

## Looking Back: the NPRS-PRF Story

WITH THE COOPERATION Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies (NPRS) and Poverty Reduction Cooperation Fund (PRF) now closed, we talked to the two coordinators for these funds—Sonomi Tanaka (ADB Senior Social Development Specialist, Coordinator for NPRS and PRF-Regional Window since April 2004) and Christopher Spohr (Social Sector Economist, ADB Resident Mission in the People's Republic of China [PRC], Coordinator for PRF-PRC since October 2004)—to find out what these funds initially sought out to do, what they have achieved thus far, and how lessons learned from them can further improve poverty reduction work in Asia and the Pacific.

### GENESIS

*How did the two funds begin? What were their objectives and how are they different from other special/TA funds in ADB?*

**SONOMI:** From the late 1990s to the early 2000s, there was a growing international interest in alleviating and eradicating poverty. Within many development organizations, there were major institutional and operational alignments with poverty reduction. In 2000, the World Bank and the International Monetary Fund began the process of creating poverty reduction strategy papers (PRSP) for low-income countries around the world. Many other donors and technical agencies followed suit and restructured their country and regional operations around these PRSPs and/or each country's poverty reduction strategy. The establishment of the Millennium Development Goals as a shared agenda among all the members of the development circle also accelerated this trend.



The same trend happened within ADB, with a very strong commitment from then President Tadao Chino. ADB's institutional commitments to poverty reduction resulted in a range of strategic documents and operational initiatives, including the 1999 Poverty Reduction Strategy and the 2001 Social Protection Strategy, which were received favorably by a number of donors, resulting in a series of trust funds.

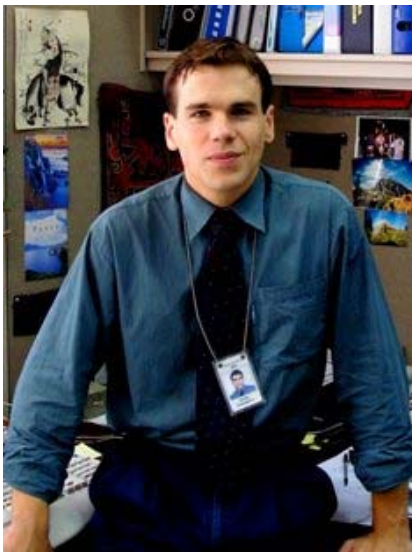
Following the establishment of the Japan Fund for Poverty Reduction (JFPR) in May 2000, the NPRS was established in November of 2001 with the funding from the Government of Netherlands, followed by the PRF in July 2002 from the UK Department for International Development (DFID). As both funds were to be administered by ADB's Regional and Sustainable Development Department (RSDD), the NPRS and PRF donors decided to harmonize their selection procedures and management. Within the PRF, the PRC portion has been directly contributed by DFID China and coordinated by ADB's PRC Resident Mission (PRCM), while the remaining PRF-Regional Window has been contributed by DFID London and managed by RSDD.

While the two funds had a slightly different focus—the NPRS focused on national poverty

reduction strategies and PRSPs and related policy, strategy, and institutional development, while the PRF accommodated a comprehensive range of initiatives for poverty reduction, including pilot projects for future upscaling in ADB operations—the two shared the same objective: to help ADB effectively implement the commitments made in its 1999 Poverty Reduction Strategy. To achieve this goal, the two funds promoted and supported new approaches to poverty reduction work. This was not meant to deny the strengths of the past; rather, we tried to build the concept of "pro-poorness" within ADB's core operational sectors. Such visions are largely due to my predecessors, Stephen Pollard and Armin Bauer, who were involved in the establishment of the NPRS and PRF, respectively. I took over in April 2003.

These new approaches included utilizing these funds to answer questions such as, "what does pro-poor infrastructure mean, and what can we do to maximize the poverty reduction impact of large-scale infrastructure?" Or, "what types of financial products are accessible and affordable to farmers affected by frequent natural calamities or the poor who cannot afford out-of-pockets medical expenditures?" By looking for an effective way to increase the government's accountability for the implementation of its poverty reduction strategy, a participatory budgeting process and citizens' scorecard exercises—all new exercises for ADB in those days—were developed. Further, everybody assumed that regional cooperation would reduce poverty, but not many studies existed on its impact on poverty reduction at the border areas. Such an idea can only come from an organization like ADB, which has a long history of supporting regional cooperation in the Greater Mekong Subregion.

Doing something out-of-the-box always requires special care. NPRS and PRF paid particular attention to interdisciplinary discussion at the early stage of project cycle, when the concept papers for technical assistance (TA) projects were being developed. For each proposal submitted for NPRS or PRF funding, RSDD organized a peer review meeting, inviting staff from across ADB, including technical specialists on the sector concerned, poverty specialists, and program officers and/or resident mission staff, who can judge if the proposal fits the country's strategy and if future scaling up, either into a loan or policy and institutional designs for the government, is possible. Although some critics in ADB later said it created "high transaction cost" or that it complicated project designs, I still believe this was the best way to make ADB staff think comprehensively on poverty from different angles. I have been in ADB for a long time but I never knew that ADB staff had so many ideas and so much enthusiasm. I organized more than 100 peer review meetings and learned over a hundred different ideas!



Once funding was supported at the peer review meeting, the rest of the approval procedure followed that of a regular ADB TA. This sense of ease attracted a lot of staff, despite the fact that ADB operational staff have very limited time and that proposing a unique project requires a very strong commitment from their side.

**CHRIS:** After taking on oversight of the PRF-PRC portfolio in October 2004, I tried to work with project officers in "going a bit deeper" than the usual TA performance reports in informing DFID-China colleagues of substantive accomplishments and innovations PRF-PRC TAs were making. But overall, I think ADB officers appreciated the fact that PRF imposed few additional burdens.

In terms of value added, the simplest dimension is the

PRF's earmarking of funding for interventions related to addressing poverty in its varied forms. At the same time, the fund allowed ADB to work with diverse partners, ranging from the State Council Leading Group Office of Poverty Alleviation and Development (LGOP) to sectoral line ministries, and, in some cases, nongovernment organizations (NGOs), academia, and other nongovernment partners in addressing poverty from different angles. Taken together, I think these factors allowed PRF-PRC TAs to complement (rather than closely mirror or, conversely, abandon) its lending program, allowing ADB to respond to the PRC Government's poverty-related priorities in ways that ADB's standard lending and nonlending programs cannot always.

## **IMPLEMENTATION**

***What were the major challenges over the past 5 years with regard to managing these funds? Have they met their objectives? Did they achieve other impacts not originally foreseen?***

**SONOMI:** There were many challenges but the most difficult one was the change in ADB's corporate environment and its approach to poverty reduction. ADB's 1999 Poverty Reduction Strategy was revised in 2004, and a key revision was for ADB to concentrate its poverty reduction work at the country and sector levels, rather than at the project level. Many of the NPRS-PRF interventions were at the project level, and this raised some unfair criticisms of the two funds within ADB. The Medium-Term Strategic Framework II in 2006 also took a bold decision regarding priority and non-priority sectors, rendering some of the existing NPRS-PRF projects not relevant and making it impossible to scale-up in the future. For example, the small livestock sector considered as a pro-poor sector in 2003 was no longer a priority in 2006. Also, the institutional support for social protection weakened over the years, and the PRF's support for social protection efforts to operationalize ADB's 2001 Strategy was later used to criticize the fund for supporting a portfolio that was not part of ADB's core operations, which I disagree with.

Another major challenge has been dealing with the gaps between the donors' disbursement expectations and the reality of processing and implementing ADB's TAs. DFID, in particular, uses disbursements as key implementation milestones, while ADB monitors approval and physical inputs to the projects. Thus, DFID expected that all funds would be disbursed once a TA was approved. In reality, however, disbursements would be completed months after a TA is finished. To accelerate processing and implementation, many measures were adopted from 2004 to 2006, like implementing processing cut-off durations (initially 9 months, and later 6 months), acceptance of project preparatory TAs, etc. Also, the PRF was once temporarily frozen for new intakes until the disbursement pace would pick up.

The third challenge was the frequent turnover of ADB project officers. Innovation funds depend on the ideas and commitments of initiators, but when they move on to other posts, these trust funds-financed advisory TAs are often passed on to junior officers, making it difficult to maintain momentum and continuity. There are cases, though, when this situation actually resulted in better TA performance.

Despite these challenges, I believe both funds achieved their initial objectives. As I said earlier, there were a lot of positive changes within ADB, such as the encouragement of innovative and multidisciplinary thinking. For the NPRS, a number of national poverty reduction strategy related initiatives in ADB's developing member countries were supported and achieved results, although some TAs were hindered by political problems at the country level. For example, the NPRS managed to support participatory poverty assessment and planning in Mongolia and Viet Nam, where participatory development is still defined somewhat narrowly and provided training on such qualitative assessments to the statistics

office and provincial governments. The fund also made it possible for ADB to play a lead role in developing methodologies for surveying living standards in Uzbekistan.

The same is true for the PRF. The objectives of the PRF are to help ADB's learning in poverty reduction through policy dialogue, development of new programs and projects, research, impact monitoring, piloting new designs, stakeholder involvement, and strengthen ADB's role as a regional development bank. The midterm review of the PRF-Regional Window conducted by DFID in 2005 came up with very positive findings. We will wait for the Operation and Evaluation Department's (OED's) independent evaluation results, expected in the first quarter of 2008, but if I could give you my impressions, I think that the overall results of the PRF program are positive, while the success rate of each TA varies. I can certainly say that there are many incredible, useful and practical lessons from the 106 PRF-financed TAs (including 18 PRC TAs).

We have so far prepared nearly 70 case studies on both NPRS and PRF projects, and these have been further selected and classified into six thematic areas, for which synthesis papers are being written to analyze lessons learned. The six topics are: (i) pro-poor policies and strategies; (ii) pro-poor infrastructure; (iii) poverty, natural resources management, and the environment; (iv) regional cooperation, economic integration, and poverty; (v) inclusion, equity, and targeting; and (vi) the process and influence of NPRS-PRF projects.

There are numerous success and influence stories from the PRF regional window. The readers of this e-newsletter must be already familiar with some of them. In Nepal, although most projects suffered delays due to the conflict, an innovative mechanism to transfer cash and in-kind support to caste households is being attempted along with ADB's loan project on gender equality and women empowerment. The Government decided to replicate this approach nationwide using government funds. In Cambodia, ADB's PRF TA supported a regulation to allow microfinance institutions to provide deposit collection services. The same TA already piloted deposit services with three microfinance institutions, which have turned out to be very successful. This is a major mentality shift in Cambodia, where the idea of saving in financial institutions is not popular due to lack of trust.

Unforeseen impacts? Well, we can surely say that ADB learned a lot about trust funds management. In a way, the management of these two trust funds itself has been an innovation, and I have prepared a lot of documentation and presentations about the cost of trust fund management, effective means to provide technical support to proposals, strategic use of funds aligned with country strategy, and other matters. I am sure this has contributed to the institutional learning of ADB about funds management.

**CHRIS:** I believe trust funds often experience a "slow take-off" period. Taking on oversight of the PRF-PRC during that take-off stage, and facing some clear frustration on the part of my DFID colleagues, my first challenge was to try to work with PRF project officers to accelerate implementation. This meant ramping up disbursement where possible, but more importantly, making sure that TAs were on-track to accomplish poverty-related objectives and that emerging achievements were being shared with DFID more broadly.

Both DFID and PRC Government colleagues also initially flagged the need for greater involvement and value-added of ADB project officers, which they perceived as linked to a broader issue of ADB's prioritization of delivering loans vis-à-vis implementing advisory TAs. My own view is that for the PRC, whether loan or TA, ADB financing is dwarfed by the PRC's own financial and fiscal resources, such that our development impact hinges on delivering innovation, such as by new policies and operational mechanisms to ensure greater effectiveness, efficiency, and equity in the utilization of much larger Government and/or

private sector resources. I view ADB officers' role as critical in delivering such innovation, bridging the span between global best practices and country-specific realities. For the PRF-PRC, while recognizing room for improvement, I think the commitment of at least a handful of ADB officers and the impact this had on delivering several key breakthroughs are quite clear—a conclusion, I believe, is shared by DFID and PRC Government counterparts.

The overall aim of the PRF-PRC was to enhance the contribution of ADB's overall PRC portfolio and its policy work to reduce poverty in the PRC. If one looks in terms of introducing innovations, I think the PRF-PRC as a whole hit its mark. While it's a bit early to draw concrete conclusions on the extent to which some of the policy recommendations will be mainstreamed, it is clear that the Fund has already supported some major firsts. Among these, one PRF-PRC TA helped support and expand the PRC's first-ever competitive tendering of institutional microfinance pilot testing, helping to address critical gaps in the scale and scope of rural finance in the PRC and their implications for poverty and rural development. A second TA is pioneering the first-ever channeling of PRC government budgetary funds to competitively selected NGOs on, in this case, working with local officials to implement the PRC's flagship grassroots poverty program. While the latter TA (to be completed in June 2008) is only now entering the final policy dialogue stage, its prospects for long-term impact are borne out of LGOP's strong ownership and the strong attention the pilot has attracted in policy and academic circles. In fact, the Ministry of Finance (MOF) earlier this year selected both of these TAs to be highlighted among five "best practice" ADB advisory TAs.

Other TAs have broken ground (as reflected in policy changes) in a diverse array of areas, ranging from supporting new LGOP strategies for rural poverty programs to mitigating the sometimes adverse impacts of reforestation programs on the poor. Still, others may be sustained and scaled-up through ADB's own programs, such as new approaches for linking HIV/AIDS prevention to ADB expressway projects developed in Yunnan under PRF-funded TA, which are being replicated in the PRC and regionally. Finally, beyond individual project accomplishments, I believe the PRF-PRC has strengthened dialogue with the government on key cross-cutting poverty issues, reflected in increasing calls by MOF, LGOP, and others for ADB to do more.

## **MOVING FORWARD**

***Now that the funds are closed, what lessons can ADB take from them to strengthen its poverty reduction work?***

**SONOMI:** The future of ADB's support to poverty reduction work is uncertain. Because of this, at least for now, we do not foresee the continuation of this type of flexible innovation funds focused on poverty reduction. We will wait to see the recommendations from OED.

In the meantime, there are many lessons that ADB can draw out of the NPRS-PRF experiences, but I would rather the readers of this newsletter read the thematic papers to be published in the first quarter of 2008. Drafts are available from me if you wish to review them.

If I am to pick only the most important lesson for ADB to learn from the two funds, I would say that ADB should recognize that real knowledge cannot be generated unless you get your hands dirty by experiencing some level of difficulty. There must be constant and consistent institutional support to allow time and resources for debating and testing ideas within and outside of ADB. Such time and energy should not be considered as a "transaction cost."

**CHRIS:** Despite the obvious challenges, I think the PRF-PRC demonstrates that ADB can

provide highly relevant support in a context like the PRC, where impressive economic growth figures conceal an increasingly complex face of poverty, inequality, and imbalances. As a poverty-committed fund, the PRF-PRC has been critical in supporting ADB's impact here. Looking ahead, perhaps the key question is whether ADB can maintain such a role—building on such successes both within the PRC and in joint efforts in the region—in a “post-PRF era.” If ADB is serious about poverty reduction and inclusiveness, I sincerely hope the answer is yes.



**SONOMI:** I would like to take this opportunity to thank our counterparts from the Ministry of Foreign Affairs of the Netherlands and DFID, both current and previous officers in charge of overseeing these funds. Thank you for your generosity and patience. Anything positive about the funds' management owe much to my NPRS-PRF team (pictured, L-R)—Jet Damazo (consultant for e-newsletter), Zarah Zafra (senior operations assistant), Randy Dacanay (consultant case writer), Bert van Ommen (consultant team leader [right of Sonomi]),

Cecile Santiago (consultant analyst), and Jay Maclean (consultant editor [not in photo]). The knowledge product work has also been assisted by London-based Social Development Direct. And, finally, to all the NPRS-PRF champions for your inspiration, commitment and encouragement. Thank you all.