

PRF FRAMEWORK

Narrative Summary	Verifiable Indicators	Means of Verification	Important Assumptions
<p>Goal Accelerated reduction of poverty in Asia in a more inclusive and sustainable way</p>	<p>Poverty reduction more rapid than previously in major ADB partner countries</p>	<p>(i) national poverty reduction strategies (ii) monitoring systems for Millennium Development Goals</p>	
<p>Purpose ADB portfolio and policy work contribute more effectively to the reduction of poverty in ADF-eligible countries in Asia</p>	<p>(i) PRF portfolio influences content of CSPs (ii) Asian countries reform their policies and strategies with ADB help to be more poverty focused.</p>	<p>(i) Link between CSP documents and CSP updates and PRF portfolio (ii) National poverty reduction strategies</p>	<p>(i) ADB is able to reorient its development cooperation to have a bigger impact on poverty reduction (ii) ADB interventions have significant impact on poverty (iii) no adverse events undermine poverty reduction in the region</p>
<p>Outputs ADB makes a more effective contribution to policy dialogue on strategy formulation for poverty reduction with relevant governments, in partnership with other donors and civil society stakeholders</p>	<p>(i) At least 10 percent more TAs and thematic, economic, and sector work actually done than comprised in CSP documents (ii) Governments' poverty analyses cite ADB sources</p>	<p>ADB records evaluation review of relevant documents</p>	<p>Sufficient competent ADB staff resources</p>
<p>New ADB loans have increased focus on poverty reduction</p> <p>ADB monitors and assesses the impact on poverty reduction of its ongoing loans more effectively</p>	<p>(i) Stronger analysis of the predicted poverty impact (including the distributional effects within poverty subgroups, and by gender) of project activities (ii) Poverty impact analysis as appendix for strategic project documents</p> <p>(i) Monitoring and evaluation reports have a stronger focus on poverty impact (ii) Special studies on poverty impact</p>	<p>ADB project review and evaluation process and documentation</p> <p>Review of relevant ADB monitoring and evaluation work from a poverty perspective to be included in final Board documents</p>	<p>(i) ADB institutionalizes use of new poverty reduction guidelines (ii) ADB Management emphasis strategic learning from poverty impact analysis during loan processing</p>

ADB = Asian Development Bank, ADF = Asian Development Fund, CSP = country strategy and program, PRF = Poverty Reduction Cooperation Fund, UK = United Kingdom of Great Britain and Northern Ireland.

Narrative Summary	Verifiable Indicators	Means of Verification	Important Assumptions
<p>ADB explores new loan design and programming through pilot poverty reduction investments</p> <p>ADB's activities involve broader and more detailed consultation with stakeholders, particularly project beneficiaries and other primary stakeholders, at all stages of design, implementation and evaluation</p> <p>ADB strengthens its comparative advantage of a regional development bank with impact for poverty reduction in Asia</p> <p>ADB strengthens implementation of new reforms for knowledge management learning and country focus to achieve better poverty reduction</p>	<p>A minimum of 10 revised loan designs due to PRF; strategic pilot investment projects linked to ADB portfolio</p> <p>Increased participatory analysis in project documentation and non-loan activities</p> <p>Increased number of cross-border activities leading to the ADB loans or other ADB support; minimum of 3 studies with potential recommendations for ADB loans on cross-border poverty</p> <p>(i) Strategic involvement of RSDD (ii) Improved learning within ADB (iii) Enhanced knowledge management to external partners</p>	<p>ADB to monitor and report to annual meeting</p> <p>(i) List of persons met during ADB missions (ii) Records of activities with civil society</p> <p>ADB loan records</p> <p>(i) Monitoring of cross-cutting activities implemented by regional team from different ADB divisions (ii) Records of seminars with broad stakeholder involvement (iii) Records of activities involving other donors and multi-stakeholders</p>	<p>Direct impact for ADB's portfolio can be demonstrated</p> <p>Government support civil society participation</p> <p>(i) National policies allow geographical targeting of poverty intervention along border areas (ii) RSDD fulfills its function</p> <p>(i) Regional and Sustainable Development Department in ADB can effectively fulfill its mandate as described in the Reorganization paper (ii) Poverty reduction better mainstreamed in ADB</p>

Activities		Inputs	
Technical assistance for capacity and institution building to support poverty reduction strategy formulation, including studies on the enabling environment for poverty reduction, participatory poverty assessments and other poverty-focused surveys	<ul style="list-style-type: none"> (i) technical assistance projects (ii) poverty focused studies (iii) workshops and public conferences (iv) poverty reduction training (v) national experts based in Resident Missions 		Buy in to reports within government and inside ADB
Technical assistance projects that help making ADB loans more poverty focused	<ul style="list-style-type: none"> (i) technical assistance projects (ii) monitoring and evaluation studies (iii) poverty impact assessments (iv) stakeholder participation of the poor 	Regional funds up to £30 million	
Strategic pilot poverty reduction investment projects for replication under ADB loans	Pilot investment projects for direct poverty reduction	PRC window up to £9 million	
Outreach and Communication	Publications, videos, website, documentation in partner countries and UK	Total up to £39 million	
Administrative costs			

APPROVAL PROCEDURE FOR PRF PROJECTS

Who	What	Outcome	Timing (weeks)
Strategic Orientation			
ADB and DFID	Hold yearly strategy meeting (end November in Manila) and six-monthly review meetings (June).	Strategic Work Program	
Concept Development			
Regional Divisions and Resident Missions	Propose project concepts usually in the range of \$0.1-1.0 million.	Initial Concept Paper	1
PRF Coordinator in RSPR in consultation with appropriate RSDD cross-cutting specialists	Screen the initial proposal and recommend to Poverty Reduction Committee for initial concurrence.	RSPR Recommendation	1
PRF Committee (6 staff from Regional Departments and Resident Mission, PRF Coordinator)	Provide concept clearance.	Initial Concurrence	0.2
DFID Approval			
DFID-Manila	PRF Coordinator discusses ADB-recommended proposal with DFID and obtains approval from DFID (on an approval basis for pilot proposals, and on a non-objection basis [within 20 days] for other proposals).	DFID Approval	3
Processing			
PRF Coordinator in RSPR	Follow up with operational departments and resident missions to integrate DFID comments and help prepare final project paper.	PRF Project Paper	1
Regional Department	Obtain concurrence/approval from the Government on the respective project.	DMC Concurrence/Approval	2
PRF Coordinator in RSPR	Check the compliance of the PRF project paper against the initial concept clearance given by DFID.	RSPR Compliance	0.3
Regional Division or Resident Mission	Forward PRF paper to Director General (for proposals up to \$0.1 million), Vice-President (for proposals up to \$0.4 million), President (for proposals up to \$1 million), or Board of Directors (proposals more than \$1million on a non-objection basis) for approval.	DMC Approval	1
ADB Approval			
ADB President or Board of Directors	Approve the project.	ADB Approval	4
Implementation			
Regional Department	Sign Letter of Agreement and take responsibility for project implementation.	Letter of Agreement	1.5
			Total: 15

ADB = Asian Development Bank, DFID = Department for International Development, DMC = developing member country, PRF = Poverty Reduction Cooperation Fund, RSPR = Poverty Reduction and Social Development Division.

SPECIAL ARRANGEMENTS FOR THE PRC COMPONENT OF THE PRF

1. **Background.** As well as contributing to the overall Poverty Reduction Cooperation Fund (PRF) from its regional cooperation fund, the Department for International Development (DFID) will contribute up to £9 million (\$13 million) to a separate financing window for the People's Republic of China (PRC) (referred to below as PRF-PRC). The PRC component of the PRF will follow the same general procedures as the PRF. However, as the PRF-PRC will specifically support the country strategy and program (CSP) process of the Asian Development Bank (ADB) in the PRC, the process of strategic identification and conceptualization of activities financed under the PRF will be more specifically linked to the CSP for the PRC.

2. **Rationale.** In PRC, ADB's strategic agenda addresses rural and urban poverty by the provision of inclusive infrastructure and pro-poor sustainable growth-promoting activities, for ensuring sustainable economic growth, inclusive social development, and good governance.¹ These sectors reflect ADB's comparative advantage in its development cooperation with the PRC. To maximize the impact on poverty reduction, investments are being accompanied by policy reforms and institutional capacity building. In addition, against the background of the PRC's general success in poverty reduction and with high social household expenditures and new environmental problems becoming important causes for the impoverishment of households, there is a need to address both the income and non-income dimensions of poverty. Access to grant funding from the aid community in support of the strategic use of existing loan funds and technical assistance (TA) will support ADB in seeking to have more significant and wider impacts on poverty reduction in the PRC. Impact will be enhanced by (i) addressing strategic policy issues that affect the poor in a participatory manner, and (ii) sharing experience from Asia and strengthening knowledge management of innovative approaches for poverty reduction. DFID support of ADB's poverty reduction activities in the PRC will be additional to ADB traditional loan and TA funding.

3. **Objectives.** With funds additional to loan funding, DFID will support ADB in initiating activities designed to promote innovation and replicability for the reduction of systemic poverty. The eligibility criteria designed for the overall regional PRF also apply to its PRC component. Activities supported by the trust fund will be up to \$1.0 million. The PRF-PRC will support activities that (i) increase the benefits of loan projects accruing to poor communities, groups, and individuals (direct targeting of the poor); (ii) include participatory design, implementation, monitoring, and evaluation to increase the poverty impact of loan projects, and partnership building with civil society (capacity building); and (iii) address key strategic policy, institutional, and governance constraints to sustainable and systemic poverty reduction (policy dialogue on poverty reduction).

4. The cooperation will cover activities of the following nature:

- (i) **Support to Policy and Strategy Formulation for Poverty Reduction.** Activities will be closely linked to those suggested in the ADB/PRC Poverty Partnership Agreement (PPA). In designing interventions, ADB will reinforce the importance of good governance and its impact on the poor. The Fund could be used to support a broad range of activities to reduce poverty. Based on initial discussions, examples of activities that ADB could use the PRF would include reform of the delivery and planning system for poverty reduction; improved local

¹ Good governance encompasses the following areas of sound development management: predictability, accountability, participation, and transparency through operational and analytical work.

level planning for service delivery to the poor; strengthening of the fiscal position of poor counties; strengthening legal assistance to the poor; reducing inequalities between eastern and western, and between rural and urban areas; creating an enabling environment for small and medium enterprise development (including the private sector) to increase employment opportunities for the poor; strengthened policy and regulatory reform and capacity building in improved environmental management and sustainability with direct poverty reduction impact; and improved participation of the poor and civil society in designing and implementing development projects. This is a very broad agenda, and not all issues could be covered each year. During the operation of the program, interventions will be prioritized and sequenced to maximize impact and avoid duplication of activities funded by other sources.

- (ii) **Support to the Poverty Focus of ADB Investments (Loans).** Activities, including piloting new approaches to project design, will contribute to an increased poverty focus in the design of ADB-financed loan projects, particularly in ADB's traditional areas of activity and comparative advantage (e.g., transport and energy infrastructure, urban water supply, agriculture and environment). Priority will be given to activities that broaden participation by poor beneficiaries to promote increased access to loan project benefits by poor women and men. In addition, poverty impact assessment, monitoring, and evaluation will be supported. PRF-PRC activities will also provide strengthened analysis of the distributional benefits and poverty impact of individual loans.
- (iii) **Other Activities Mutually Agreed Upon Between DFID and ADB.** Other innovative activities mutually agreed upon between DFID and ADB on a case-by-case basis can be considered.

5. **Annual Strategy Meetings.** Annual strategy dialogue and programming meetings for the PRC will provide the opportunity for DFID, ADB (the PRC Resident Mission [PRCM], and with close involvement of the Poverty Reduction and Social Development Division [RSPR]), to discuss the strategic priority for the use of the funds. Priority will be given to activities that strengthen lesson learning between policy priorities and loan program. The timing of the meeting will be coordinated with the Manila discussions for the overall regional PRF in order to support lesson learning across the region and ensure consistency. The aim of this meeting is to ensure a close link between the PRF-PRC cooperation fund and (i) ADB's CSP process including the annual CSP updates, which set strategic priorities for the year; (ii) strategic lesson learning on poverty reduction from the Asia and Pacific region; and (iii) close cooperation within the PRF setup. Care will also be taken to ensure that priorities for the PRF-PRC support implementation of policy priority areas agreed upon through the PPA between ADB and the Government of the PRC and the CSP processes and its yearly updates. ADB and DFID expect that the strategic priorities for the use of the Fund and some candidates for PRF-PRC financed activities will be identified during these meetings. The results of that meeting, in the form of a strategic cooperation document and the projects proposed for PRF-PRC financing, will be included in a separate section of the initial CSP document for internal Management discussion, in the draft CSP document for discussion with the Government of PRC, as well as in the final CSP for ADB Board approval after completion of the PRC Country Programming Mission. This meeting also provides the principal opportunity for a joint evaluation of activities financed by the PRF during the previous period. In common with the PRF, these strategy meetings will be supplemented by additional semiannual stock-taking meetings in Beijing for which a status

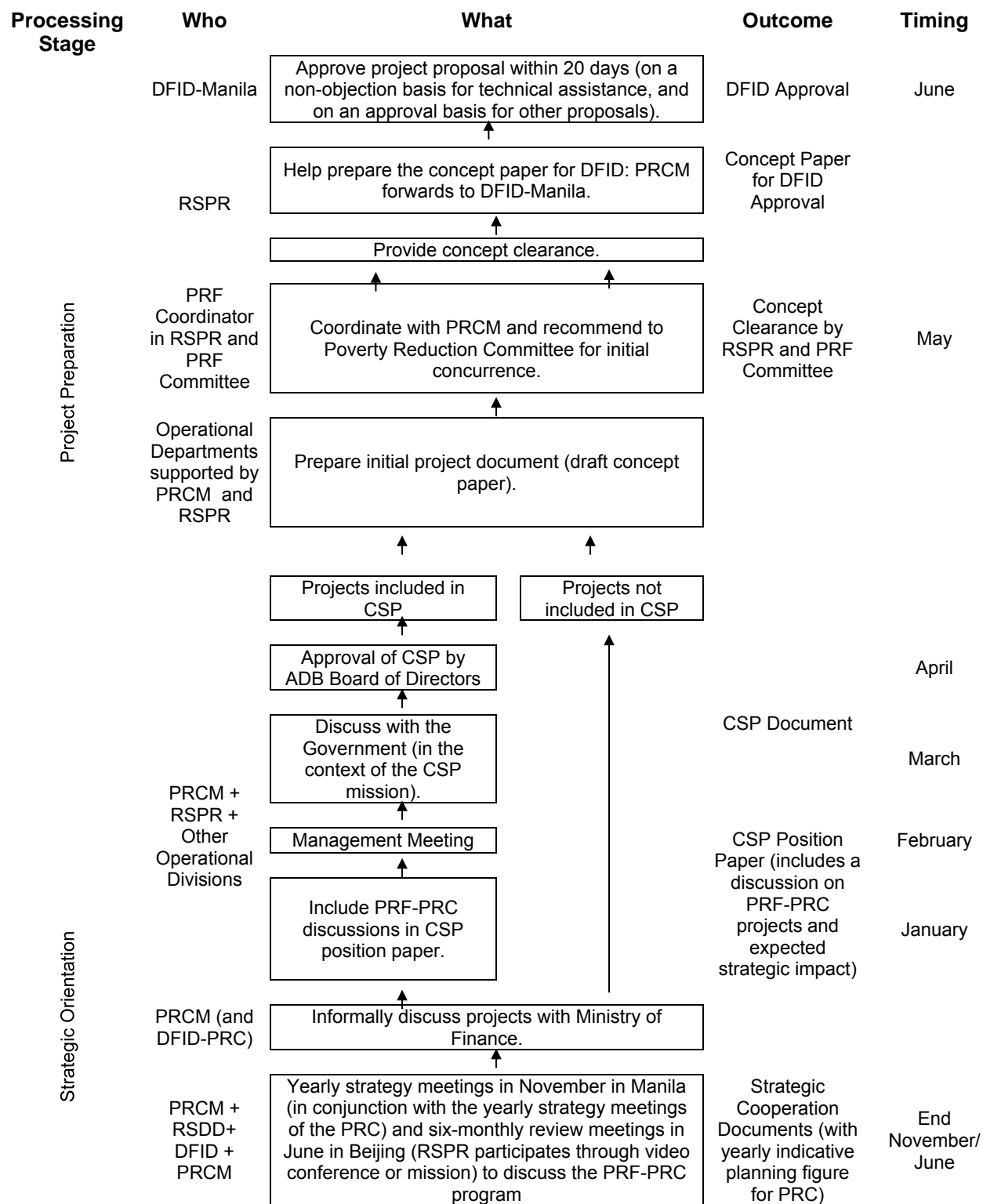
report on PRF-PRC implementation and a work-program for the PRC-PRF will be prepared. This meeting could discuss issues that had emerged in implementation.

6. **Management Procedures.** Overall management of the PRF-PRC component as an integral part of the PRF will follow the same procedures as the PRF. Within ADB the Regional Sustainable Development Department will coordinate the PRF including the PRC component with the DFID adviser for the PRF in Manila. DFID will nominate a contact person in the British Embassy in Beijing to act as a liaison point when needed with PRCM on strategic or other major issues arising on the PRF-PRC. These Beijing-based contact persons for the PRF-PRC component will closely cooperate for project processing with the overall PRF coordinators of ADB and DFID in Manila.

7. **Approval Process.** The approval of projects (up to \$1 million each) for the PRC follows the general approval process under the PRF, as reflected in Appendix 2. In line with the strategic objective of the PRF, most activities financed for the PRC will be identified in the CSP. However, there will also be some flexibility to add project proposals that are not included in the CSP through the annual CSP update. Such proposals may be submitted to the DFID office in Manila at any time of the year up to 20% of the maximum indicative funds made available by DFID. There are uncertainties associated with any program. During the year some proposals may be deferred and other proposals may emerge. The additional 20% will be treated as an upper budget limit. There will be flexibility to defer some proposals in the program and add other new proposals during the year, subject to overall budget limitations, consistency of the new proposals with the strategic priorities for the program and following procedures illustrated in Figure A3.1. The figure provides an overview of the strategic orientation process for project identification and program development, including the time frame. Appendix 4 provides a concept clearance template for all PRF projects, including the PRC.

8. **Implementation Arrangements.** Project implementation for PRC projects will follow the same implementation arrangements as usual in the PRF, based on the general ADB guidelines for TAs and loans. In addition, for the PRC component specifically, it is expected that significant use will be made in the project design of local expertise and involvement of stakeholders from the PRC. Furthermore, given the PRC's new openness to closer work with civil society, PRF-PRC-funded projects will, where appropriate, promote contracting of civil society organizations including nongovernment organizations, research institutes, and private sector bodies to provide specific services. In addition, special efforts will be made to apply ADB's more flexible procurement and consultant selection rules to allow for rapid mobilization and to apply more flexible regulations on local cost sharing (i) in relation to work with civil society organizations within the objectives set out above; and (ii) to sponsor or cosponsor important policy conferences, seminars, or workshops. This could be formalized through a subproject that allows for rapid mobilization to contribute to such strategic seminars and the involvement of civil society and nongovernment organizations.

Figure A3.1: Strategic Planning Process for the PRF-PRC Component



ADB = Asian Development Bank, CSP = country strategy and program, DFID = Department for International Development, PRC = People's Republic of China, PRF = Poverty Reduction Cooperation Fund, PRCM = People's Republic of China Resident Mission, RSPR = Poverty Reduction and Social Development Division.

OUTLINE CONCEPT PAPER¹

1. Project Name: Short title, project name, counterpart activity / project							
2. Responsibilities: Responsible task officer and ADB division, teamwork in ADB, development partners Proposed PRF project processing time (month / year)							
DFID-ADB Strategy Meeting	Fact-finding	Concept paper to RSDD	Appraisal mission	DFID approval	ADB approval	Letter of Agreement signing	Implementation
3. Background and Rationale: <i>Poverty situation:</i> Poverty in the country, dimensions of poverty that are addressed in the project, explain missing need, need for required support under the PRF <i>Demonstrate the special characteristics that justify PRF funding (additionality):</i> Why is the activity not funded under other ADB sources? Why is the PRF project not suitable for ADB grant or loan financing? How to make the results a priority in ADB operations? Why does the counterpart project not have a PRF component? How does the policy component strengthen ADB's systemic poverty reduction support in a given country (beyond the sector)? <i>Linkage to ADB portfolio (CSP) and strategic poverty reduction focus in the country:</i> (i) <i>General requirements</i> (demonstration of additionality, linkages of the proposal to poverty analysis, poverty partnership agreement, strategic directions in CSP, and ADB portfolio; complementarity to the work of other aid agencies (particularly DFID) and partnership with other stakeholders; (ii) special requirements for strengthening <i>resident missions</i> ; (iii) special requirements for capacity and institution building <i>advisory technical assistance</i> (TA): planned usage of capacity building and information by clients (government, NGOs, civil society, the poor, ADB, other aid agencies, others); why not financed under ADB TA budget; systemic impact on ADB cooperation portfolio; (iv) special requirements for <i>pilot activities</i> : relationship to counterpart loan; prospects for scaling up; scope for systemic change; (v) special requirements for <i>cross-border activities</i> : why cannot the project be financed and implemented through conventional country operations? how does the PRF project substantially change the counterpart project/activity and make it structurally more poverty oriented? (vi) special requirements for <i>capacity building and training</i> : impact of training, follow up actions, relevance for ADB operations, knowledge management.							
4. Development Goal and Objectives: Development goal, purpose, objectives, success indicators							
5. Scope, including Description of Project Activities and Duration: Geographical scope, targeting of poor groups, components, activities, indicators for measuring success, project framework in Appendix 1							
6. Implementation Arrangements: (i) Stakeholders (executing agency, implementing agencies and their functions, partners, involvement of NGOs, other partners, relationship with DFID bilateral assistance; (ii) coordination mechanism with the counterpart ADB activities / project; (iii) detailed implementation structures; (iv) PRF-project processing time (month / year)							
7. Cost Estimates (million US\$) and Financing: Summary description, use input-outcome budget matrix (Table A4.1)							
8. Sustainable and Structural Poverty Reduction Impact: (i) Poverty reduction impact (project level, sector level, country level, impact on poor people and targeted groups); (ii) relevance for ADB's portfolio and tools; (iii) participatory development and governance issues; (iv) sustainability (developmental sustainability; for pilot projects also financial sustainability); (v) result monitoring and poverty impact assessment; (vi) risks, assumptions, mitigation measures, assurances							
9. Appendixes: (i) Project Framework, (ii) Budget Matrix							

¹ Concept clearance papers should be 3-5 pages, excluding appendices. Preparation of concept clearance papers should be informally discussed with RSPR. RSPR will also help preparing concept notes.

Table A4.1: Budget Matrix for PRF Projects

Country and Project Name								
Responsible Project Officer (name and telephone number)								
Inputs	Outcome (Project Components)					Component	Total (\$)	Percent
	1	2	3	4	5			
1. Revolving Fund Facilities								
2. Civil Works								
3. Equipment, Machinery, Materials, and Other Capital Costs								
4. Supplies								
5. Training, Workshops, Seminars								
6. Consulting Services								
International (renumeration, per diem, travel)								
Domestic (remuneration, per diem, travel)								
7. Surveys								
8. Project Management								
9. Miscellaneous, Administration and Support Costs for Consultants, Other Project Inputs								
10. Contingencies								
Subtotal PRF-Financed Project Costs								
Government Contribution								
Other Aid Agency Contribution								
Civil Society and Others' Contribution								
Contribution of the Poor								
Total Project Costs								
Notes:								

PRF = Poverty Reduction Cooperation Fund.

TEMPLATE FOR WORK PROGRAM

Category	Others	
	Outreach and Communication	
	Strengthening Resident Missions for Poverty Reduction	
	Strengthening ADB's Role as a Regional Bank/Trans-border Issues	
	Capacity Building for Poverty Reduction	
	Stakeholder Consultation for and Participation in Poverty Reduction	
	Road Map to Pilot Activities to Influence Design	
	Development of New Programs and Projects	
	Poverty Strategy Formulation and Policy Dialogue	
Year of Approval	2005-2006	
	2004	
	2003	
	2002	
	Project Name	
	Country	Total

MEMORANDUM OF UNDERSTANDING
between the
GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND
NORTHERN IRELAND
and the
ASIAN DEVELOPMENT BANK
in regard to a Grant for the
POVERTY REDUCTION COOPERATION FUND

1. a) The Government of the United Kingdom of Great Britain and Northern Ireland ("the Government"), acting through the Department for International Development ("DFID"), will make available to the Asian Development Bank ("ADB") a grant (hereinafter referred to as the Grant) for the Poverty Reduction Cooperation Fund established in accordance with the arrangement described in the ADB Board Paper attached hereto as Annex 1 (hereinafter referred to as the Fund), for the purpose of financing all or part of (a) a program of strategic assistance for poverty reduction ("the Regional Program") for certain developing member countries (DMCs) of the ADB excluding India, and has requested ADB to manage the Grant.

b) Special administrative arrangements have been made for the Peoples' Republic of China ("PRC") (the "PRC Program") because unlike other eligible DMCs, excluding India, where the source of DFID funding will be provided through a regional cooperation window (the "Regional Program"), DFID funding for PRC is from its country allocation for PRC.

The Grant

2. DFID will make the Grant available to ADB during the calendar years 2002 to 2006. DFID will provide a sum not exceeding thirty million pounds sterling (£30,000,000) for the Regional Program and a sum not exceeding nine million pounds sterling (£9,000,000) for the PRC Program in accordance with paragraph 7 of this Memorandum. Such amounts, together with any additional amounts DFID may contribute from time to time for the purpose of the Programs, will constitute the Grant.

Recipients of the Grant

3. The recipients of the Grant ("the Recipients") for the Regional Program will be ADF-eligible DMCs, other than India and the PRC, as further defined in paragraph 10 of the agreement on setting up the Fund approved by the ADB Board, and institutions operating in these countries, and for the PRC Program, bodies in the Peoples' Republic of China.

The Programs

4. The Programs will consist of technical assistance activities covering, training and advisory services, institutional support and other technical assistance services, testing new ADB approaches to poverty reduction, plus other activities which may be agreed upon between DFID and ADB. They will not include ADB staff costs (except those included in ADB's service charge for the administration of the Grant as described in paragraph 8 of this Memorandum).
5. In the context of the activities outlined in paragraph 4 above, the Grant will be used for facilitating the poverty focus of ADB's operations in eligible DMCs, including:
 - capacity and institution building;
 - studies examining issues on the enabling environment for poverty reduction;
 - poverty focused monitoring, evaluation and impact assessment work;
 - conferences, workshops and mutual learning events focused on poverty issues;
 - recruitment of consultants in poverty relevant social, governance and environmental analysis to be attached the ADB in-country Resident Missions;
 - innovative activities such as micro and pilot projects with clear demonstration effects.

The PRC Program will be used in accordance with criteria agreed between ADB and DFID specifically to apply to this Program.

The activities eligible for funding under the Programs are more fully described in Annex 1.

Implementation of the Programs

6. a) For the Regional Program, annually, ADB and DFID will agree an indicative annual program of activities to be financed from the Grant in the forthcoming year and will review the performance of the activities in the previous year. In addition, semi-annual review meetings will be held in ADB. The indicative Program will describe each planned activity to be financed from the Grant, including the activity's objectives, scope, beneficiaries, estimated costs and financing plan, and the implementation schedule. Individual activities will be approved on a no objection basis by DFID prior to actual ADB approval, with the exception of pilot projects. All pilot projects proposed for funding from the Grant, which should not exceed 30% of the total allocation from the Grant for any one year, will be subject to approval by DFID on a case by case basis. DFID will conduct also performance reviews at the mid point between annual meetings. Within ADB, the Regional and Sustainable Development Department (RSDD) will be responsible for overall coordination and knowledge management, as well as progress reporting to DFID.

The arrangements for reviewing the whole Program are described in paragraph 12 of this Memorandum.

b) For the PRC Program, ADB Resident Mission in PRC and DFID will each year agree on an indicative annual Program of activities and review the performance of activities of the previous year. The indicative annual Program will be linked to and for the most part listed in the annual ADB country programming exercise for PRC. Other activities outside this framework may be agreed upon from time to time.

c) ADB will be responsible for the selection and engagement of consultants, negotiation and conclusion of contracts, procurement of equipment, supervision of projects and disbursement of the proceeds of the Grant. The selection and engagement of consultants will follow ADB's *Guidelines on the Use of Consultants*, as amended from time to time, and the procurement of goods and services will be in accordance with ADB's *Guidelines for Procurement*, as amended from time to time.

d) The final date for approval by ADB of activities to be financed under the Program will be 31 March 2006.

e) ADB will discharge its responsibility as administrator of the Grant in accordance with ADB's normal procedures for technical assistance projects.

f) DFID will not be responsible for the activities of any person or third-party engaged by the ADB as a result of this Memorandum, nor will DFID be liable for any costs incurred by the ADB in terminating the engagement of any such person.

Disbursement of Grant

7. a) During the calendar years from 2002 to 2006, DFID will deposit sums not exceeding thirty-nine million pounds sterling (£39,000,000) in a United States Dollar interest-bearing account specified by ADB ("the ADB account"). Within two weeks after the signing of this Memorandum, or, if later, when ADB and DFID have agreed on a provisional list of projects to be supported from the Programs DFID will deposit initial contributions of two million five hundred thousand pounds sterling (£2,500,000) and seven hundred and fifty thousand pounds sterling (£750,000) into the ADB account. Subsequent installments will be made twice-yearly on receipt of a request from ADB together with a financial statement detailing the use of the previous installment.

The payments envisaged are as follows:-

£ million	Regional	PRC	Total
July 2002	2.5	0.75	3.25
January 2003	2.5	0.75	3.25
July 2003	2.5	1.25	3.75
January 2004	2.5	1.25	3.75
July 2004	5.0	1.50	6.50
January 2005	5.0	1.50	6.50
July 2005	5.0	1.00	6.00
January 2006	5.0	1.00	6.00

The amount of each tranche may, however, be varied at the discretion of DFID in the light of the actual take-up of the funds made available in previous tranches, provided always that DFID undertakes to ensure that ADB has available to it funds sufficient to meet planned disbursements over the six months following the planned date of payment of any tranche. For the purpose of any such calculation disbursements under the Regional Program and the PRC Program will be considered separately.

b) ADB will make withdrawals from the ADB account as necessary to meet expenditures on technical assistance projects under the Programs which have been agreed between DFID and ADB. ADB will administer such funds on behalf of DFID.

c) Pending disbursement of the Grant, ADB may invest and reinvest the Grant. Any income earned from the investment or reinvestment of the Grant, as well as any interest earned in respect of the ADB account, will be credited to the ADB account and used for the purposes of the Programs or to defray all or part of the service charge and audit fees referred to in paragraphs 8 and 10 of this Memorandum.

d) If other currencies are required for payment to meet any eligible expenditure, ADB may purchase the required currencies with the proceeds of the Grant. Any fees and charges relating to such purchase will be paid out of the Grant.

Service Charge

8. ADB may use part of the Grant and/or any income earned from the investment or reinvestment of the Grant and/or interest earned in respect of the ADB account pursuant to Paragraph 7 of this Memorandum to cover ADB's service charge for the administration of the Grant in an amount not exceeding five percent (5%) of the expenditures incurred under the Grant.

Exchange of Information

9. ADB will, in accordance with its usual procedures: (i) furnish DFID such reports and information as DFID may reasonably request concerning the progress of the

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

Records and Accounts

10. a) ADB will maintain records and accounts, in accordance with its normal procedures, to show contributions, interest and investment income and expenditures financed by the Grant.
- b) ADB will furnish to DFID periodic reports, and an annual report on the execution of each of the Programs and the receipt and utilization of the Grant.
- c) ADB will make available to DFID such documents and records concerning the Programs as DFID may reasonably require in connection with any audit of Program accounts conducted and financed by DFID.
- d) At DFID's request, ADB will produce special audit opinions and/or audit reports on the Programs. The fees for such audits will be funded from the Grant and/or income earned from the investment or reinvestment of the Grant or interest earned in respect of the ADB account.

Consultation

11. a) DFID and ADB will consult each other, in particular whenever either participant proposes to (i) modify materially any agreement entered into for the implementation of this Memorandum; or (ii) suspend or terminate, in whole or in part, disbursements under this Memorandum.
- b) DFID and ADB will also consult with each other whenever ADB identifies a major change of scope in relation to any activities financed under the Grant. If any such changes occur which, in the opinion of DFID, impair significantly the developmental value of the Programs, DFID and ADB will consult on measures to resolve the problem and possible courses of action. In the event of such changes, DFID, however, may decide to modify or terminate its financial contribution to the Programs. Measures, courses of action and decisions on modification or termination will be considered separately and independently for the regional Program and the PRC Program.

Review of the Program

12. In 2004 a joint mid-term review of the whole Program will be carried out in place of the annual performance review. After the Grant has been fully committed, DFID and ADB will undertake a joint evaluation of the Program with a view to considering a further replenishment of the Grant by DFID on terms and conditions to be agreed between DFID and ADB. A full and independent evaluation will be held six months before the closing of the Fund.

Termination of ADB's Responsibilities

- 13. a) The responsibilities of ADB under this Memorandum will be deemed to have terminated on the date of the final disbursement by ADB of the Grant completing the Programs. ADB will provide a final report to DFID on the utilization of the Grant upon completion of the Programs within three months of the termination date.
- b) Termination of ADB's responsibilities hereunder will not affect the general arrangements for cooperation and exchange of information under the Programs between DFID and ADB.

Start and Termination

- 14. The arrangements described in this Memorandum will commence on 1 July 2002 or on the date it is signed by DFID and ADB, whichever the latest, and will remain in operation until terminated pursuant to paragraph 13(a) above or upon three months' written notice to the other participant; provided, however, that unless the participants otherwise agree, the activities carried on by ADB under this Memorandum in relation to the individual projects under the Programs will not be affected by such notice of termination and that the financial undertakings of DFID with respect to such projects will continue for a period normally not to exceed six months. Unless otherwise agreed by the participants, any remaining balance of the Grant, including investment income and interest earned on the ADB account, following termination or completion of the Programs, will be returned to DFID.

Addresses

- 15. Correspondence relating to the implementation of this Memorandum will be addressed to the following:

- (a) for DFID:

Facsimile Number: _____

Attention: _____

- (b) for ADB:

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

(i) General Communications and Financial Matters:

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

Attention: Principal Director, Office of Cofinancing Operations

(ii) Implementation and Technical Matters:

Facsimile Numbers: (63-2) 636-2205 (Direct)
(63-2) 636-2444 (Central)

Attention: Director, Poverty Reduction and Social Development
Division
Regional and Sustainable Development Department

Amendments

16. Any modifications to the arrangements described in this Memorandum will be made by mutual consent and in writing.

Settlement of Disputes

17. DFID and ADB will seek amicably to settle any differences and disputes arising out of or in connection with the implementation of this Memorandum.

Signed:

FOR THE DEPARTMENT FOR INTERNATIONAL
DEVELOPMENT

FOR THE ASIAN DEVELOPMENT BANK

Name:

Name: Tadao Chino

Title:

Title: President

Date:

Date: