

JAPAN FUND FOR POVERTY REDUCTION (JFPR)

DIRECTIONAL GUIDANCE FOR 2009

1. **Objective.** To provide grants in support of innovative¹ 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 support the Long-Term Strategic Framework and be compatible with the development objectives of the CPS/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.** 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\$3 million. Under exceptional circumstances and after prior clearance by the Office of Cofinancing Operations (OCO), a grant proposal of up to US\$4 million may be submitted for consideration². Proposals exceeding US\$3 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 the project's design and monitoring framework, as well as 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

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

² With regard to assistance to Afghanistan, proposals exceeding US\$4 million would be considered on an exceptional basis in consultation with the Government of Japan.

extent possible, quantitative indicators), should be described in the Grant Proposals. Concomitant risks should also be mentioned. All proposals must be explained, with a concept paper, and discussed with the local Embassy of Japan³ at an early stage (preferably at concept paper preparation stage), i.e., before formal submission to OCO. Most importantly, the Grant Proposals should include the details of discussions and incorporate comments/suggestions from the Embassy of Japan into the design of the project. In order to expedite the approval process, information sharing with JICA/JBIC local office is also recommended. Any Grant proposals which will overlap with Japanese bilateral assistance will not be supported by JFPR.

6. **Review of Proposals.** The concerned managing unit of the Regional Department in ADB must sponsor the activity and designate a Project Officer. As early as during the concept stage and prior to entering it in ADB's information systems, the proponent Department is requested to provide advance information to OCO indicating the title of the proposal, DMC recipient, amount, and a one-paragraph description. The submission should identify and disclose any sensitive aspects as well as potential risks that may arise as a result of the project (e.g., adverse environmental impacts, resettlement, etc.). OCO will provide an initial assessment as to whether JFPR funding could be considered. Requests must be in line with CPS/U objective(s), as confirmed by the Country Director and the relevant Division Director and Director General of the relevant Regional Department, and submitted to OCO after review by the Staff Review Committee (SRC)⁴. 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, Civil Society Organizations, 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 should 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.⁵

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 vehicles⁶.

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

³ The list of Japanese Embassy focal persons is found in the Cofinancing Website which may be accessed through the ADB Portal.

⁴ The peer review by Sector and Thematic Committees, if deemed necessary, will be made prior to the SRC.

⁵ Please refer to the Memo on Budget and Administrative Arrangements for Business Travel and Staff Consultants issued by BPMSD, CTL and OCO on 16 June 2004. This may be found in the Cofinancing Website.

⁶ Exceptions on the purchases of motor vehicles may be warranted subject to justification provided in the proposal.

agencies may not be recipients of JFPR grants⁷. 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 and Completion Reports and Dissemination of Results.** The Project Officer will be responsible for updating, on a semi-annual basis, the Grant Status in the Lotus Notes-based Progress Reporting System (PRS). The PRS contains basic grant data, grant status, utilization, performance ratings, issues and problems, and actions taken. 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. Project Officers are encouraged to disseminate as widely as possible, in-country as well as with ADB HQ staff, project outcomes and lessons from implementation.

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, or for reallocations involving amounts of less than \$20,000, regardless of the percentage of category of expenditure or component, the Project Officer should request approval from the relevant Division or Country 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, involving amounts of at least \$20,000, require OCO concurrence. The request, endorsed by the Division or Country 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 has a fundamental, substantial, or material effect on the project's purpose, objectives, components, benefits, impact, procurement or other implementation arrangements. Notwithstanding that a change is classified as minor based on the above criteria, if the cost change among categories of expenditure is estimated in excess of 15 percent of the total project cost, then the change in scope is considered as major. The Project Officer consults COSO, CTLA, and OGC as to whether the proposed change is major or minor (email communication with cc. to OCO and the Directors concerned will be sufficient). If it is determined that the proposed change(s) in scope or implementation arrangements is a (are) major change(s), a request memo, endorsed by the Division or Country Director and the Director General, must be sent to PD OCO for approval.

15. **Change in Grant Objectives.** For significant changes in the Grant Development Objectives, a request, endorsed by the Division or Country Director and the Director General, must be sent to OCO which will determine if GOJ approval is required. GOJ will approve/reject

⁷ UN agencies may participate in JFPR grant activities as consultants provided the selection is in accordance with ADB Guidelines.

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). When a grant proposal is cancelled, the OCO must inform the GOJ of the cancellation.

17. **Japan Visibility and Involvement of Local Japanese Officials.** The Project Officer should inform and seek the support of the local Embassy of Japan for the Grant Proposal during concept stage and as soon as the draft proposal is ready. The concept paper/draft proposal must be explained to and discussed with the Embassy of Japan with a brief summary which outlines the proposal. Documents should be submitted to the Embassy at least seven working days before the consultation to give the Embassy official time to consider them. Any comments made by the Embassy should be reflected and a summary of the consultation should be included in the Grant Proposal submitted to OCO. This step is crucial as GOJ's internal approval process involves seeking comments from/obtaining the endorsement of the local Embassy of Japan. Once the proposal has been approved, it is necessary that the Project Officer inform the embassy of Japan about the approval. ADB will also encourage signing ceremonies for JFPR grants in the field, with the inclusion of Embassy of Japan 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 Embassy of Japan 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. The Embassy of Japan should be informed from time to time about project progress and milestones especially when major changes in scope and objectives are required. Throughout all phases of the project, from concept to completion, the Project Officer should answer inquiries from the Embassy of Japan regarding the project and discuss where necessary.

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 2009 (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 FOR 2009	
Deadline for Submission to OCO:	Submission by OCO to Japan:
Batch XXIV: 9 March 2009	19 March 2009
Batch XXV: 4 May 2009	14 May 2009
Batch XXVI: 3 August 2009	13 August 2009
Batch XVII: 5 October 2009	15 October 2009

20. **Fund Allocation.** For 2009, \$60 million (excluding for Afghanistan) is JFPR's indicative allocation, to be approved through four (4) batches during the year. In addition, the Crisis Response Window can provide up to \$100 million over three years for JFPR grants and JSF TAs.

Operational Staff are encouraged to share this 2009 Directional Guidance Paper with Client Country Staff, including central ministries.