

COOPERATION FUND IN SUPPORT OF THE FORMULATION AND IMPLEMENTATION OF NATIONAL POVERTY REDUCTION STRATEGIES

I. BACKGROUND

1. Close to 900 million of the world's poor (i.e., those who survive on less than \$1 a day) live in the Asia and Pacific region. Nearly one in three Asians is poor. Although the proportion of people below the poverty line had been declining, the absolute number of poor people is still increasing, exacerbated by population growth. South Asia, one of the poorest subregions in the world, now has more than half a billion poor people, of whom 450 million are in India. The People's Republic of China has 225 million poor people. About 55 million more are in Southeast Asia, where in the wake of the Asian crisis, over 10 million have joined the ranks of the poor. Many people in the Central Asian republics have slipped into poverty with the economic disruptions of transition. The small island countries of the Pacific, despite the relatively higher per capita income of their populace, remain vulnerable because they are remote, prone to natural disasters, and have limited ability to deal with external economic shocks.

2. Recently, an international consensus has emerged, refocusing development assistance toward strategies aimed at poverty reduction. This resulted in the proposal of the International Monetary Fund (IMF) and World Bank to support the preparation of so-called poverty reduction strategy papers (PRSPs). PRSPs were originally associated with the highly indebted poor countries (HIPC)-initiative. In order to be eligible for debt relief under the HIPC-initiative, governments of these countries submitted a PRSP to the boards of directors of IMF and the International Bank for Reconstruction and Development (IBRD). In the process, it became widely recognized that the main elements of the PRSPs, (the importance of country ownership, participatory approaches to development, and output orientation in order to monitor progress toward poverty reduction) are also highly relevant for non-HIPC developing countries. The Asian Development Fund (ADF) donors reaffirmed and endorsed this view¹. To avoid the fragmentation of development efforts, they agreed that it is paramount that all development partners working in developing member countries (DMCs) should support the development of a locally led poverty reduction strategy. In this context, donors recommended that the Asian Development Bank (ADB) participate fully in the process of formulating, revising, and implementing comprehensive national poverty reduction strategies (NPRS).

II. ADB'S POVERTY REDUCTION STRATEGY

3. In November 1999, ADB's Board of Directors approved the new Poverty Reduction Strategy.² With the adoption of this strategy, poverty alleviation has become ADB's overarching objective and all activities of ADB will be geared to achieving this goal. In operational terms, ADB will proactively assist all its DMCs to conduct comprehensive poverty assessments. Moreover, it will (i) engage in participatory discussions of these assessments with the DMCs' governments and civil society representatives; (ii) work jointly with DMC representatives and in

¹ Asian Development Bank. 2000. Asian Development Fund (ADF) VIII Donors' Report: *Fighting Poverty in Asia*. Manila: ADB. November.

² Asian Development Bank. 1999. *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy*. Manila: ADB. November.

coordination with other donor communities, in the formulation of country strategies and programs (CSPs) that will reduce poverty and that ADB can effectively undertake; and (iii) forge partnership agreements between each government and ADB on programs of assistance to reduce poverty. The ADB Poverty Reduction Strategy also sets new lending targets and an annual implementation action plan has been drafted.

4. Changes within ADB are likewise in progress. Specifically, a presidential commission, chaired by ADB's President, meets every quarter to review the progress in implementing the strategy. Additional staff with expertise on poverty reduction are being recruited and ADB staff members are being trained. ADB is also reorienting its research, data requirements, and administrative and operational guidelines. To ascertain that ADB's intervention modalities will address the poverty issues of the DMCs, it is currently revising its methods of economic and social analysis. ADB is also strengthening its coordination channels with the donor community to ensure that their individual and collective actions will significantly result in poverty reduction in the DMCs.

5. In line with the internal reforms, ADB established the Poverty Reduction Unit within its Strategy and Policy Department (SPD). The unit's primary responsibility is to oversee the implementation of ADB's Poverty Reduction Strategy. In particular, the unit provides the analytical and operational framework that will serve as guideposts to ADB's departments and offices in implementing the Strategy. The unit also periodically monitors and assesses ADB's progress in effectively catalyzing its poverty reduction actions in DMCs with the end view of making it more responsive to and attuned with the DMCs' development requirements.

6. In implementing its Poverty Reduction Strategy, ADB is committed to helping the DMCs prepare their respective NPRSs in a participatory manner and in collaboration with other international organizations and bilateral donors. The formulation of a NPRS that has obtained consensus among the DMC constituents is a priority exercise. The NPRS will be the basis of the poverty partnership agreements and ADB's CSP for each DMC.

7. As of 1 January 2001, ADB has been placing much greater emphasis on the formulation of country operational strategies. This has taken the form of a CSP for each DMC. The CSP will ensure that activities earmarked for financing by ADB will be consistent with and will address the priority needs of the DMCs as identified in their NPRS and action plans.

III. RATIONALE FOR THE COOPERATION FUND

8. To increase the relevance of development interventions in favor of the poor, a systematic format needs to be adopted to ensure poverty-focused analyses of government policies, public expenditure, and regulatory frameworks. Such analyses should be the basis for policy dialogue, consultation with stakeholders, and agreeing on NPRSs that are fully "owned" by the government and supported by civil society and the donor community. The latter should provide guidance in identifying and developing poverty reduction programs and projects, determining appropriate prioritization and sequencing of complementary interventions, and establishing a division of labor between the various donors. The country operational strategies of individual donors, including that of ADB (the CSP), should be based on the government-owned poverty strategy (NPRS). The NPRS needs to be formulated from a medium-term (about 5 to 10 years) perspective and supplemented with short-term (1 to 3 years) action-oriented programs for poverty reduction. A poverty-focused national strategy may not

necessarily be a separate document but an opportunity to enhance the poverty focus in existing country documents, such as the economic strategy, national development plan, medium-term strategic framework or budget document, as the case may be.

9. DMC governments need assistance in preparing the NPRSs. A country-level conceptual framework for poverty reduction needs to be defined, refined, and individually applied. Although assessments of poverty are under way in most DMCs, they are incomplete, all need refining, and the impact of public sector programs and policies on poverty reduction often requires further analysis. Systematic approaches to prioritizing and sequencing poverty reduction interventions need to be developed and applied in all DMCs so that detailed plans of action and better programs to reduce poverty may be prepared.

IV. OBJECTIVES AND SCOPE

10. The Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies is an umbrella facility for multiple donors aimed to help mitigate the constraints encountered by many DMC governments when initiating the formulation and implementation of the NPRSs. The Fund will finance a coherent program aimed at assisting selected DMCs in formulating and implementing their NPRSs, while enhancing ADB's added value in this area. The Government of the Netherlands will make the first contribution to the Fund.

11. The main objectives of the Fund are to facilitate the in-country processes of poverty reduction strategy formulation, prioritization, implementation, monitoring, and reformulation and to strengthen ADB's role in this process. The activities of the Fund will be complementary to the activities of other international and bilateral organizations. In operational terms, the Fund aims at:

- (i) assisting the DMC governments to formulate the NPRSs, action plans, and the implementation mechanisms, and to establish monitoring and evaluation systems that will ensure the broad participation of DMCs civil societies and private sectors in every step of the process;
- (ii) assisting the DMC governments in the analytical processes underlying poverty assessment and national poverty strategy formulation and implementation: this may include (a) establishing a conceptual framework for analysis; (b) analyzing public program and public policy impact on poverty, including a more detailed analysis of the public expenditure framework; and (c) assessing and rating DMC levels of governance;
- (iii) assisting in participatory processes to formulate systematic alternate strategies. this may include stakeholders consultation processes, participatory poverty assessments, and consultative advocacy processes;
- (iv) assisting the DMC governments with the implementation of NPRSs through a better characterization and selection of relevant projects and programs supporting poverty reduction;

- (v) assisting the DMC governments with coordination of external funding and division of labor based on their NPRSs; and
- (vi) strengthening the capacities of DMC staff and other stakeholders for participatory poverty analysis, strategic prioritizing, and sequencing of development investments, for example by building on the current ADB poverty reduction briefing and training programs.

12. The Fund will be used to finance activities at selected DMCs and at ADB's headquarters, with the emphasis on the former. Circumstances will differ between countries, and priorities will also differ. Clearly relevant factors in this respect are local ownership and commitment to the process, the poverty reduction objectives of each government and society, DMC institutional capacities, and the activities of other donors in these areas. In all cases, ADB will commit itself to maximum collaboration and minimum overlap with other major donors.

13. Given the expected size of the Fund, it is proposed to initially focus on a limited set of countries, possibly only three in the first year. These countries should be selected based on the demand by DMC governments, the perceived local ownership and commitment among both government and civil society for an NPRS, the perceived need for strategic planning in poverty reduction, the availability of other ADB Technical Assistance (TA) resources, and the role that ADB can play in the process vis-à-vis other donors. The selection of countries should be described in the annual work program, which will be agreed upon between participating donors and ADB. DMC coverage is expected to increase and program expansion is encouraged, based on the positive development of initial NPRS formulation and implementation.

V. OUTPUTS

14. It is expected that the Fund will have the following outputs:

- (i) the formulation of country-owned, and widely supported, prioritized, and sequenced, NPRS for selected countries³ (the NPRS will include a framework for donor coordination and division of labor);
- (ii) substantial inputs for the implementation of the NPRS for selected DMCs (these inputs will include (a) impact evaluation studies of previous policies, programs, and projects, and (b) selected sector development studies);
- (iii) strengthened understanding of poverty, its nature and extent, causes and effects, and strategic implications in DMCs;
- (iv) strengthened skills of DMC officials and other stakeholders needed for participating, prioritizing, and contributing to the process of poverty reduction strategy formulation and implementation; and
- (v) enhanced collaboration between ADB and other donors in NPRS formulation and implementation.

³ If India is selected, it might be more appropriate to formulate such strategies at the state level.

VI. ACTIVITIES TO BE FINANCED FROM THE FUND

15. An indicative category of activities to be financed from the Fund will likely include the following:

- (i) **Collaborative Work with the DMC Stakeholders.** Temporary consultants will be recruited in DMCs. These consultants will support ADB's role in the process of helping each relevant DMC to formulate an NPRS. The consultants' responsibilities will depend on the particular country needs and the activities of other international organizations and bilateral donors. Responsibilities could include (a) conducting further poverty assessments, (b) analyzing the poverty aspects of policies, (c) identifying potential weaknesses in planning and prioritizing capacities in the DMC, (d) assisting the DMC government in prioritizing and sequencing development interventions, (e) establishing systems of participatory monitoring and evaluation of poverty programs, and (f) helping to develop and to take part in DMC training. The consultants will be DMC-specific, experienced poverty specialists, and will preferably be locally recruited.
- (ii) **Participatory and Consultative Process.** The consultative processes will be facilitated to promote the participation of all stakeholders and civil society in all stages of the formulation, implementation, and monitoring of the NPRS. This could include costs related to hiring of consultants, administrative facilities, materials, and awareness activities. The consultative process will be conducted not only within a DMC but also for a group of DMCs to share experiences and lessons in the preparation and review of NPRSs.
- (iii) **Capacity Building Activities.** Training for DMC officials and other DMC nationals, such as civil society. This training will be aimed at (a) improving the skills needed for participating in the process of national poverty reduction assessment, strategy formulation, monitoring and evaluation, and implementation; and (b) examining relevant DMC case studies. To this end, training will be organized in the DMCs, including the Philippines, where ADB's facilities could be utilized, and possibly in collaboration with the ADB Institute and other development institutes. Regional TA coverage will include DMCs additional to those initially selected for other TA.
- (iv) **Research Support for the NPRS Process.** Basic data and other information will be collected and analyzed to strengthen the understanding of the nature and extent, causes, and effects of poverty, and to assess public program and public policy impact on poverty. Additional research work will be done on sector and/or cross-sector issues to prioritize and strengthen the relevance of the future policies and programs on poverty reduction.

16. For effective organization and timely delivery of expected output, individual DMC advisory TAs will be prepared to further define and rationalize specific objectives, scopes, and activities to be undertaken. The individual DMC TAs will be primarily designed, processed, and implemented by the ADB resident mission, with support of programs department staff at ADB headquarters. The ADB resident mission will have periodic consultations with the local representatives of the participating donors on the progress of the Fund. Regional TA projects

will be coordinated by the Poverty Reduction Unit to support training and across-country consultation processes.

VII. IMPLEMENTATION ARRANGEMENTS

17. The Fund will finance the design, processing, approval and implementation of a series of DMC-specific TAs according to ADB's procedures and guidelines. Among other criteria, individual DMC TA proposals will be screened with respect to (i) the extent to which there is evidence of country ownership of the process, (ii) the inclusiveness of the proposed approach, and (iii) the extent to which there is sound collaboration with other donors.

18. Individual TAs or annual regional TAs to support subregional DMC staff training that are to be financed by the Fund will be processed and administered under normal ADB procedures. To be consistent with the untied nature of the Fund, ADB's *Guidelines on the Use of Consultants*, will be applied in the selection and engagement of the consultants to be financed under the Fund, and the procurement of goods and other services for TA operations will be in accordance with ADB's *Guidelines for Procurement*.

19. Given the objective to strengthen the DMC-specific NPRS, the responsibility for the activities to be financed from the Fund on the country level will be delegated to the resident missions where they exist and are sufficiently staffed, supported by programs departments.

20. SPD⁴ will be responsible for the coordination and act as a focal point and channel of communication for all technical and implementation matters relating to the performance of the Fund and individual TAs.

21. The Office of Cofinancing Operations (OCO) will act as the official channel of communications regarding the Fund between the participating donors to the Fund and ADB. OCO will monitor and report on the financial performance of the Fund and liaise with the participating donors accordingly.

22. SPD will submit to participating donors an annual report as well as six-monthly progress updates. These will be developed together with concerned resident missions and programs departments. In addition, six-monthly financial statements will be submitted to donors. SPD will ensure that one integrated report will be submitted through OCO to the participating donors. Based on these reports, the participating donors and SPD will review progress.

23. Work will be carried out on the basis of detailed annual work programs. On an exception basis, any new proposals submitted during the year and subsequent to the agreed work program will require consultation with donors for inclusion in the program. These work programs will be prepared by the resident missions, and, in consultation with programs departments, consolidated by SPD; and submitted to the participating donors through OCO two months before the start of the next 12 month period. A first work program until 31 May 2002 will be submitted on or before 1 November 2001. It is envisaged that the donors will meet once a year to discuss the progress made and the work program for the next year.

⁴ This Fund is linked to the Poverty Reduction Unit. Therefore, SPD, as an overall department, has the above responsibilities. However, if the Poverty Reduction Unit is transferred out of SPD, the overall responsibility will be transferred with it.

VIII. FUNDING ARRANGEMENTS

24. The Government of the Netherlands (the Netherlands) has proposed to make an initial contribution of 15 million Dutch Guilders (currently equivalent to about \$6.0 million) to be provided for a period of three years commencing in November 2001. At its discretion, the Netherlands may provide additional resources to the Fund. The first installment will be remitted when ADB and the Netherlands sign the Channel Financing Arrangement (the Arrangement) providing for the first contribution to the Fund. Contributions from other donors will be effected through the signing of similar channel financing arrangements (CFAs). These CFAs will be approved by ADB's Management and will be sent to ADB's Board for information.

25. Contributions from participating donors under the Fund will be deposited into a United States dollar interest-bearing account to be specified by ADB. Interest accrued on such amount will be used for the Fund. The resources of the Fund may be freely exchanged by ADB into other currencies as required. Any fees, including the service charge for administering the Fund in accordance with paragraph 26 below and charges relating to the purchase of such other currencies, will be paid out of the Fund.

26. The Fund will be held by ADB on behalf of the participating donors and will be administered separately from ADB's own resources. For administering the Fund, ADB will be paid a service charge in accordance with ADB's policy on service charges for administration of grant cofinancing from bilateral sources.⁵ ADB may use part of the Fund (and any interest thereon) to cover the service charge.

27. ADB will maintain records and accounts in accordance with its normal procedures to show expenditures financed by the Fund. ADB will provide the participating donors with periodic reports on the use of the Fund and the activities financed thereunder. Such reports will be made available to the Board. ADB and the participating donors will periodically review the administration and operation of the Fund.

28. ADB will contribute to the program of activities to be financed from the Fund in the form of (i) services provided by Headquarters and resident mission professional staff for TA design, preparation, oversight, and accounting; and (ii) office, secretarial, and other equipment support.

29. Contributions from participating donors will finance activities under the Fund in accordance with detailed annual work programs agreed upon between ADB and such donors.

⁵ R68-00: *Review of Service Charges for the Administration of Grant Cofinancing from Bilateral Sources*, 22 February.

IX. RECOMMENDATION

30. It is recommended that the Board approve (i) the establishment of the proposed Cooperation Fund and its administration in accordance with the provisions set forth in this paper; and (ii) ADB entering into the Channel Financing Arrangement with the Government of the Netherlands in relation to its contribution to the Fund substantially in the form of the draft attached hereto.

Attachment

CHANNEL FINANCING ARRANGEMENT

between the

NETHERLANDS MINISTER FOR DEVELOPMENT COOPERATION

and the

ASIAN DEVELOPMENT BANK

in regard to a Contribution to the Cooperation Fund
in Support of the Formulation and Implementation of National Poverty Reduction Strategies

Dated as of _____

CHANNEL FINANCING ARRANGEMENT between the NETHERLANDS MINISTER FOR DEVELOPMENT COOPERATION (hereinafter referred to as the Minister) and the ASIAN DEVELOPMENT BANK (hereinafter referred to as ADB).

WHEREAS the Minister has indicated the intention to make available a grant contribution (hereinafter called the Contribution) to the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies established in accordance with the arrangements described in the ADB Board Paper attached hereto as Annex 1 (hereinafter called the Fund) for the purpose of financing all or part of the program of activities described in Paragraph 3 of this Arrangement (hereinafter referred to as the Program with Netherlands activity number RA 012601) and has requested the assistance of the ADB to administer the Contribution; and

WHEREAS ADB has agreed to assist the Minister in the administration of the Contribution upon the terms and conditions hereinafter set forth;

The Minister and ADB have agreed as follows:

Paragraph 1: Amount of the Contribution

The Minister will provide a contribution to the Fund in the amount of 15 million Dutch Guilders (NLG 15,000,000 or EUR 6,806,703.24) to finance the Program. The Program will begin in November 2001 and will be completed by 31 August 2004.

Paragraph 2: Recipients of the Contribution

The recipients of the Contribution (hereinafter referred to as the Recipients) shall be developing member countries of ADB (DMCs) and institutions and organizations operating in such countries.

Paragraph 3: The Program

The Program shall consist of carrying out technical assistance projects in support of the formulation and implementation of national poverty reduction strategies in DMCs, including strengthening participatory and consultative processes, capacity building activities, advisory services, research support, and other activities which may be agreed upon between the Minister and ADB. The eligible activities of the Program are more fully described in Annex 1.

Paragraph 4: Implementation of the Program

- (a) The ADB shall submit annual work programs of the Fund to the Minister for approval. Such work programs shall include a general description of the activities to be financed by the Fund under the Program during the following year and their rationale.
- (b) ADB shall be responsible for the selection and engagement of consultants, negotiation and conclusion of contracts, procurement of equipment, and the supervision of projects to be financed out of the Contribution, and disbursements in connection therewith. The selection and engagement of consultants shall follow ADB's *Guidelines on the Use of Consultants*, as amended from time to time, and the procurement of goods and services

shall be in accordance with ADB's *Guidelines for Procurement*, as amended from time to time.

- (c) ADB shall require that its staff and the consultants under the Program financed by the Minister will not offer third parties or seek or be promised from or by third parties, for themselves or for any other party, any gift, remuneration, compensation or profit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice.
- (d) ADB shall discharge its responsibility as administrator of the Contribution in accordance with ADB's normal procedures for technical assistance projects and the financial regulations and rules approved by ADB's Board of Directors.
- (e) ADB may do any and all such acts and things as may be necessary or appropriate for the proper administration of the Contribution and for carrying out the Program.

Paragraph 5: Disbursement of Contribution

- (a) During the calendar years 2001 to 2003, the Minister shall deposit the Contribution in installments in a US dollar interest-bearing account specified by ADB (the ADB account). The transfer of the first installment, the amount of which will be based on the cost estimate provided by ADB, will be made to the ADB account, upon receipt by the Minister of a duly signed and dated original Arrangement. Subsequent installments will be transferred after receipt of a written payment request as well as the applicable financial and progress reports submitted by ADB in accordance with Paragraph 8 of this Arrangement. The installments will be based on actual project progress achieved and estimated liquidity needs. The Minister reserves the right to fulfill the obligations of the Minister where and as applicable in the legally acceptable currency of the Netherlands at the time of payment.
- (b) Pending disbursement, ADB may invest and reinvest the Contribution proceeds and any income earned in respect of such investment and reinvestment, as well as any interest earned in respect of the ADB account, shall be credited to the ADB account and used for the purposes of the Program and/or to defray all or a portion of the administration costs which may be agreed pursuant to Paragraph 6 of this Arrangement.
- (c) If other currencies are required for payment to meet any eligible expenditure, ADB may purchase the required currencies with the proceeds of the Contribution. Any fees and charges relating to such purchase shall be paid out of the Contribution.

Paragraph 6: Administration Fee

ADB may use part of the Contribution (together with any income and interest earned thereon pursuant to Paragraph 5(b) of this Arrangement) to cover ADB's service charge for the administration of the Contribution in the amounts and on such terms as are in accordance with ADB's policies.

Article 7: Exchange of Information

ADB shall, in accordance with its usual procedures: (i) furnish the Minister such reports and information as the Minister may reasonably request concerning the progress of the Program;

and (ii) inform the Minister promptly of any condition which interferes, or threatens to interfere, with the performance by ADB of its obligations under this Arrangement.

Paragraph 8: Records and Accounts

- (a) ADB shall maintain records and accounts, in accordance with its normal procedures, to show contributions, interest income, and expenditures financed by the Contribution.
- (b) ADB shall furnish to the Minister semi-annually progress and financial reports on the execution of the Program and the receipt and utilization of the Contribution. These reports shall be submitted within three months after the end of the reporting period.
- (c) ADB will submit to the Minister, not later than four months after completion of the Program, a final report as well as a financial statement showing the funds received and expended for the Program.
- (d) ADB shall make available to the Minister such documents and records concerning the Program as the Minister may reasonably require in connection with any audit of Program accounts conducted and financed by the Minister.
- (e) At the Minister's request, ADB shall produce special audit opinions and/or audit reports on the Program. Such audits shall be at the Minister's expense.
- (f) The Minister may stop transfer(s) or claim repayment of all or part of the funds already transferred if contractual and/or reporting and accounting duties are not met; or if it emerges, either from the reports referred to above or from some other source, that the funds are not being used or have not been used for the implementation of the Program agreed, or if alternative funding (this including other contributions) proves to have been obtained (either wholly or in part), thus giving rise to double financing.

Paragraph 9: Consultation

- (a) The Minister and ADB shall consult each other, in particular whenever either party proposes to: (i) materially modify any agreement entered into for the implementation of this Arrangement; or (ii) suspend or terminate, in whole or in part, disbursements under this Arrangement.
- (b) The Minister and ADB shall also consult whenever ADB identifies a major change of scope in relation to any activities financed under the Contribution.

Paragraph 10: Review of the Program

The Minister and ADB shall enter into discussions each year after this Arrangement enters into force to review the operation of the Program and the administration of the Contribution. After two years, a joint mid-term review shall be carried out. After the Contribution has been fully committed, the Minister and ADB shall undertake a joint evaluation of the Program with a view to considering a further contribution to the Fund by the Minister on terms and conditions to be agreed between the Minister and ADB. An important element of this evaluation will be the extent to which the Program has succeeded in facilitating the in-country processes of formulation and implementation of poverty reduction strategies, and in strengthening ADB's role in this process.

Paragraph 11: Entry into Force and Termination

This Arrangement shall enter into force on the date it is signed by the parties hereto and shall remain valid until terminated by either party upon three months' prior written notice to the other party; provided, however, that unless the parties otherwise agree, the activities carried on by ADB under this Arrangement and the financial undertakings of the Minister in relation to a particular project (both as reflected in the relevant technical assistance letter agreement with the Recipient) shall not be affected by such notice or termination pursuant thereto. Any unused funds will be returned unconditionally to the Minister.

Paragraph 12: Addresses

Unless otherwise specified in writing to the other party, correspondence relating to the implementation of this Arrangement shall be addressed to the following:

(a) for the Minister:

Ministry of Foreign Affairs
The Netherlands

Facsimile Number: (31-70) 348-4803 (Direct)

Attention: DVF/IF
(with copy to the representative of the
Netherlands on ADB's Board of Directors)

(b) for the Bank:

Asian Development Bank
P.O. Box 789
1099 Manila, Philippines

(i) General Communications and Financial Matters:

Attention: Office of Cofinancing Operations

Facsimile Numbers: (63-2) 636-2456 (Direct)
(63-2) 636-2444 (Central)

(ii) Technical and Implementation Matters:

Attention: Poverty Reduction Unit
Strategy and Policy Department

Facsimile Numbers: (63-2) 636-2182 (Direct)
(63-2) 636-2444 (Central)

Paragraph 13: Amendments

Any amendments and modifications to this Arrangement shall be made by mutual consent and in writing.

Paragraph 14: Settlement of Disputes

If any dispute arises between the signatories as to the interpretation, application or performance of this Arrangement or with regard to any further Arrangement which may result therefrom which cannot be settled amicably, either signatory may invite the other to conciliate the dispute under the Permanent Court of Arbitration Optional Conciliation Rules, as in effect on the date this Arrangement has been signed by both parties. The number of conciliators shall be one.

Signed:

FOR THE NETHERLANDS MINISTER
FOR DEVELOPMENT COOPERATION

FOR THE ASIAN DEVELOPMENT BANK

Name: _____
Title: _____
Date: _____

TADAO CHINO
President
Manila, Philippines
Date: _____