

ASIAN DEVELOPMENT BANK

TAR:OTH 37116

TECHNICAL ASSISTANCE

(Financed by the Poverty Reduction Cooperation Fund)

FOR

NGO PARTNERSHIPS FOR POVERTY REDUCTION

May 2003

ABBREVIATIONS

ADB	–	Asian Development Bank
CSP	–	country strategy and program
DGF	–	Development Grant Facility, World Bank
DMC	–	developing member country
MTS	–	medium-term strategy
NGO	–	nongovernment organization
RM	–	resident mission
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The 1998 policy of the Asian Development Bank (ADB) on cooperation between ADB and nongovernment organizations (NGOs), directs ADB to expand its cooperation with NGOs. Such cooperation aims to strengthen the effectiveness, sustainability, and quality of the development services ADB offers. The policy also calls for the integration of NGO experience, knowledge, and expertise into the institution's operations so that ADB-supported activities will more effectively address the issues and priorities reflected in ADB's development agenda.

2. ADB's Long Term Strategic Framework indicates that ADB will seek to expand its partnership agenda by developing ways of working closely with NGOs and the private sector. The framework gives priority to the development of modalities for working with NGOs and civil society, and commits ADB to developing mechanisms for direct support to local and regional governments (including cities and municipalities) as well as to civil society organizations. ADB's Medium-Term Strategy (MTS) calls for the development of new modalities for working with NGOs, in addition to those undertaken under the Japan Fund for Poverty Reduction, and including the development of funding (and control) mechanisms that will allow NGOs direct access to ADB funds. The MTS indicates that ADB will develop methods that will allow NGOs to implement a wider range of ADB projects and programs, particularly targeted poverty interventions, with the review and development of new assistance modalities to be undertaken in 2003.

3. From June through November 2002, ADB's NGO Center conducted a series of 14 participatory workshops throughout the Asia and Pacific region through TA 6021.¹ The TA's workshops involved about 500 representatives from ADB's major stakeholders: governments, NGOs, the private sector, and ADB resident mission and headquarters staff. The consultation process culminated in a 1 week "writeshop" during which selected regional participants jointly prepared the first draft of "ADB-Government-NGO Cooperation: A Framework for Action 2003-2005" (the NGO Cooperation Framework). By providing an action plan for enhanced ADB-government-NGO cooperation, the NGO Cooperation Framework also fulfills a major recommendation of the Presidential Committee and Task Force on ADB-NGO Cooperation.

4. A key recommendation of the NGO Cooperation Framework is for ADB to establish a separate funding modality that will provide NGOs with direct access to ADB funding; this recommendation echoes the MTS (para. 2). Such a mechanism will demonstrate ADB's commitment to cooperation with NGOs through financial support to innovative NGO development activities, including

- (i) new approaches to poverty reduction and sustainable development;
- (ii) pilot projects with potential for replication or upscaling;
- (iii) introduction of new technologies or methodologies;
- (iv) improved methods of monitoring or auditing the delivery of public services;
- (v) improved or enhanced transparency, good governance, and capacity building activities; and
- (vi) better means of including marginalized or vulnerable groups in ADB project activities.

This regional technical assistance (TA) lays the foundation for a separate ADB funding modality for NGO activities.²

¹ ADB. 2002. *Technical Assistance for a Framework for ADB-NGO Cooperation*. Manila.

² The TA first appeared in *ADB Business Opportunities* (Internet version) on 25 March 2003.

5. The World Bank's Development Grant Facility (DGF) integrates overall strategy, allocations, and management of the World Bank's grant-making activities funded from its administrative budget under a single umbrella mechanism. The DGF has firmly established grant-making as an integral part of the World Bank's overall development strategy as well as an important complement to its lending and advisory services. In 2003, the DGF budget is \$157.0 million, covering 48 grant programs, including the Small Grants Program (which supports civic engagement for the empowerment of marginalized and vulnerable groups), the Post Conflict Fund, and the Institutional Development Fund. The Inter-American Development Bank similarly has established an NGO grant funding mechanism.

II. ISSUES

6. As outlined by the September 2001 Report of the Task Force on Institutional Arrangements for Cooperation with Nongovernment Organizations,³ ADB-NGO cooperation is realized through two parallel streams:

- (i) strategic/thematic institutional cooperation through which ADB engages NGOs in continuing consultation and dialogue on cross-cutting issues; and
- (ii) operational cooperation at the country and project levels, including NGO provision of advice or as a source of information for project identification and design as well as roles of consultants, implementing agencies, monitoring agencies, and evaluators.

7. Enhanced engagement with NGOs can

- (i) promote public consensus and local ownership;
- (ii) give voice to the concerns of primary and secondary stakeholders, particularly the disadvantaged such as poor women and ethnic minorities;
- (iii) strengthen and leverage the impact of development programs;
- (iv) bring innovative ideas and solutions to development challenges;
- (v) provide professional expertise and increased capacity; and
- (vi) improve public transparency and accountability, thus enhancing the environment for good governance.

8. ADB's 1998 policy on cooperation between ADB and NGOs explicitly recognizes the importance of capacity building and institutional development support to developing member countries (DMCs) as part of the overall effort to improve the human and social capital needed to support effective poverty reduction. In this context, ADB recognizes the critical role of NGOs in development and the importance of capacity building and institutional development support to NGOs to strengthen this role.

9. ADB has made great strides in deepening and broadening its collaboration with developmental NGOs. At the same time, cooperation activities have not been implemented consistently throughout the institution, or across ADB's operations. Although NGOs are understood to be important development actors, the quality of ADB-NGO interaction remains suboptimal, due in part to lack of institutional capabilities for and knowledge of how to cultivate effective development partnerships. Much remains to be done before ADB will be able to benefit fully from the skills and strengths that NGOs can bring to ADB operations.

³ ADB. 2001. Report of the Task Force on Institutional Arrangements for Cooperation with Nongovernment Organizations. Manila

10. Issues central to effective ADB-NGO cooperation have been identified in a number of ADB and other reports, as well as through various studies.⁴ Additional critical factors in ADB's relationship with NGOs emerged from the series of ADB-government-NGO workshops held under TA 6021. The issues or factors can be clustered around five key needs:

- (i) to strengthen stakeholder involvement in ADB-supported activities,
- (ii) to enhance transparency and interaction through access to information,
- (iii) to strengthen capacities to support cooperation among stakeholders,
- (iv) to build NGO capacity and provide institutional, and
- (v) to strengthen Government-NGO cooperation.

In addition to these critical factors, a related issue is how enhanced tripartite cooperation among ADB-governments-NGOs can be mainstreamed into ADB's products and services. The NGO Cooperation Framework proposes specific activities to be implemented during 2003–2005 to increase effective development cooperation.

11. A dynamic and more grounded ADB-government-NGO relationship has been constrained by ADB's lack of a mechanism that provides NGOs with direct access to ADB funding for capacity development, poverty reduction, or other mutually beneficial development activities. Although the Japan Fund for Poverty Reduction provides a funding mechanism for NGO-implemented activities, it requires that such activities must have a direct connection to existing or planned ADB loan projects. This limitation has prevented ADB from supporting innovative NGO activities that might complement ADB's poverty reduction efforts at the country or regional levels.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

12. The TA's overall goal is the enhanced development of long-term strategic partnerships with NGOs and governments to achieve poverty reduction in the Asia and Pacific region. Increased NGO involvement in ADB's support to government-led development efforts will increase the effectiveness, sustainability, and quality of ADB's services to its DMCs. The specific purpose is to provide funding to a limited number of NGOs in Group A and B DMCs to undertake innovative poverty reduction or other activities in key ADB sectors as identified through approved country strategy and program (CSP) documents.⁵ The TA framework is presented in Appendix 1.

⁴ Such studies and reports include (i) NGO Forum on ADB. 2000. *Past NGO submissions and Input to ADB on ADB-NGO Cooperation*, Manila. (ii) 2002. Recommendations of participants in the NGO Open Forum at ADB's 35th Annual Meeting, Shanghai. (iii) Asian NGO Coalition for Agrarian Reform and Rural Development. 2002. *Recommendations for Strengthening ADB-NGO Dialogue and Cooperation*. Manila. (iv) ADB. 2001. *Report of the Task Force on Institutional Arrangements for Cooperation with Nongovernment Organizations*. Manila. (v) NGO Forum on ADB. 2001. *New NGO Center at ADB*, Forum Briefer 01-17, Manila. (vi) ADB. 2001. *Special Evaluation Study on Participatory Development Processes in Selected Asian Development Bank Projects in Agriculture, Natural Resources, and Social Infrastructure Sectors*. Manila. (vii) ADB. 1999. *Special Evaluation Study of the Role of Nongovernment Organizations and Community-Based Organizations in Asian Development Bank Projects*. Manila.

⁵ Eligible Group A countries include Afghanistan, Bhutan, Cambodia, Kiribati, Kyrgyz Republic, Lao People's Democratic Republic, Maldives, Mongolia, Nepal, Samoa, Solomon Islands, Tajikistan, Tuvalu, and Vanuatu. Eligible Group B countries include Azerbaijan, Bangladesh, Cook Islands, Indonesia, Marshall Islands, Federated States of Micronesia, Nauru, Pakistan, Papua New Guinea, People's Republic of China, Sri Lanka, Tonga, Turkmenistan, and Viet Nam. India (as a Group B country) is excluded from the TA in that the United Kingdom's Department for International Development (DFID) has established a separate poverty reduction fund for India. Myanmar also is excluded from this TA.

13. Expected TA deliverables include (i) the identification and approval of up to \$50,000 in NGO-implemented poverty reduction or national development or related activities, such as NGO capacity building in each participating DMC; (ii) outputs of such activities; and (iii) full documentation of methodologies used, results, and lessons learned. Experience with implementing the TA, including the identification and approval of innovative NGO-implemented activities and TA implementation arrangements, will directly contribute to ADB's consideration of a separate funding window for NGOs in support of key poverty reduction activities (as per the MTS and the recommendations of the NGO Cooperation Framework).

B. Methodology and Key Activities

14. The TA will, among other things, (i) provide funding to a limited number of NGO-designed and implemented project activities that are of strategic relevance to ADB's operations in eligible DMCs; (ii) support NGO engagement in strategic and constructive poverty-related discussions with ADB and governments; (iii) build the capacity of local NGOs to help them work with ADB and governments in the context of ADB's operations in the Asia and Pacific region; and (iv) use the experience gained during the TA to design and establish a larger, long-term assistance window to support NGO poverty reduction activities.

15. Major assumptions include the willingness of NGOs in eligible DMCs to access funding for innovative poverty reduction activities provided through the TA, and concurrence from DMC governments.

C. Cost and Financing

16. The total cost of the TA is estimated at \$500,000. The TA will be financed on a grant basis through the Poverty Reduction Cooperation Fund. As it is not possible to specify the detailed costs of prospective NGO funding requests, Appendix 2 provides only a broad cost estimate table.

D. Implementation Arrangements

17. ADB's NGO Center will have overall responsibility for TA implementation, including the development of guidelines (for use by RMs), a template for NGO project proposals, reporting formats, etc.

18. The TA will provide small grants to NGOs through RMs (or through regional departments, in countries without RMs) for activities directly related to poverty reduction and enhanced ADB-government-NGO cooperation. Experienced NGOs in eligible DMCs may submit proposals to a maximum ceiling of \$50,000 per eligible country, with no single project to be larger than \$20,000. Eligibility criteria for NGOs are provided in Appendix 3.

19. RMs will solicit funding proposals from experienced NGOs. Such proposals, which must relate to key ADB sectors of operation as determined by CSPs, should focus on discrete, innovative, or demonstration approaches to poverty reduction and/or NGO capacity development. Criteria for grant funding will include (i) relevance to CSPs and national poverty reduction efforts, including feasibility of upscaling as part of ADB operations; (ii) contribution to stronger and more productive linkages between ADB, Governments, and NGOs; (iii) contribution to NGO capacity to productively and proactively work with ADB and governments; (iv) contribution to improved NGO institutional capacity to respond to the needs of the poor; and (v) partner contributions, including cash or in-kind contributions by NGOs involved in individual project activities. RMs, in consultation with the NGO Center, will establish country-specific criteria for the partnership grants, in line with the criteria outlined above.

20. Project submissions will fall into three broad categories: (i) pilot or other demonstration projects; (ii) capacity-building activities such as NGO skills exchange and the establishment of NGO information centers focusing on collaborative work with ADB and other major funding agencies; and (iii) support to local NGOs in providing direct feedback to ADB on issues of high mutual concern, such as ADB sectoral strategies. RMs will screen and prioritize project submissions via a local committee with government, civil society, and donor representatives (where appropriate). RMs also will arrange the translation into English of those projects recommended for approval.

21. The NGO and Civil Society Committee, chaired by the NGO Center, will review projects recommended by RMs on a periodic (e.g., quarterly or rolling) basis, with project approval delegated to the Committee. Funding for approved projects will be disbursed in 2003. No project funds will be disbursed without first securing an approval or “no objection” letter for the regional technical assistance from the Government concerned.

22. Approved projects will be completed within a 9–12 month time frame, with full completion of the TA by no later than the end of 2004. Each approved project must have a designated headquarters-based “patron” who will be responsible for identifying lessons learned, including the possibility of upscaling or otherwise incorporating project results into ADB operational activities. Patrons will be selected in discussion between the concerned RM, regional department, and the NGO Center.

23. The RM, the regional department patron, and/or NGO Center staff will monitor the projects, and NGOs receiving grant funding will be required to prepare project completion reports. Generally, lessons learned from approved projects and their implementation will be extracted from brief project progress reports (prepared by funding recipients), supplemented by brief field visit(s) scheduled in conjunction with other in-country project monitoring activities (including by RM or other headquarters staff). The NGO Center will prepare an overall summary of activities undertaken through the TA and lessons learned, particularly with respect to the establishment and operation of a larger ADB direct funding mechanism or facility for NGO activities that complement ADB’s country-based poverty reduction efforts.

24. During, but separate from, the TA, ADB’s Strategy and Policy Department and the NGO Center will jointly undertake a complementary study on funding mechanisms and institutional structures for enhanced ADB-NGO cooperation. The TA will fund a regional workshop to discuss lessons emerging from the TA implementation as well as resource implications and proposed implementation arrangements for a larger ADB direct funding mechanism for NGOs.

IV. THE PRESIDENT’S DECISION

25. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$500,000 to be financed on a grant basis from the Poverty Reduction Cooperation Fund for NGO Partnerships for Poverty Reduction, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal</p> <p>Increased strategic partnerships with nongovernment organizations (NGOs) and governments to achieve poverty reduction in Asia and the Pacific</p>	<ul style="list-style-type: none"> • Number of NGO project submissions and number of NGO projects approved • Increased dialogue among the Asian Development Bank (ADB), governments, and NGOs on policy, sectoral, and related issues • Enhanced capacity of NGOs to interact with ADB and governments in poverty reduction efforts 	<ul style="list-style-type: none"> • Roster of project submissions by country and overall roster of approved projects • Back-to-office reports, records of tripartite discussions, interviews with ADB, government, and NGO personnel • Successful implementation of approved projects and documentation of lessons learned 	<ul style="list-style-type: none"> • NGOs willing to access ADB funding for small grants and capable of submitting quality proposals related to key Country and Strategy Program (CSP) sectors
<p>Purpose</p> <p>Increased effectiveness, sustainability, and quality of ADB's services to its developing member countries through enhanced involvement of NGOs in development activities</p>	<ul style="list-style-type: none"> • Lessons learned and/or methods used by NGOs taken up in ADB technical assistance (TAs) and loan projects to better address national poverty reduction targets 	<ul style="list-style-type: none"> • Approved projects based on stakeholder analysis and have clearly defined objectives that will inform national poverty reduction strategies 	<ul style="list-style-type: none"> • As above
<p>Outputs</p> <p>1. Successful NGO approaches to poverty reduction are strategically upscaled in ADB operations</p> <p>2. NGOs become better engaged in strategic discussions on poverty reduction efforts in the context of ADB operations</p>	<ul style="list-style-type: none"> • At least 40% of NGO approaches have been identified for upscaling and integration into ADB TA or loan portfolios or otherwise taken up by governments • At least 30% of all CSPs and Country and Strategy Program Update in 2003–2004 based on significant tripartite consultation 	<ul style="list-style-type: none"> • TAs and Report and Recommendation of the President • Back-to-office reports from CSP missions and documents 	<ul style="list-style-type: none"> • ADB staff interested in and willing to study lessons learned and apply such knowledge in TA and loan project • Government willing to include NGOs in regular consultations; ADB staff (i.e., regional departments and resident missions) prepared to devote increased effort to NGO cooperation issues

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>3. Local NGOs become capable of more effective interaction with ADB and governments in poverty reduction efforts in the context of ADB operations</p> <p>4. Framework for institutionalizing outputs 1, 2, and 3 (above) in place and long-term funding sources secured for an ADB direct funding mechanism for NGOs</p>	<ul style="list-style-type: none"> • 60% of NGOs that receive capacity building support will indicate they have increased access and/or are involved to a greater extent in consultations with ADB and governments • By early 2004, a direct NGO funding mechanism established 	<ul style="list-style-type: none"> • Survey of NGO recipients to assess whether they feel better equipped to engage governments, ADB, and funding agencies in areas of mutual concern, also if they feel as if they are taken more seriously as development partners • ADB approval of a direct funding mechanism for NGOs 	<ul style="list-style-type: none"> • Governments open to greater cooperation with NGOs • Completion of NGO Center-Strategy and Policy Department study on funding mechanisms; ADB management and staff commitment to increased cooperation with NGOs
<p>Activities (linked to outputs, by number)</p> <p>1. Direct financial support to NGOs resulting in effective implementation of demonstration or pilot poverty reduction activities in key ADB sectors (as identified through approved CSP documents)</p> <p>2. Funding for NGO capacity building efforts such as the establishment of NGO Information Centers</p> <p>3. Funding support to facilitate NGO-government-ADB discussions on poverty reduction strategies</p> <p>4. Efforts/activities leading to the design, approval, and establishment of an ADB direct funding mechanism to support NGO activities</p>	<ul style="list-style-type: none"> • Number of approved NGO demonstration or pilot projects in eligible DMCs • Number of approved projects focusing on NGO capacity building • Approved tripartite workshops and seminar activities • Consultations with NGOs (including follow-up on ADB-Government-NGO Cooperation: A Framework for Action 2003–2005); design activities; resource mobilization activities 	<ul style="list-style-type: none"> • Roster of approved projects; project implementation and completion reports; documentation of lessons learned • Roster of approved projects; reports detailing capacity building activities • Workshop and seminar reports, improved NGO-government-ADB relations • Record of consultations; completion of NGO Center-Strategy and Policy Department study; number of donor meetings and successful resource mobilization efforts 	<ul style="list-style-type: none"> • Resident missions are able to selectively solicit NGO proposals relating to key CSP sectors • NGOs able to organize to undertake capacity building activities • Governments and ADB willing to better engage NGOs in strategic poverty reduction discussions • Approval of ADB-government-NGO cooperation framework (including agreement to establish NGO direct funding mechanism); donors/ foundations convinced of merit of ADB direct NGO funding mechanism and prepared to provide ADB with additional funding (e.g., \$5 million/year)

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
Asian Development Bank Financing^a			
1. Small Grants to Local NGOs	420		420
2. Regional Workshop	30		30
3. Translation of Recommended Projects	1		1
4. Contingencies	49		49
Total	500		500

NGO = nongovernment organization.

^a Financed by the Poverty Reduction Cooperation Fund

Source: Asian Development Bank estimates.

ELIGIBILITY CRITERIA FOR NONGOVERNMENT ORGANIZATIONS

1. To be eligible for funding, a nongovernment organization (NGO) or civil society organization must

- (i) operate in a developing member country (DMC) of the Asian Development Bank (ADB);
- (ii) be a not-for-profit organization;
- (iii) be legally registered in an ADB member country;
- (iv) have operated for at least 3 years and have a demonstrated track record in implementing small innovative project activities;
- (v) have a management or advisory board;
- (vi) have a minimum of two paid staff;
- (vi) maintain a proper accounting and financial system; and
- (vii) be committed to the principles of gender equality in terms of its own staffing, involvement of women in decision-making roles, and targeting of women as beneficiaries.

2. Projects will be selected on a competitive basis within eligible countries (with some competition among countries and resident missions, due to limited overall funding). NGOs will be expected to contribute to overall project costs, either on a financial or in-kind (e.g., staff salaries) basis. The project grants normally will not fund NGO administrative or other overhead costs, or construction or capital purchase costs. Nor will project grants fund research programs, formal academic training programs, ongoing institutional core support (such as equipment unrelated to the activity), scholarships, fellowships, study programs, individuals applying on their own behalf, or applications from nonlegal entities.

3. Recommendations for funding will be made on the basis of the following criteria:

- (i) **Eligibility.** The organization must be legally registered in an ADB member country.
- (ii) **Organizational Strength.** What is the track record of the organization? What are the qualifications and/or experience of key personnel? Is the organization well-known in the DMC? What is the gender balance within the organization? Is there sufficient institutional capacity to deliver? Does the organization maintain sound internal controls, and accounting and financial systems? Does the organization have the capacity to liquidate funds?
- (iii) **Financial Viability.** Is the proposed budget feasible and/or realistic? Is the organization able to make a financial or in-kind contribution to the project (e.g., staff salaries)?
- (iv) **Poverty Reduction.** Does the project have direct or indirect operational relevance for ADB, based on country strategy and program documentation and/or national development/poverty reduction plans?
- (v) **Objectives.** How important, innovative, and/or strategic are the objectives of the organization's proposed project? Are those objectives feasible, given the small amount of funding?

- (vi) **Methodology.** Is there a clear implementation plan? Is the timetable realistic? Are those objectives feasible? How creative/innovative and participatory are the activities included in the project? Is the proposal logically presented? Are there any unsupported assumptions? Are participatory approaches to be used, including involvement of women?
- (vii) **Impact.** What are the expected results of the project? What is the anticipated effect on target beneficiaries (i.e., change in legislation, change in institutional behavior including use of participatory approaches, change in policy, increased public awareness, capacity to access resources, etc.)? How are project-related products to be used or distributed? Are there expected linkages to other initiatives? Are the expected results measurable?
- (viii) **Relevance for ADB.** Does the project have potential for scaling-up or replication in an ADB-financed project? Could the organization be involved in other ADB-financed projects? Has an ADB headquarters “patron” been identified?
- (ix) **Sustainability.** Does the proposal include plans for continuation of activities beyond the life of the grant? Are additional funding sources required? Have they been secured?
- (x) **Evaluation.** What are the plans for monitoring, evaluating, and documenting the initiative? Does the project budget include adequate provision for monitoring and evaluation?

4. In addition to equitable regional distribution across eligible DMCs, the technical assistance (TA) will strive for equitable subject focus distribution within the context of national development and poverty reduction plans and/or ADB country strategy and program documentation.