

JAPAN FUND FOR POVERTY REDUCTION (JFPR)

2006 GUIDELINES AND OPERATING PROCEDURES FOR APPLICATION, APPROVAL AND EXECUTION OF JFPR GRANTS

TOPIC	APPLICABLE POLICIES & PROCEDURES	NOTES
APPLICATION AND APPROVAL PROCESS		
1. Grant Application Format and Submission	<ul style="list-style-type: none"> • JFPR Grant Proposal Application Form is available in the "Cofinancing" website in the ADB Portal. • OCO announces quarterly invitation for JFPR applications. 	
2. Grant Objective	<ul style="list-style-type: none"> • To help the poorest and most vulnerable groups living in destitution in ADB Developing Member Countries (DMCs). 	<ul style="list-style-type: none"> • The JFPR Directional Guidance agreed with Government of Japan (GOJ) spells out the Annual Guidance for each year. • The Terms and Conditions of JFPR are set forth in the arrangement letter between the GOJ and ADB of 24 May 2000.
3. Poverty Focus	<ul style="list-style-type: none"> • Must provide relatively rapid, direct and demonstrable benefits to the poor and vulnerable groups of society. 	
4. Grant Types Awarded	<p><i>Either one of two types:</i></p> <ul style="list-style-type: none"> • Project Grants • Capacity Building Grants 	<ul style="list-style-type: none"> • Applications must indicate only one type of grant although capacity-building components may be part of project grants.
5. Project Grants	<ul style="list-style-type: none"> • Activities in direct support of improving services and facilities for the poor, reinvigorating social safety nets, etc. • Testing of new approaches (in a particular geographic area with a particular target group), particularly in the social sectors, which are replicable on a larger scale or lay the groundwork for future ADB operations. 	<ul style="list-style-type: none"> • In case where a proposal is similar to a project previously approved, value-added to the new proposal should be mentioned clearly in the proposal.
6. Capacity Building Grants	<ul style="list-style-type: none"> • Capacity building and improvement measures to bolster local communities and NGOs or to expand capabilities/coverage of social fund-type institutions. • Measures that promote positive interactions among government institutions, NGOs, communities and generate incremental benefits. • Capacity building for improved accountability of local governments or communities with weak social/poverty indicators. 	
7. Priority Areas	<ul style="list-style-type: none"> • Innovative programs designed or implemented by <i>local communities or NGOs</i> with <i>rapid, demonstrable benefits</i> for the poor and vulnerable, and 	<ul style="list-style-type: none"> • Application must clearly present an innovative approach.

	<p>have good prospects for developing into <i>sustainable</i> activities over the long term.</p> <ul style="list-style-type: none"> • Primarily social sectors. 	<ul style="list-style-type: none"> • JFPR will not fund cultural heritage or tourism-related projects. • Education sector is prioritized in the social sectors.
8. Required linkage to ADB financed operations	<ul style="list-style-type: none"> • Grants must support and be linked to ADB strategies. 	<ul style="list-style-type: none"> • Application must state the relevant CSP, PRSP/NPRS and PPA that would be supported by the Grant. • JFPR cannot fund (i) activities that are normally funded under ADB loans; (ii) activities that are normally funded under ADB budgets for preparation of loans; (iii) TAs that can be financed by TASF/JSF grants. • Applications must provide the rationale for grant funding versus lending.
9. Selection Criteria	<ul style="list-style-type: none"> • Rapid, demonstrable benefits to the poor and vulnerable • Innovative approach • Specific and concrete goals or objectives to be achieved and measurable indicators or criteria should be mentioned. • Linkage to the relevant CSP, PRSP/NPRS and PPA • Recipient's ownership of the grant • Participatory approach [i.e. NGOs (including Japanese NGOs), community groups and local governments] in preparation of application and/or grant implementation • Sustainability or exit strategy of the activities after grant is completed • Disciplined budget process for the use of grant funds • Capacity of grant executing agency to implement, monitor and supervise grant activities • Justification of incremental ADB costs • Priority will be given to proposals in which Japanese NGOs, Civil Society Organizations, and/or aid agencies will be involved. 	<ul style="list-style-type: none"> • Where activities are multi-sector related, consultations with relevant sector divisions of the Regional Departments must be sought and stated in the application. • Where NGO(s) have already been identified, applications must provide the name(s) of the NGO(s) along with a brief description. • Rationale for grant funding should be demonstrated by tangible impacts with measurable indicators to targeted areas and beneficiaries. Description of the components could be considered from the viewpoint of supervision, monitoring and post-evaluation of explicit outcome with such quantitative indicators.

10. Grant Ceiling Amount	<ul style="list-style-type: none"> • Minimum size of application: US\$200,000. • Maximum: US\$2 million. • Up to \$3 million may be allowed but only under exceptional circumstances. 	<ul style="list-style-type: none"> • Technical reviews should verify that the costing of activities is a disciplined process. Proposals over \$2 million will be subject to higher scrutiny.
11. Expenditure Categories Eligible	<ul style="list-style-type: none"> • Goods, small civil works, consultant services, local training/workshops, and audit. (Ineligible expenditures include the following: activities normally funded under ADB loans; activities normally funded under ADB budgets or by donors for preparation of ADB-financed projects, including technical assistance for these activities; preparation of Poverty Reduction Strategy papers (PRSP) and other Technical Assistance for poverty reduction monitoring activities; academic research, land acquisition, purchase of motor vehicles, government staff salaries, and foreign training or study tours.) • United Nations agencies may <i>not</i> be direct recipients of grants, but they are eligible to participate in the JFPR grant implementation subject to their selection by the Recipient. • In special circumstance, ADB incremental costs (such as staff consultants) for supervision and monitoring may be requested up to 5% of the total grant amount. Justification must be provided on the complexity of grant implementation and the resulting need for additional ADB staff resources beyond those provided by the regular administration budget which includes the regular JFPR direct and identifiable administration cost. (See section on ADB supervision under “Grant Execution” below). 	<ul style="list-style-type: none"> • Where funding for local training or workshops is requested, application must have a separate category of expenditures, called <i>training</i> or <i>workshops</i>. • Training must be linked to a grant component and be described separately, including the number of participants. Cost table must include <i>unit cost per participant</i>. • Annual external audits are required for all JFPR grants and must be included in the cost table. • Justification for financing of ADB incremental costs must be provided in the application, such as technical work to be undertaken with community groups and NGOs not normally funded under ADB budget.
12. JFPR Allocations	<ul style="list-style-type: none"> • In May 2000 the Government of Japan provided initial funding of US\$92.6 million. An additional US\$151.1 million contribution was made to the regular program in March 2002, US\$58.8 million in March 2003, \$23.3 million in March 2004, \$18.0 million in March 2005, and \$15.4 million in March 2006, bringing total contributions as of 31 March 2006 to about \$360.3 million. 	<ul style="list-style-type: none"> • A special allocation of US\$50 million was made by GOJ for the JFPR Afghanistan window.

13. Implementation Arrangements	<ul style="list-style-type: none"> • Recipient execution - Government (central or local), NGOs, and community groups - is the standard grant implementation arrangement. • ADB administered, in accordance with supervisory fiduciary responsibilities for due diligence, economy and efficiency, and compliance with ADB's <i>Loan Disbursement Handbook, Guidelines for Procurement and Guidelines on the use of Consultants</i>. 	<ul style="list-style-type: none"> • Grants are normally executed by the recipient governments (central or local). However, community groups and NGOs (local and international NGOs, and particularly Japanese NGOs) may also be selected as grant recipients and/or grant implementing agencies.
14. Grant Implementation Agency	<ul style="list-style-type: none"> • Must be identified in the grant application and should endorse the components and activities of the components and activities of the grant. 	<ul style="list-style-type: none"> • If the implementation agency is not a government entity, application must demonstrate the agency's mission, track record, program of activities, source of financing, and evidence of financial probity.
15. Quality Review	<ul style="list-style-type: none"> • Directors and Directors General of the relevant Regional Departments are responsible for quality review, including the technical content of activities, inputs and outputs. • Project Officers are strongly urged to vet the technical aspects of their proposals with staff (outside project team), in the relevant themes and sectors through peer reviews. SRC is mandatory and must be completed before the proposal is submitted to OCO. Requests for funding should include the names of peer reviewers and their comments, if any, to facilitate OCO's review of proposals. • Proposals must be vetted with Country Directors who will confirm their consistency with the CSP. • Project Officer should also endeavor to inform and seek the support of the local Japanese embassy for the proposal in the course of the preparation. 	<ul style="list-style-type: none"> • Directors and Directors General of the relevant Regional Departments must endorse the activities and merit of the Grant Application for submission to OCO. • Directors General of Regional Departments prioritize and select final applications for submission to OCO.
16. Approval Process of GOJ	<p>Three Steps:</p> <ul style="list-style-type: none"> • OCO reviews applications to ensure consistency with JFPR objectives and guidelines and seeks clarifications or further explanations. • OCO recommends those applications which meet JFPR criteria to GOJ. • GOJ approves, rejects or seeks further clarifications. Upon approval, the first page of the application called the Grant Proposal becomes the binding document between ADB and the Donor (see below). 	<ul style="list-style-type: none"> • The proposal must conform with the template and must include the prescribed appendixes. • The clearances section must have the signatures of the CD, sector Director, and the DG. • OCO has two weeks to review the

		proposal before submitting to GOJ. For its part, GOJ generally will communicate its decision within 4 to 6 weeks from receipt of the proposals provided that all questions have been addressed.
17. Approval Process of ADB	<ul style="list-style-type: none"> • The project officer prepares the proposal using the JFPR Board Paper template in the ADB Portal. • He/she submits the draft Board Paper to OCO, CTL, and COSO for conformity review (bullets 1 and 2 may be done while awaiting GOJ approval) • Upon receipt of clearances from OCO, CTL, and COSO, the proposal is submitted for editing and printing. • Board Paper is submitted with "Recommendation" in covering memo for approval by the President or circulation to the Board. 	<ul style="list-style-type: none"> • Approval of the JFPR Grant Proposal Paper by the Board if the JFPR financing exceeds \$1 million and by the President if \$1 million or below.

TOPIC	APPLICABLE POLICIES & PROCEDURES	NOTES
GRANT EXECUTION		
18. Bank Fiduciary Responsibility as Grant Administrator	<ul style="list-style-type: none"> • All Grants are ADB administered and supervised in accordance with fiduciary responsibilities, with due diligence to economy and efficiency, and compliance with procurement and financial management guidelines (same as for ADB Loans), with assistance of financial management specialist in the Regional Department if necessary. • Directors General of the Regional Departments are responsible for supervision compliance, in accordance with ADB guidelines (<i>Guidelines for Procurement under ADB loans, Loan Disbursement Handbook and Guidelines on the Use of Consultants by ADB and its Borrowers</i>). 	
19. Approved Grant Proposal	<ul style="list-style-type: none"> • The Approved Grant Proposal (the first page of the full application) is the binding document for the agreed components and budgets. 	<ul style="list-style-type: none"> • Requests for future reallocations need to refer to the Approved Grant Proposal.
20. JFPR Procurement Plan	<ul style="list-style-type: none"> • Prepared by the Project Officer, reviewed by COSO.. 	
21. JFPR Letter of Agreement (JFPR -LOA)	<ul style="list-style-type: none"> • Project Officer drafts the JFPR-LOA on the basis of the approved JFPR Grant Proposal. Project Officer seeks endorsement of the draft JFPR-LOA 	<ul style="list-style-type: none"> • Clearances required from CTL and OGC and copied to OCO.

	<p>from the DMC and EA and distributes it for clearances.</p> <ul style="list-style-type: none"> • Grant amounts on para 1 of the JFPR -LOA must match those in the approved JFPR Grant Proposal. • When the Grant Recipient is an NGO, local community group or another civil society organization, the concerned DMC government must show support for the grant. Three options are available: (i) a separate letter to ADB from the DMC (usually the Ministry of Finance) endorsing their support; (ii) a single JFPR-LOA signed by representatives of both the DMC and the Recipient; (iii) two agreements - the JFPR-LOA between ADB and the DMC, and a Memorandum of Agreement (MOA) between the DMC and the entity (NGO) responsible for implementation of the JFPR activities. 	<ul style="list-style-type: none"> • The project officer attaches the approved JFPR Grant Proposal as an Annex to the LOA. • JFPR-LOA clearance may require a financial management assessment when the Recipient is an NGO or civil society organization. Project Officer should consult with the respective Disbursement Officer (CTL).
22. JFPR-LOA Signing	<ul style="list-style-type: none"> • Country Director or ADB HQ/RM Representative and DMC government representative. • At least ten days before the event, the Embassy of Japan and OCO should be informed about the LOA signing so that a representative of the embassy can attend. OCO, in turn, will alert Japanese authorities in Tokyo about the event. • Invite media as well for the signing ceremony. 	<ul style="list-style-type: none"> • Suggest in-country signing ceremony. • JFPR LOA must be signed <u>within six months of ADB's approval of the grant.</u> • Project Officer prepares news release in consultation with DER. • The signed LOA is sent to OSEC for safekeeping. Copies are sent to OCO, CTL, COSO, and OGC.
23. Grant Effectiveness	<ul style="list-style-type: none"> • Upon signature of the JFPR-LOA. • Eligible expenditures may be incurred starting on the Date of Effectiveness. 	<ul style="list-style-type: none"> • Grant is subject to cancellation if it remains undisbursed for more than 6 months after the Date of Effectiveness.
24. Retroactive Financing	<ul style="list-style-type: none"> • From the date of Grant Approval when included in the JFPR -LOA of up to 10% of the approved Grant amount. 	<ul style="list-style-type: none"> • Project Officer is responsible for approving procurement procedures for retroactive financing period.
25. ADB Supervision	<ul style="list-style-type: none"> • Project Officer should appropriately plan and budget for supervision and monitoring visits, normally in conjunction with supervision and monitoring visits of the counterpart loan. • In cases where the approved proposal includes <i>incremental ADB costs</i> to support grant implementation under <i>exceptional circumstances</i>, a separate account will be set up for the approved amount. 	<ul style="list-style-type: none"> • The separate account to cover incremental ADB costs becomes effective when the JFPR-LOA is signed.
26. Grant Closing Date	<ul style="list-style-type: none"> • Grant Closing Date is maximum four years after JFPR grant effectiveness. 	<ul style="list-style-type: none"> • Grace period is to allow for payment of

and Grace Period	<ul style="list-style-type: none"> • No expenditures may be incurred or become due after the Grant Closing Date. • Grants have a 4-month grace period. • Grant Closing Date may be extended if additional time is needed to complete grant activities for eligible expenditures. 	outstanding invoices for work completed before the Closing Date.
27. Extension of Closing Date	<ul style="list-style-type: none"> • Grant execution must not exceed four years. Extensions are allowed under special circumstances and only to complete contracts well underway before the Grant Closing Date. 	<ul style="list-style-type: none"> • Request for extension must be received by OCO at least 30 days in advance of the Grant Closing Date. • Extension Request format is available in the "Cofinancing" website in the ADB Portal. • Request confirms that JFPR activities do not change; otherwise, a Grant Reallocation Request may be required.
28. Auditing Requirements	<ul style="list-style-type: none"> • Annual audits by independent auditors received by Project Officer within 6 months after the end of the fiscal year or closing date. 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. Financial Management Specialist in the relevant Regional Department should review audit. 	<ul style="list-style-type: none"> • Cost of annual external audit should be included in the application.
29. Reporting Requirements	<ul style="list-style-type: none"> • <u>Semi-annual</u> JFPR Grant Status Report to be prepared by Project Officer and submitted through Director General of the relevant Regional Department to OCO. 	<ul style="list-style-type: none"> • Grant Status Report format is available in the "Cofinancing" website in the ADB Portal. • Due within the month of July (for the reporting period January to June) and January (for the period July to December).
30. Implementation Completion Memoranda	<ul style="list-style-type: none"> • Required for all grants. • Due 6 months after Grant Closing Date. 	<ul style="list-style-type: none"> • ICM guidelines and format are available in the "Cofinancing" website

^{*} This is based on the new instruction from CTL. LOAs that preceded the instruction, however, will still be governed by the 9-month submission limit.

(ICM)		<p>in the ADB Portal.</p> <ul style="list-style-type: none"> ICMs should be disclosed in the JFPR website.
31. Grant Cancellation	<ul style="list-style-type: none"> If LOA is not signed within 6 months from the formal grant approval date. Lack of grant implementation and disbursements 6 months after JFPR-LOA signature. Cancellation of related ADB loan operations. Contracts already underway prior to the cancellation of the ADB loan operations can be completed but the remainder of the JFPR grant funds must be cancelled. 	<ul style="list-style-type: none"> JFPR Grants approved under previous Guidelines and those approved under these new guidelines which are closely linked to ADB loans and are approved as such shall follow this cancellation policy.

TOPIC	APPLICABLE POLICIES & PROCEDURES	NOTES
PROCEDURES FOR PROCESSING REQUESTS FOR REALLOCATION OF FUNDS		
32. Reallocation of Funds by Expenditure Category or Component	<ul style="list-style-type: none"> 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 using the standard Reallocation Request Form. The Grant Status Report needs to be current and finalized before OCO gives its concurrence to the Reallocation. OCO will furnish copies of its concurrence to OGC and CTL for their information. 	<ul style="list-style-type: none"> Reallocation Request Form is available in the "Cofinancing" website in the ADB Portal.
33. Change in Scope and Implementation Arrangements	<ul style="list-style-type: none"> 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, 	<ul style="list-style-type: none"> The request for a Change in Scope and Implementation Arrangements is incorporated in the request form for Major Grant Reallocation and Significant Changes in the "Cofinancing" website in the ADB Portal

	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.	
34. Change in Grant Objectives	<ul style="list-style-type: none"> • 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 and OGC. OGC will advise the Project Officer if an amendment of the LOA is necessary. For its part, OCO will determine if GOJ approval is required. GOJ will approve/reject the request within four weeks of its receipt from OCO. 	<ul style="list-style-type: none"> • In case an amendment of the LOA is deemed necessary, the project Officer drafts the amendment in consultation with OGC. OGC clears the amendment.