

## JAPAN FUND FOR POVERTY REDUCTION (JFPR)

### DIRECTIONAL GUIDANCE FOR 2006

1. **Objective.** To provide grants in support of innovative<sup>1</sup> poverty reduction and social development activities to help alleviate poverty in ADB developing member countries (DMCs). Grants approved under the program are subject to the criteria set forth in this guidance paper.
2. **Focus.** JFPR Grants should be compatible with the development objectives of the CSP/U, PRSP/NPRS, PPA or poverty reduction elements of Sector Strategies. The Grants are intended to focus on activities which: (i) respond directly to the needs of the poorest and most vulnerable groups through new and innovative methods; (ii) support initiatives that lead to rapid, demonstrable benefits with positive prospects of developing into sustainable activities; or (iii) build ownership, capacity, empowerment and participation of local communities, non-governmental organizations (NGOs) and other civil society groups to facilitate their involvement in operations financed by ADB.
3. **Grant Types and Country Eligibility.** There are two types of JFPR Grants:
  - (i) *Project Grants* finance: (a) activities directly providing relief measures, supporting the improvement of services and facilities for poorer population groups, or reinforcing/reinvigorating social safety nets; or (b) innovation and testing new approaches, particularly in the social sectors.
  - (ii) *Capacity Building Grants* finance capacity building and improvement measures, e.g., to bolster local communities and NGOs through learning by doing, or to expand the capabilities or coverage of social fund-type institutions, or to support local governments working with communities on ADB-funded projects/programs.
4. **Amount.** JFPR Grants can range from US\$200,000 to US\$2 million. Under exceptional circumstances and after prior clearance by the Office of Cofinancing Operations (OCO), a grant proposal of up to US\$3 million may be submitted for consideration<sup>2</sup>. Proposals exceeding US\$2 million would be subject to higher scrutiny by OCO; the latter may request technical reviewers to verify the validity and viability of proposed activities and that their costing follows a disciplined process.
5. **Funding Proposal.** Grants are approved by the Government of Japan (GOJ) on the basis of a standard One-Page Grant Proposal, available on the ADB system. The Proposal contains basic data, overall development objectives of the grant, expected key performance indicators and expenditure categories. In addition to the one-Page Grant Proposal, the complete application form includes supplementary information comprising a detailed description of the activities to be funded, a general plan for implementation, outputs and outcomes expected, a detailed budget and a checklist of questions to assist in evaluating the application's eligibility. Specific and concrete goals or objectives to be addressed by the proposal, including measurable indicators (to the extent possible, quantitative indicators), should be described in the Grant

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<sup>1</sup> In case where a proposal is similar to a project previously approved, value-added to the new project should be mentioned clearly in the proposal.

<sup>2</sup> With regard to assistance to Afghanistan, proposals exceeding US\$3 million would be considered on an exceptional basis in consultation with the Government of Japan.

Proposals. Concomitant risks should also be mentioned. All proposals should be discussed with the local Japanese embassy at an early stage, i.e., before formal submission to OCO, and the results of the discussions should be included in the Grant proposals. In order to expedite approval process, information sharing with JICA/JBIC local office is also recommended.

6. **Review of Proposals.** The concerned managing unit of the Regional Department in ADB must sponsor the activity and designate a project officer. Requests must be in line with CSP/U objective(s), as confirmed by the Country Director and the relevant Sector Director and Director General of the relevant Regional Department, and submitted to OCO after review by the Staff Review Committee (SRC)<sup>3</sup>. To the extent possible, proposals should promote collaboration with local and international NGOs. In particular, priority will be given to proposals in which Japanese NGOs, or Civil Society Organizations, or aid agencies will be involved or cooperating.

7. **Eligible Expenditures.** These include goods, small civil works, services, training and workshops. Procurement must follow ADB Guidelines. Requests may also include the cost of annual external audits. Incremental costs (including staff consultant fee) of the relevant Regional Department of up to 5 percent of the total grant amount may be requested mainly to facilitate community participation or NGO collaboration, but also for preparation and implementation activities in operations of unusual complexity which require ADB staff resources beyond those that can be financed by the regular administration budget.

8. **Ineligible Activities/Expenditures.** The following cannot be financed under JFPR: (i) academic research; (ii) government staff salaries; (iii) foreign training or study tours; and (iv) purchases of motor vehicles<sup>4</sup>.

9. **Letter of Agreement (LOA).** Project Officers should prepare the draft LOA and submit to OGC for clearance. A copy of the signed LOA must be forwarded to OCO, CTL, COSO, and OGC after it has been signed.

10. **Grant Execution Arrangements.** Grants must be recipient-executed. Recipients of JFPR Grants may be governments (central or local), international or local NGOs, or local community groups which the project officer has determined are financially sound, have a strong track record, and employ satisfactory arrangements for use and accounting of grant funds. In case the recipient or the implementing agency is an NGO or a local community group, it is required that the central or local government gives its agreement to the arrangement. UN agencies may not be recipients of JFPR grants<sup>5</sup>. The maximum grant implementation period is four years. The Project Officer of the Grant will carry out ADB's fiduciary responsibilities for grant supervision, in accordance with ADB standards.

11. **Progress Reporting.** The Project Officer will be responsible for preparing a semi-annual Grant Status Report, rating the status of grant implementation, documenting the procurement of consulting services or other grant-financed inputs, as well as completion of deliverables. In addition, an Implementation Completion Memorandum (ICM) will be prepared at completion documenting actual cumulative inputs, outputs and outcomes, and lessons learned through the grant implementation period. ICMs should be disclosed in the JFPR website, as with OCO's semi-annual report on JFPR.

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<sup>3</sup> The peer review by Sector and Thematic Committees, if deemed necessary, will be made prior to the SRC.

<sup>4</sup> Exceptions on the purchases of motor vehicles may be warranted subject to justification provided in the proposal.

<sup>5</sup> UN agencies may participate in JFPR grant activities as consultants provided the selection is in accordance with ADB Guidelines.

12. **Audit Report.** The audit report from the external auditor must be submitted to CTL, with a copy to OCO, not more than 6 months following the end of the fiscal year or project closing date (whichever is first). The report should include certified copies of the audited accounts and financial statements and the report of the auditors relating to said statements, including the auditors' opinion on the use of the JFPR Funds, and the operation of any imprest account and the application of any statement of expenditures (SOE) procedure authorized under the JFPR Project.

13. **Reallocation of Funds by Expenditure Categories or Components.** For reallocation up to 30% of the amount for an approved expenditure category or component, the Project Officer should request approval from the relevant Sector Director and provide a copy of the approved memorandum to CTL, OGC, and OCO. Increases or decreases above 30% of the amount for an approved expenditure category or component, or dropping or adding new categories or components, require OCO concurrence. The request, endorsed by the Sector Director and approved by the Director General of the Regional Department, should be submitted to the Principal Director of OCO for concurrence.

14. **Change in Scope or Implementation Arrangements.** Changes in scope and implementation arrangements are considered with respect to their impact on the project. A change in a project's scope or implementation arrangements is major if it (a) has a fundamental, substantial, or material effect on the project's purpose, objectives, components, benefits, impact, procurement or other implementation arrangements; and/or (b) involves reallocation of more than 30 per cent of the amount for an approved expenditure category or component. The sector or country director decides whether a proposed change is major or minor. If necessary, the sector or country director consults COSO, CTLA, and OGC. For major changes in scope or implementation arrangements, a request, endorsed by the country or sector director and approved by the Director General, must be sent to PD OCO for concurrence.

15. **Change in Grant Objectives.** For significant changes in the Grant Development Objectives, a request, endorsed by the Sector Director and approved by the Director General, must be sent to OCO which will determine if GOJ approval is required. GOJ will approve/reject the request within four weeks of its receipt from OCO. Amendment of the Letter of Agreement requires clearance from OGC.

16. **Grant Cancellation Policy.** The balance of grants is subject to cancellation under the following circumstances: (i) the grant agreement has not been signed within 6 months of the formal grant approval date; and (ii) there has been no implementation progress including zero disbursements for six months after signature of the grant agreement. A request should be submitted to OCO for exceptions to (i) and (ii).

17. **Japan Visibility and Involvement of Local Japanese Officials.** It is necessary that the project officer inform the Japanese Embassy about approval of a JFPR proposal. ADB will also encourage signing ceremonies for JFPR grants in the field, with the inclusion of Japanese embassy officials, inviting local and international press to these ceremonies. The Project Officer should also draft a news release in consultation with DER. The Project Officer should aim to inform the Japanese embassy as well as OCO – which will alert the Japanese authorities in Tokyo -- at least ten days in advance of the signing ceremony. Decisions on any future JFPR grants for a country would take into consideration the ADB's and recipient's efforts to comply with the above. In addition, OCO may promote the visibility of the JFPR by: (i) informing Country Directors of the importance of signing ceremonies to Japanese officials and the public to ensure recognition and support for JFPR funding; and (ii) continuing widespread distribution of the JFPR Annual Report, inclusion of JFPR information in relevant ADB documents, and occasional information sessions on JFPR for Japanese NGOs and the private sector. DMC governments

should be informed about the project whether it is the government or an NGO which is the recipient. This applies as well to regional JFPR grants. As such, it is desirable that the government (or governments, in the case of regional grants) be represented in the LOA signing ceremony whether as principal signatory or as witness. In terms of enhancing the visibility of Japan, it is highly recommended that ADB involve and cooperate with Japanese NGOs, Civil Society Organizations, or aid agencies.

18. **Maintenance of Documentation.** Regional Departments will keep copies of documentation, related to JFPR grants, for example, Terms of Reference and consultant contracts, reports and other outputs prepared by consultants, status reports, etc., in accordance with ADB's administrative policies and procedures.

19. **Schedule.** OCO will submit proposals to GOJ four times in 2006 (see below). GOJ will confirm its decisions on proposals (whether they are approved or rejected) within four weeks from submission whether GOJ is satisfied with the contents of the application. In case GOJ requires clarifications the final decision on the proposal may take longer. The schedule covers regular processing of proposals. However, a special batch for urgent proposals may be arranged. Additionally, these Guidelines may be eased whenever ADB and GOJ consider it necessary and urgent for operational expediency.

SCHEDULE PROPOSED FOR 2006	
Deadline for Submission to OCO:	Submission to Japan:
Batch VIII: 1 March 2006	15 March 2006
Batch IX: 1 June 2006	15 June 2006
Batch X: 1 September 2006	15 September 2006
Batch XI: 1 November 2006	15 November 2006

20. **Fund Allocation.** For 2006, \$35 million (excluding for Afghanistan) is JFPR's indicative allocation, to be approved through four (4) batches during the year.

**Operational Staff are encouraged to share this 2006 Directional Guidance Paper with Client Country Staff, including central ministries.**