4.3	Travel and per diems	Pax / Trip	5 / 10	350	17,500	17,500				
	<b>Subtotal</b>				<b>49,360</b>	<b>49,360</b>				
2.5	<b>Management and Coordination of Component</b>									
2.5.1	Director	Mo.	12	443	5,316			5,316		
2.5.2	Executive assistant	Mo.	12	272	3,264			3,264		
2.5.3	Clerk	Mo.	12	119	1,428			1,428		
2.5.4	Information systems analyst	Mo.	18	257	4,626			4,626		
2.5.5	Computer programmer	Mo.	18	242	4,356			4,356		
2.5.6	Data entry machine operator	Pax / Mo.	3 / 18	192	10,368			10,368		
2.5.7	Travel and per diem	Pax / day	8 / 20	350	56,000	7,722		48,278		
2.5.8	Operational costs (including office supplies)	Mo.	18	1,500	27,000			27,000		
	<b>Subtotal</b>				<b>112,358</b>	<b>7,722</b>		<b>104,636</b>		
2.6	<b>Contingencies</b>	Lump sum			40,000	40,000				
	<b>Subtotal</b>				<b>40,000</b>	<b>40,000</b>				
	<b>COMPONENT TOTALS</b>				<b>522,488</b>	<b>400,000</b>		<b>122,488</b>		

DP = Direct Purchase, IS= Individual Selection, LCB= Local Competitive Bidding.  
Source: Department of Finance, Cooperative Development Authority.

**SUPPORT FOR THE FINANCIAL COOPERATIVES SECTOR IN THE PHILIPPINES**

<b>MDP Loan</b>		<b>MDP TA (attached to the loan)</b>	<b>Proposed JFPR Grant Assistance</b>
<b>First Tranche Action</b>	<b>Second Tranche Action</b>		
Establish performance standards for microfinance institutions (MFIs) to promote efficient and cost-effective delivery of services	Memorandum of Agreement signed <sup>a</sup> among government regulatory agencies, government financial institutions, and other stakeholders to adopt and implement National Credit Council (NCC) <sup>b</sup> performance standards for MFIs, effective immediately. Standards include credit risk management, operational efficiency, financial efficiency, and stability standards based on international best practices.	Government regulatory agencies, government financial institutions, and other stakeholders to ensure implementation of NCC performance standards. Cooperative Development Authority (CDA) to undertake capacity building to increase oversight of compliance by savings and credit cooperatives with CDA performance standard requirements.	Develop training modules for uniform performance standards that cut across all types of microfinance institutions. The standards, developed by the NCC, will serve as microfinance industry benchmarks to allow comparison among different types of institutions engaged in the delivery of microfinance. Conduct training on uniform standards.
Provide effective authority and powers to CDA to ensure financial soundness and good governance of cooperative sector	Draft amendments <sup>c</sup> prepared for the Cooperative Development Authority Republic Act (RA) No. 6939 Law. Draft amendments submitted to Congress including (i) authorization for restructuring of CDA; (ii) amendment of the powers and functions of the CDA to include the power to approve and implement standards, rules and regulations, and	CDA to develop and submit to authorities, for approval, reorganization plan to strengthen CDA regulatory oversight of cooperatives engaged in savings and credit services, including the identification of appropriate CDA office(s) to monitor the financial performance of savings and credit cooperatives.	

MDP Loan		MDP TA (attached to the loan)	Proposed JFPR Grant Assistance
First Tranche Action	Second Tranche Action		
	<p>guidelines for the various types of cooperatives under its jurisdiction; and</p> <p>(iii) joint regulation of cooperative banks by CDA and Bangko Sentral ng Pilipinas (BSP).</p> <p>Draft amendments<sup>d</sup> prepared for RA No. 6938, The Cooperative Code of the Philippines. Draft amendments submitted to Congress including</p> <p>(i) recognition of existence of financial services cooperatives;</p> <p>(ii) requirement for conduct of pre-membership education seminar prior to organization of a new primary cooperative;</p> <p>(iii) expanded provisions for governance and transparency;</p> <p>(iv) conduct of performance audits for cooperatives; and</p> <p>(v) expanded coverage of cooperative banks, credit and financial service cooperatives, and housing cooperatives.</p>		
Strengthen framework and regulatory and oversight functions of CDA over the cooperative sector, and adopt standard chart of accounts	Presidential Executive Order issued to transfer CDA from Office of the President to DOF to strengthen the regulatory	DOF to oversee CDA policies and directions, and provide appropriate guidance. CDA to ensure adoption of Standard Chart	Develop training modules for SCA. Establish training program and conduct training for financial cooperatives.

<b>MDP Loan</b>		<b>MDP TA (attached to the loan)</b>	<b>Proposed JFPR Grant Assistance</b>
<b>First Tranche Action</b>	<b>Second Tranche Action</b>		
	<p>and oversight functions of CDA over the cooperative sector.<sup>e</sup> Undersecretary for Domestic Finance Group designated to monitor CDA operations and act as Department of Finance representative in CDA board of administrators meetings. CDA transferred to DOF as an attached agency, with DOF powers over CDA including</p> <ul style="list-style-type: none"> <li>(i) DOF representation in the governing board;</li> <li>(ii) setting of general policies through the DOF representative in CDA Board, which shall serve as the framework for internal policies of CDA; and</li> <li>(iii) DOF administrative supervision of CDA.</li> </ul> <p>CDA to begin implementation for adoption of SCA by savings and credit cooperatives for effective regulatory oversight.</p>	of Accounts (SCA) by savings and credit cooperatives for effective regulatory oversight.	
Develop prudential rules and regulations for savings and credit cooperatives to ensure safe and sound operations and to protect the investments and savings of the poor	Draft manual of prudential rules and regulations for deposit-taking credit and savings cooperatives developed by CDA in collaboration with the	Public consultations to be completed by DOF and CDA. CDA to issue manual of prudential rules and regulations based on consultations for deposit-	Develop training modules for prudential rules and regulations issued by CDA for savings and credit cooperatives. Establish training program and

<b>MDP Loan</b>		<b>MDP TA (attached to the loan)</b>	<b>Proposed JFPR Grant Assistance</b>
<b>First Tranche Action</b>	<b>Second Tranche Action</b>		
	NCC-DOF, BSP, other relevant government agencies, and major cooperative federations. Regional stakeholder consultations on rules and regulations commenced by CDA and DOF.	taking savings and credit cooperatives. Manual to provide comprehensive authority for rules and regulations to implement provisions of RA 6938 and RA 6939 and other existing laws that will govern the operations of cooperatives with savings and credit operations.	conduct training.
Increase transparency and timeliness of data for effective conduct of supervision	To increase transparency and timely information for effective sector oversight, reportorial requirements prepared by DOF and CDA for savings and credit cooperatives, including quarterly reporting to authorities on the financial condition and operations and internal maintenance of monthly reports.	Conduct of public consultations to be completed by DOF and CDA. Reportorial requirements to be issued by CDA based on consultations for savings and credit cooperatives, including quarterly reporting to authorities on the financial condition and operations and internal maintenance of monthly reports.	Develop training modules for financial cooperatives on financial reporting and internal maintenance of reports. Establish training program and conduct training.
Establish minimum qualifications and fit and proper standards for board directors and key management and establish ongoing training requirements for officers and directors	Minimum qualifications and fit and proper standards for savings and credit cooperative board directors and key management developed by CDA and DOF including education, diligence, experience, and training.	Public consultations to be completed by DOF and CDA. CDA to issue regulations based on consultations for minimum qualifications and fit and proper standards for savings and credit cooperative board directors and key management, including	Develop training modules on qualifications and fit and proper standards for cooperative board directors and key management. Establish training program and conduct training.

<b>MDP Loan</b>		<b>MDP TA</b> (attached to the loan)	<b>Proposed JFPR Grant Assistance</b>
<b>First Tranche Action</b>	<b>Second Tranche Action</b>		
		<p>requirements for education, diligence, experience, and training.</p> <p>Ongoing training requirements to be issued by CDA for officers and directors of savings and credit cooperatives, including continuous training at an accredited organization of the BSP and/or CDA.</p>	
Develop MFI internal management systems for efficient and sound operations of savings and credit cooperatives	Requirements for mandatory committees for effective operations of savings and credit cooperatives developed by DOF and CDA including audit, credit, election, education/training and membership, and ethics, mediation and conciliation.	Public consultations to be completed by DOF and CDA. Requirements to be issued by CDA based on consultations for mandatory committees including audit, credit, election, education/training and membership, and ethics, mediation, and conciliation.	Develop training modules on mandatory committees including audit; credit; election; education/training and membership; and ethics, mediation and conciliation. Establish training program and conduct training.
MFIs to establish compliance officers to ensure compliance with laws and regulations and increase consumer protection	Draft regulation prepared by DOF and CDA requiring savings and credit cooperatives to designate officer as compliance officer responsible for cooperative compliance with applicable laws and regulations.	Public consultations to be completed by DOF and CDA. CDA to issue regulation requiring savings and credit cooperatives to designate officer as compliance officer responsible for cooperative compliance with applicable laws and regulations. CDA to	Develop training modules for compliance officers for savings and credit cooperatives based on regulation issued by CDA. Establish training program and conduct training.

MDP Loan		MDP TA (attached to the loan)	Proposed JFPR Grant Assistance
First Tranche Action	Second Tranche Action		
		establish training program for compliance officers. Specified transition period for officers to complete training included in regulation to ensure effective compliance.	
Adopt and develop lending models and savings and insurance schemes for sound expansion of microfinance services	National Anti-Poverty Commission (NAPC) to initiate assessment of lending, savings, and insurance schemes in the Philippines to promote adoption and development of sound, sustainable microfinance schemes, including micro-insurance and savings/microinvestment—in accordance with existing laws, regulations, and policies—to ensure soundness of the microfinance sector and consumer protection.	Based on assessment and stakeholder consultations, NAPC to issue industry advisory to promote adoption of sound, sustainable microfinance schemes, including micro-insurance and savings/microinvestment—in accordance with existing laws, regulations, and policies—to ensure soundness of the microfinance sector and consumer protection.	Assist NAPC in a review of existing micro-insurance and savings/microinvestment practices within and outside Philippines and assess their replicability and potential for nationwide adoption. Develop models from among these practices that can be adopted by microfinance institutions in consonance with existing laws and regulations.
Increase transparency and disclosure of MFIs and public access to information	NCC regulatory framework for MFIs developed and adopted by authorities to promote financial soundness of the microfinance sector, to protect small clients, and promote the establishment of an accurate, reliable, and transparent set of financial information for all types of MFIs. Microfinance sector	NAPC to maintain and develop sector database on institutions conducting microfinance including banks, cooperatives, and NGOs; and publish data on NAPC's free public access website and NAPC annual reports.  CDA to complete phase I of the CDA project to establish database for	Assist NAPC in design and development of free public access website that will include relevant laws and regulations, training materials, microfinance sector data and links to relevant agencies and organizations, and a public service section to support consumer protection.
			Develop training modules, where appropriate and as determined by CDA, on NAPC models. Establish training program and conduct training accordingly.
			Develop and install an advanced regulatory/management information system at CDA to improve the reporting, monitoring, and oversight of financial cooperatives. Online registration/reporting system will enhance the transparency and efficiency of performance monitoring of financial cooperatives.

<b>MDP Loan</b>		<b>MDP TA (attached to the loan)</b>	<b>Proposed JFPR Grant Assistance</b>
<b>First Tranche Action</b>	<b>Second Tranche Action</b>		
	database established by NAPC covering all types of institutions conducting microfinance including banks, cooperatives, and nongovernment organizations (NGOs). Sector data published on NAPC's free public access website and annual report.	public and internal access on savings and credit cooperatives, and install advanced registration and management information systems (MIS) for savings and credit cooperatives.	

<sup>a</sup> Memorandum of Agreement signed on 10 October 2005 by Department of Finance, Bangko Sentral ng Pilipinas, Cooperative Development Authority, Securities and Exchange Commission, People's Credit and Finance Corporation, Land Bank of the Philippines, Development Bank of the Philippines, Microfinance Council of the Philippines, Rural Bankers Association of the Philippines, and National Confederation of Cooperatives.

<sup>b</sup> The National Credit Council is an interagency body chaired by the Department of Finance.

<sup>c</sup> Consolidation of Senate Bills Nos. 193, 276 843, and 1043 prepared by the Committee of Cooperatives; Ways and Means; Civil Service and Government Reorganization; and Finance.

<sup>d</sup> House Bill No. 4602 is a consolidation of House Bill Nos. 699, 1074, 123, 1360, 1597, 1954, 2501, and 2915

<sup>e</sup> Presidential Executive Order No. 332 issued on 16 July 2004.

<sup>f</sup> As the comprehensive authority on rules and regulations, any changes to laws, circulars, or issuance shall be subsequently integrated and form part of the manual, while repealed rules shall be deleted so that the user of the manual shall no longer refer to separate issuance, but shall instead cite sections of the manual.

## IMPLEMENTATION ARRANGEMENTS

### A. Project Management

#### 1. Executing Agency

1. The Department of Finance (DOF) will be the Executing Agency (EA) of the Japan Fund for Poverty Reduction (JFPR) project.

#### 2. Implementing Agency

2. The Implementation Agency is Cooperative Development Authority (CDA). The day-to-day activities will be undertaken by the project implementation unit (PIU) to be established in CDA under the supervision of the project implementation committee (PIC) which will comprise the EA, CDA, Asian Development Bank (ADB), National Credit Council (NCC), Bangko Sentral ng Pilipinas (BSP), cooperative federations, and cooperative representatives.

#### 3. Procurement

3. All procurements under the Project will be conducted in accordance with ADB's *Guidelines for Procurement*. Consultants will be recruited by ADB in accordance with ADB's *Guidelines on the Use of Consultants* to provide the services for implementation, management, and progress monitoring of the Project.

#### 4. Consulting Service

4. The JFPR consultants (domestic) will be contracted by ADB in accordance with ADB's *Guidelines on Use of Consultants*, and based on a no-objection from DOF.

#### 5. Reporting

5. The JFPR PIU will prepare quarterly, semiannual, and annual reports on project implementation, the form and content of which will be agreed with ADB. The PIU and PIC will officially endorse these reports to ADB with their comments. The PIU will maintain separate accounts for all project components financed by JFPR and the Government, and have them audited by an independent auditor that has adequate knowledge and experience of international accounting practices and is acceptable to ADB. The audited project accounts and the auditor's reports will be furnished to ADB within 6 months after the end of the financial year. The Government will be informed of ADB's requirement on the timely submission of audited project accounts and financial statements, including the suspension of disbursements in case of noncompliance. ADB will also finance, through the JFPR project, annual audits through an independent audit company acceptable to ADB. To facilitate post-evaluation of the Project, the Government has agreed to provide a grant completion report to ADB with the support of the PIU, within 3 months of physical completion of the Project. All reports will comprise an assessment of the Project's impact and output, project performance monitoring and evaluation, as well as suggestions for further improving project implementation.

#### 6. Monitoring and Evaluation

6. Preliminary indicators for monitoring and evaluating the performance of the Project will be discussed with key stakeholders. The final project performance management system will be finalized prior to the ADB's approval. Monitoring indicators will be measured during project

implementation. Comments and findings regarding these monitoring indicators will be included in semiannual reports to ADB. In addition to indicators for implementation monitoring, indicators for project evaluation will be measured at project completion. Where relevant, indicators will be disaggregated by gender. A final report will consist of an evaluation of changes that occurred in the preceding 4 years.

**B. Implementation Schedule**

7. The Project will be implemented over a period of 3.5 years from April 2006 to September 2009.

## FUND FLOW ARRANGEMENT FOR JFPR FUNDS

The Asian Development Bank (ADB) will channel the Japan Fund for Poverty Reduction Fund (JFPR) funds directly to a JFPR imprest account—which will be opened and maintained by the project implementation unit (PIU) in the implementing agency, at a bank endorsed by the executing agency and acceptable to ADB—to facilitate day-to-day local expenditures of the JFPR Project. The executing agency will be kept informed by the PIU about all transactions and receive copies of all financial statements and audit reports. The JFPR imprest account will be managed by the PIU on the principles of a cosignatory arrangement with the executing agency—initially based on the first 6-month activity plan and related budget, and afterwards based on the approved annual work plan and budget.

The initial deposit into the JFPR imprest account will be based on the estimated expenditures for the 6 months or \$90,000, whichever is lower. The imprest account will be established, managed, replenished, and liquidated in accordance with ADB's *Loan Disbursement Handbook*.<sup>1</sup>

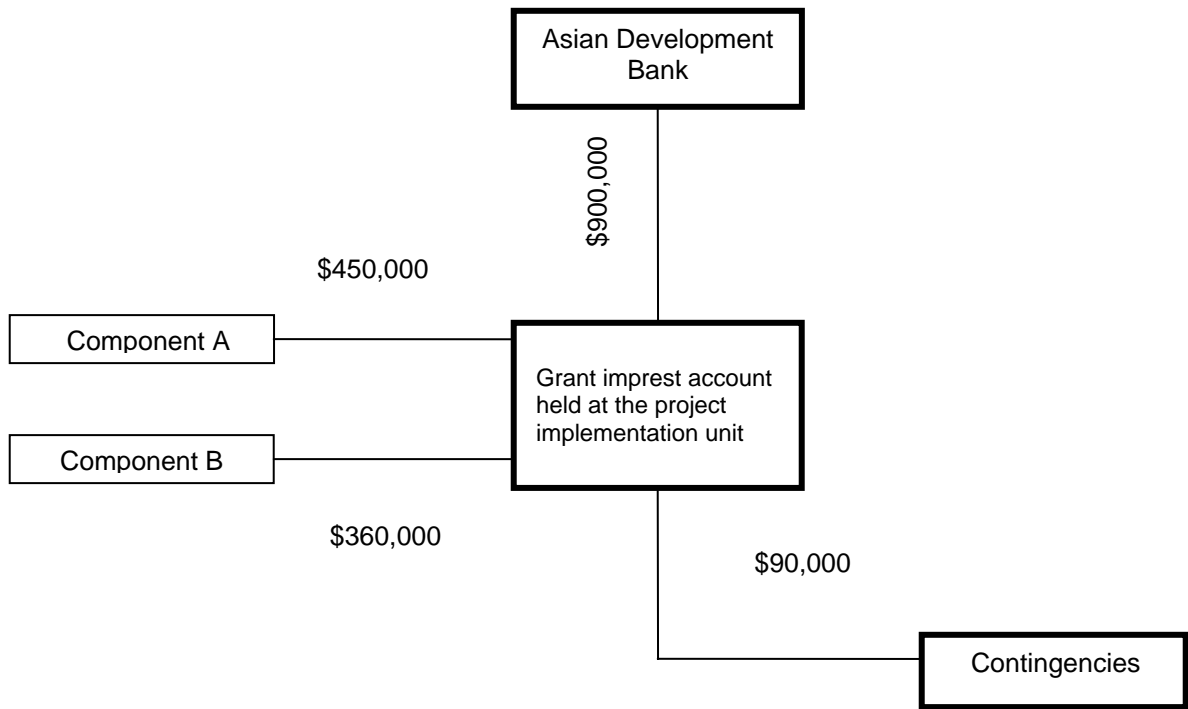
The statement of expenditures procedure will apply for all payments and transactions under \$10,000 to ensure speedy project implementation. Detailed implementation arrangements, such as the flow, replenishment, and administrative procedures will be detailed in the grant implementation manual, and be established between ADB and the Government through the JFPR letter of agreement. The schematic fund flow for the JFPR Project is shown in Figure A3.

Interest earned on the JFPR imprest account can be used for the Project subject to ADB's approval, within the approved total amount of JFPR. Any unutilized interest should be returned to the JFPR account maintained at ADB, on completion of the JFPR project and before closing of the JFPR account. If the remittance fee and other bank charges are higher than the amount of interest earned, there will be no need to return such interest to the JFPR account maintained at ADB.

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<sup>1</sup> ADB. 2001. *Loan Disbursement Handbook*. Manila

**Figure A3: Fund Flow Arrangement for JFPR Project**



Source: Asian Development Bank.