



**REGIONAL SUSTAINABLE DEVELOPMENT DEPARTMENT (RSDD)**  
**Poverty Reduction and Social Development Division (RSPR)**

23 July 2002

**To:** DGs and DDGs of the Regional Departments: DG-ECRD, DDG-ECRD; DG-MKRD, OED; DDG-MKRD; DG-PARD, DDG-SARD, DDG-SARD; DG-SERD  
 Principal Director OCO; Chief Economist

**Through:** Director-RSPR

**From:** Armin Bauer, Coordinator for JFPR, and PRF / NPRF

**Subject: Summary of the First NPRS/PRF Strategy Meeting**

---

1. **Poverty Reduction Funds:** Since the approval of the Poverty Reduction Strategy in November 2002, ADB has been able to avail of three poverty-focused grant funds to support its poverty reductions efforts.

- In May 2000, the Government of Japan established the Japan Fund for Poverty Reduction (JFPR) with a contribution that as in the meanwhile grown to \$295 million. The aim of JFPR is to support poverty focused pilot interventions that are conceptually linked to ADB loans.
- In November 2001, the Government of the Netherlands established the National Poverty Reduction Strategy Formulation (NPRS) fund – with a contribution of \$6 million - to support the process of poverty strategy formulation in DMCs through technical assistance, regional training and capacity building activities, and cross-cutting participatory support.
- In July 2002, the Government of the United Kingdom and Northern Ireland established – with a contribution of \$55 million - the Poverty Reduction Cooperation Fund (PRF) for supporting selected technical assistance and small-scale pilot investment projects with systemic poverty reduction. These are expected to serve as good examples for broader ADB investments and refocus its operations to be more poverty oriented.

NPRS and PRF are treated similarly. Appendix 1 provides a summary of the objectives and eligibility criteria of the DFID financed Poverty Reduction Cooperation Fund (PRF). To enhance the pilot character of those funds and the strategic value for ADB's learning towards poverty reduction, JFPR, NPRS, and PRF are coordinated by RSPR on RSDD.

2. **First NPRS/PRF Strategy Meeting:** On 15-17 July 2002, a delegation of the UK Department for International Development (DFID) responsible for the PRF visited ADB to discuss in the first strategy meeting PRF issues and prioritize projects for possible 2002 financing. Appendix 2 provides a summary of the meeting. As NPRS and PRF are handled similarly, the meeting also discussed proposals for NPRS funding. As part of the strategy meeting, DFID also met with the regional DGs. A summary of this discussion is in Appendix 3.

3. **Next steps:** You may like to take note of the proposals put forth by your staff that have been given higher priority in the meeting, and advise them to prepare concept papers based on the PRF format by 13 August and send them to RSPR. The latter will coordinate with your staff in finalizing the proposals, and send them to DFID for approval by early September.

Cc: Director General: RSDD

Directors: ECAE, ECGF, ECID, ECSS, ECOC; MKAE, MKGF, MKID, MKSS, MKOC; PARD-Area A, PARD Area B; SAAE, SAGF, SAID, SASS, SAOC; SEAE, SEGF, SEID, SESS;

Country Directors: BRM, CRM, INRM, IRM, KARM KYRM, LRM, MRM, NRM, PhCO, PRCM, PRM, SLRM, URM, VRM,

Directors EREA, ERDI, RSES, RSPR, RSGR, RSFI, RSAN

Head of the Poverty Reduction Committee and Poverty Reduction Network, RSPR

Bcc: DFID: Frank Black (ED-UK), Nicola Jenns (DFID-London), Howard Taylor (DFID-London)  
Netherlands: Martinus Verveij (ED-NL)

## **OBJECTIVES AND ELIGIBILITY CRITERIA OF THE DFID FINANCED POVERTY REDUCTION COOPERATION FUND (PRF)**

**Background - Learning for Better Poverty Reduction:** In November 1999 ADB approved its Poverty Reduction Strategy. In January 2002, ADB underwent a major reorganization to strengthen knowledge management, mainstreaming of cross-cutting dimensions such as poverty and governance, and enhance country focus. Donors supported ADB's move to make poverty reduction its overarching goal and enhance knowledge management by setting up three poverty focused grants funds, i.e. (i) the Japan Fund for Poverty Reduction (JFPR) with a contribution of meanwhile \$295 million for piloting poverty focused pilot interventions in conceptual link to ADB loans; (ii) the Dutch financed National Poverty Reduction Strategy Formulation (NPRS) to help poverty strategy formulation through technical assistance grant, regional training and capacity building activities, and cross-cutting participatory support; and (iii) the Poverty Reduction Cooperation Fund (PRF) for technical assistance and small-scale pilot investment projects with systemic poverty reduction that serve as good examples for broader ADB investments and refocus its operations to be more poverty relevant. To enhance the pilot character of those funds and the strategic value for ADB's learning towards poverty reduction, JFPR, NPRS, and PRF are coordinated by the Regional Sustainable Development Department (RSDD) of ADB. NPRS and PRF are treated similarly.

**Objectives:** The PRF will (i) assist in policy dialogue and strategy formulation on poverty reduction; (ii) develop new programs and projects with increased focus on poverty reduction; (iii) monitor and assess the poverty reduction impact at the project, meso-, and macro-levels; (iv) launch pilot poverty reduction activities to influence future loan design; (v) involve broader stakeholder consultations at all stages of design and implementation; (vi) strengthen ADB's role as the regional development bank for Asia and the Pacific to promote poverty reduction; and (vii) perform other activities as mutually agreed upon between DFID and ADB. More specifically, the PRF will support (a) TA for capacity and institution building; (b) provision of advisory inputs; (c) thematic and sector work; (d) monitoring, evaluation, and impact assessment; (e) public conferences, workshops, and other events; (f) innovative activities such as micro and pilot projects, with clear demonstration effects; (g) national experts based in RMs working on poverty analysis, and poverty-related gender, stakeholder participation, and governance issues; (h) outreach and communication; and (i) administrative costs of fund management. The PRF will not be used for permanent staffing costs (including salaries and training). It will also not support work that is not country-based (albeit cross-border activities can be supported as long they will have a measurable impact on the poverty situation in a country). Projects supported by the PRF will generally be in the range of \$0.1 to \$1.0 million. PRF project proposals must meet the following eligibility criteria:

**Eligibility criteria:** All activities financed by the Fund should (1) have a strong poverty reduction focus; (2) support the relevant ADB CSP<sup>1</sup> and the policies of the government; (3) be designed to support shared poverty objectives in the existing and pipeline activities of other funding agencies, to enhance effectiveness, avoid duplication, and accelerate learning; (4) not substitute for

---

<sup>1</sup> The PRF can also support technical assistance and other projects that are included in CSP under seeking grant funding. While all PRF funded activities will be justified under the strategic orientation of the CSP, not all PRF funded projects need to be included in the project list of the CSP document.

activities that would otherwise be financed by ADB (conceptual additionality); (5) make maximum use of local expertise and civil society participation; and (6) support projects solely based on their merit for systemic poverty reduction, with no specific country allocation or country window within the PRF (unless otherwise specified for the PRC). The implementation arrangements for the PRF and for the PRF-PRC will further refine these criteria to ensure that PRF funds are used only in support of a strong poverty reduction focus, while not being so prescriptive that they unnecessarily restrict ADB's programming options. The PRF will be open to all poor DMCs classified by ADB as A, B1, or B2 countries, excluding India.<sup>2</sup> However, it is expected that particular emphasis will be given to countries with a high incidence of poverty, a large number of poor people, and special dimensions of poverty otherwise not being addressed. India will not have access to the PRF because a separate fund has been set up through DFID-ADB cooperation to finance poverty reduction issues in India.

---

<sup>2</sup> Under the graduation policy, ADB classifies its developing member countries as following: As of 6 March 2002, Group A countries comprise Afghanistan, Bhutan, Cambodia, Kiribati, Kyrgyz Republic, Lao People's Democratic Republic, Maldives, Mongolia, Myanmar, Nepal, Samoa, Solomon Islands, Tajikistan, Tuvalu, and Vanuatu. Group B1 countries comprise Azerbaijan, Bangladesh, Cook Islands, Marshall Islands, Federal States of Micronesia, Pakistan, Sri Lanka, Tonga, and Viet Nam. Group B2 countries include the People's Republic of China (PRC), India, Indonesia, Nauru, Papua New Guinea, and Turkmenistan. Group C countries comprise Fiji Islands, Kazakhstan, Malaysia, Philippines, Thailand, and Uzbekistan (ADB is currently considering a reclassification of Uzbekistan). In addition, ADB has nonborrowing DMCs, and OECD member countries. The country classification determines the access to ADB's concessional finance window and has implications for cost-sharing in project and technical assistance (TA) financing.

## **Note of the First Strategy Meeting of the ADB/DFID Poverty Reduction Co-operation Fund (PRF), and the ADB/Netherlands National Poverty Reduction Strategy Fund (NPRS)**

**Asian Development Bank, Manila  
15-17 July 2002**

### **I. Introduction**

1. The first strategy meeting of the ADB/DFID Poverty Reduction Co-operation Fund (PRF) and the ADB/Netherlands National Poverty Reduction Strategy Fund (NPRS) was held in Manila from 15-17 July 2002.
2. The meeting was organized by Armin Bauer (Regional and Sustainable Development Department, PRF/NPRS Coordinator; ADB Manila). ADB was represented by staff from relevant country programmes, including video/teleconference participation by ADB staff in Resident Missions. DFID was represented by Howard Taylor and Nicola Jenns (Asia Strategy and Programmes Department, DFID London). Due to unforeseen circumstances, the Netherlands was not represented. A full list of participants is attached at Annex A.
3. The purpose of the meeting was to short-list activities to be funded by the PRF and NPRS in 2002. This note records the agreed short-listed activities and summarises general and country-specific issues that arose during discussion. Detailed proposals will follow separately, as set out below.

### **II. General issues**

#### **A. PRF objectives and eligibility criteria**

4. On 5 July 2002, the ADB Board of Directors approved the PRF cooperation. The meeting clarified the objectives and scope, as well as administrative arrangements of the PRF. DFID emphasised that the over-arching goal of the PRF was to assist the ADB's learning in reducing poverty in its Developing Member Countries (DMCs). The PRF could not be used to substitute for activities that would otherwise be financed by ADB (conceptual additionality), e.g. Poverty Partnership Agreements or poverty and social assessments in PPTAs. ADB staff should apply to the PRF when they wished to undertake an innovative pilot project or technical assistance (TA) for which funds were not otherwise available. The objectives, scope and eligibility criteria are set out in full in the ADB Board paper.
5. It was noted that the PRF eligibility criteria excluded two countries, Uzbekistan and the Philippines, classified by the ADB as class C DMCs. ADB was likely to re-classify Uzbekistan as a class B DMC in the near future, thereby leaving the Philippines, Kazakhstan, and Fiji as the only DMCs excluded from the PRF. DFID agreed to consider flexibility on this issue [**action DFID**].

6. DFID noted that the PRF should not be regarded within ADB as a DFID fund. They hoped other donors would contribute to the PRF, and were happy to consider appropriate proposals that might otherwise be picked up by the NPRS, should NPRS funds in any particular year be exhausted.

#### **B. PRF/PRF-PRC Funding for 2002/2003**

7. The maximum funds available under the PRF in 2002 totalled £3.25 million (\$4.8 million), of which £0.75 million (\$1.1 million) was coming from the PRF-PRC window. The second tranche, also of no more than £3.25 million, would be available in January 2003, and the third tranche (£3.75 million) would come in July 2003. Total available funds for ADB's financial year 2003 are £7 million (\$10.4 million), £10.25 million (\$15.2 million) for 2004, £12.5 million (\$18.5 million) for 2005, and £6 million (\$8.9 million) for the remainder of 2006 (6 months only). Activities for 2003 funding would be considered by ADB/DFID in the next strategy meeting in November 2002.

#### **C. Project approval process for 2002**

8. The meeting considered a wide range of proposals. 14 proposals worth \$4.885 million were short-listed for funding in 2002 (see Annex B). Many proposals that were not short-listed for 2002 were deferred for further design work and possible funding in 2003.

9. Short-listed proposals remain to be approved by DFID, on an approval basis for pilot projects and on a non-objection basis for other proposals. Proposals prioritized for PRF financing in 2002 shall be developed into concept papers using the PRF template (see Board Paper) and discussed with RSPR. It was agreed that ADB would submit to DFID London finalised proposals for funding in 2002 by 16 August 2002 **[action: ADB]**. DFID London would notify ADB of approved proposals, and transfer the funds necessary to implement the proposals, no later than 30 August 2002 **[action: DFID]**.

#### **D. Administrative issues**

10. **ADB/DFID agreements in-country:** Some ADB Resident Missions were engaged in separate co-financing discussions with DFID country offices. It was agreed that such bilateral arrangements in-country were welcome and were best used for co-financing poverty focused activities and TA, leaving stand-alone strategic poverty reduction activities for the PRF. ADB and DFID undertook to work closely with their respective Resident Missions and country offices to avoid overlap and enhance synergies between in-country arrangements and the PRF.

11. **Guidelines on PRF operations:** It was agreed that guidelines were needed to expand on and clarify issues raised in the Board paper. These issues included: administrative arrangements; the role of the peerreview group; the style of the annual report; the project proposal and budget templates; the format of informal/formal exchanges; and the role played by Nicola Jenns (to be based in the British Embassy, Manila from October 2002). DFID agreed to produce a first draft of the guidelines by late September, and ADB will complement them by mid October with suggestions for fund administration, with a view to agreeing such guidelines at the November strategy meeting **[action: DFID and ADB]**.

12. **Outreach and dissemination:** The importance of sharing lessons learned from innovative activities, research or TA was noted. It was agreed that, where appropriate, proposals should include a small budget for disseminating lessons learned within ADB, in the country/sub-region concerned, and with the wider development community. Dissemination might be done

through research papers, workshops and/or via a PRF website. ADB would design and host the PRF website and a draft will be designed by end August **[action: ADB]**. With a view to maximising transparency, as much information as possible would be placed on the PRF website, including notes of PRF strategy meetings, such as this note.

## **E. Regional and country-specific issues**

13. **Strengthening ADB Resident Missions:** It was agreed that the proposal to place locally-engaged poverty experts in ADB Resident Missions for two years from 2003 should be developed further. Resident Missions would prepare country-specific terms of reference and cost estimates that would be pulled together by RSPR into one proposal for consideration in November 2002 **[action: ADB]**. Given the limit of \$1 million for any individual project or TA from the PRF, it was estimated that it would be possible to recruit 8-10 poverty experts for two years. Should the poverty experts prove to be a success, a second proposal covering additional Resident Missions would be considered at a later date.

14. **Cambodia:** The Cambodia country team explained the urgent need to have locally-engaged poverty expert in the Cambodia Resident Mission already from September 2002 onwards. DFID agreed on short-listing such a project for funding in 2002. Lessons learned from recruiting the poverty expert in Cambodia would inform the proposal for poverty experts in other Resident Missions, as outlined above.

15. **Indonesia:** In view of the separate ADB/DFID £5 million co-financing arrangement in Indonesia, it was agreed that the PRF would not fund additional activities in Indonesia in 2002. Future project proposals would be considered, along the lines set out in paragraph 10.

16. **The People's Republic of China (PRC):** (i) The PRC component of the PRF will follow the same general procedures as the PRF. However, as the PRF-PRC will specifically support the ADB Country Strategy and Program (CSP) process in the PRC, identification of activities to be funded under the PRF-PRC will be more closely linked to the PRC CSP. (ii) There was some concern that the PRC government's wish to be centrally involved in allocating PRF-PRC funds would leave sufficient space for partnership arrangements with ADB. It was noted that the PRC Ministry of Finance (MoF) wished to see the PRF as an allocation for the PRC, rather than as a challenge fund for piloting new and innovative approaches to poverty reduction, as is the intended purpose of the PRF-PRC. (iii) There was a lengthy discussion of the process for identifying and approving activities to be funded under the PRF-PRC, with a view to balancing ADB autonomy, support for activities by the central Ministry of Finance, and ownership by line ministries promoting cross-cutting concerns (such as the Leading Group of Poverty) and the interests of the provinces. It was agreed that ADB would encourage the MoF to involve line ministries in screening proposed activities to see the PRF as a partnership with ADB. It was also noted that MoF's request for a separate project development and screening process<sup>3</sup> would substantially delay the approval process for 2002, and might cause a problem of prioritizing due to the limited funds available for 2002 and PRC officials' unfamiliarity with the PRF eligibility criteria. (iii) With a view to commencing activities in 2002, it was agreed that the proposed project to prevent HIV/AIDS spreading along the Yunnan Expressway was highly innovative and very much in line with the PRF eligibility criteria; this proposal was therefore short-listed for funding in 2002.

---

<sup>3</sup> Allowing line ministries and provinces 2 months to make proposals, giving MoF additional 1 month for prioritizing such proposals, and then discuss them with ADB's Resident Mission.

17. **Pipeline proposals:** In addition to the short-listed proposals at Annex B, other regional, sub-regional and country-specific proposals for Bangladesh, Bhutan, Maldives, Pakistan, Sri Lanka, Cambodia, Laos, Vietnam, Indonesia and Mongolia were deferred for further development and possible funding in 2003. More proposals for countries in Central Asia, Pakistan, Bangladesh, and Nepal were encouraged.

### III. Proposals for NPRS Financing

18. In November 2001 the Government of the Netherlands has established the NPRS with a contribution of \$6 million. By 24 July 2002, 5 projects valued \$ 2.3 million have been approved by the Government of the Netherlands, of which one valued \$0.05 million (i.e., Regional Conference on National Poverty Reduction Strategies) is completed, two valued \$1.07 million are in active preparation (i.e., UZB – Living Standard Strategy [\$570,000], and PAC – Poverty Strategy [\$500,000]), and the remaining 2 (for PRC and GMS) are idle. It was agreed that strategic planning for NPRS and PRF will be done together and the administration of both funds would be handled by RSPR similarly. As a result, it was new projects for NPRS funding were proposed, which would complement the shortlisted projects for PRF financing in 2002 and 2003. Table 1 below summarizes It is intended that the Government of the Netherlands would also participate in the next joint PRF/NPRS strategy meeting in November 2002.

#### Proposals for NPRS Financing

	Committed in 2001	Proposed for 2002
REG – Regional Conference on National Poverty reduction Strategies	50,000	
UZB – Living Standard Strategy	570,000	
PAC – Poverty Formulation	500,000	
GMS – Poverty Monitoring	600,000	
PRC- Participatory Approaches and Bottom-Up Planning for Poverty Reduction	580,000	
REG – Capacity Buiding and Training for Poverty Reduction Strategies		1,000,000
REG – Participatory Approaches to Support Poverty Strategy Formulation		400,000
REG –Poverty Conference with IADB and CD-ROM on Poverty reduction		150,000
Changes in Both Banks		
CAM – Ownership Building for Cambodia’s National Poverty reuction Strategy		150,000
Subotal	2,300,000	1,700,000
Available Balance for 2003 and later	2,000,000	

---

**First NPRS/PRF Strategy Meeting (15-17 July 2002): List of Participants**


---

**Regional Sustainable Development Department (RSDD)**

Akira Seki, Director General  
 Brahm Prakash, Director, RSPR  
 Armin Bauer, Senior Economist (Poverty Reduction) and NPRS/PRF/JFPR Coordinator, RSPR  
 Siew Tuan Chew, Principal Poverty Reduction Coordinator, RSPR  
 Arthur McIntosh, Principal Water Supply Specialist, RSAN  
 Isabel Ortiz, Senior Social Economist, RSPR  
 Anne Sweetser, Social Development Specialist (Participatory Development), RSPR  
 Susan Tamondong, Poverty Reduction Specialist, RSPR  
 Sonomi Tanaka, Social Development Specialist, RSPR

**East and Central Asia Regional Department (ECRD)**

Muhammad Tusneem, Deputy Director General  
 Kunio Senga, Director, ECOC  
 Barry Hitchcock, Country Director, MRM  
 Edgar Cua, Principal Programs Officer, PRCM  
 Yolanda Fernandez, Economist, ECOC  
 Rajiv Kumar, Principal Economist, ECOC  
 Jean Marie Lacombe, Senior Transport Specialist, ECID  
 Valerie Reppelin-Hill, Economist, ECOC  
 Karima Saleh, Health Specialist, ECSS  
 David Sobel, Senior Programs Officer, PRCM  
 Christopher Spohr, Project Economist, ECSS  
 V.B. Tulasidhar, Economist, KYRM  
 Lan Wu, Head, CARECU, ECOC

**South Asia Regional Department (SARD)**

Yoshihiro Iwasaki, Director General  
 Jin Koo Lee, Deputy Director General  
 Toru Shibuichi, Country Director, BRM  
 Sophia Ho, Senior Programs Officer, SAOC  
 Abid Hussain, Programs Officer, SAOC  
 Hideaki Imamura, Programs Officer, SAOC  
 Kathie Julian, Senior Programs/Project Implementation Officer, NRM  
 Jeong-Keun Lee, Principal Education Specialist, SASS  
 Soo Nam Oh, Economist, SAOC  
 Safdar Parvez, Programs Officer, PRM  
 Sungsup Ra, Economist, SAOC  
 Meriaty Subroto, Economist, BRM  
 Keiichi Tamaki, Urban Development Specialist, SASS  
 Hyong-Jong Yu, Principal Programs Officer, SAOC  
 Joseph Ernest Zveglich, Economist, SLRM

**South East Asia Regional Department (SERD)**

Khaja Moinuddin, Director General  
 Muhammad Mannan, Director, SEAE

Lanfranco Blanchetti-Revelli, Social Development and Resettlement Specialist, SEID  
 Shiladitya Chatterjee, Principal Programs Officer, IRM  
 Syahrul Luddin, Programs Officer, IRM

### **Mekong Regional Department (MKRD)**

Rajat Nag, Director General  
 Yuejiao Zhang, Deputy Director General  
 Richard Boumphrey, Director, MKGF  
 Paul Chang, Principal Education Specialist, MKSS  
 Khamtanh Chanthuy, Project Implementation Officer (Social Sectors), LRM  
 Vo Truc Dien, Economist/Programs Officer, VRM  
 Barend Frielink, Senior Programs Officer, MKOC  
 Chu Thi Trung Hau, Administrative Assistant, VRM  
 Gil-Hong Kim, Programs Officer, MKOC  
 Javed Hussain Mir, Forestry Specialist, MKAE  
 Carol Litwin, Poverty Reduction Specialist, MKSS  
 Eric Manes, Senior Financial Economist, MKGF  
 Manoshi Mitra, Social Development Specialist, MKAE  
 Chamroen Ouch, Social Sector/Poverty Specialist, CARM  
 Madeleine Varkay, Investment Officer, MKGF

### **Pacific Regional Department (PARD)**

Robert Siy, Director, PAHQ-A  
 Peter King, Director, PAHQ-B  
 Jeffry Stubbs, Country Director, SPRM  
 Mary Narfi, Senior Project Assistant, SPRM  
 Stephen Pollard, Senior Economist (Poverty Reduction), PAHQ

### **Others**

V.N. Gnanathurai, Assistant Chief Economist, ERDI  
 Olivier Dupriez, Poverty Statistician, ERDI  
 Bishnu Pant, Principal Statistician, ERDI

### **DFID**

Frank Black, Executive Director for UK  
 Howard Taylor, Deputy Director, Asia Strategy and Programs Department, DFID London  
 Nicola Jenns, PRF Coordinator, Asia Strategy and Programs Department, DFID London  
 Julian Popkins, DFID-Beijing

## SHORT-LISTED PROJECTS FOR PRF FUNDING

### Regional

- (i) Tools for Monitoring and Improving the Implementation of the Partnership Agreements in China, India and Bangladesh (\$600,000)  
PRF champion team: Olivier Dupriez (ERDI) and regional departments

### Bangladesh

- (ii) Effective monitoring and compliance with the Poverty Partnership Agreement (and lessons learned for ADB Poverty Reduction Strategy) (\$150,000)  
PRF champion team: Meriaty Subroto (BRM) and NN (RSPR)
- (iii) Safeguarding employment for the female poor in the shifting SME manufacturing industry in the context of global and regional trade changes (\$300,000)  
PRF champion team: Sonomi Tanaka (RSPR) and NN (SAGF)

### Nepal

- (iv) Enabling the Private Sector Poverty Focused Water Distribution in Kathmandu and Melamchi Valley (\$200,000)  
PRF champion team: Keiichi Tamaki (SASS), Arthur McIntish (RSAE)

### Cambodia

- (v) Poverty expert in Cambodia Resident Mission (\$15,000)  
PRF champion team: Barend Frielink (MKOC), NN (CRM), NN (RSPR)
- (vi) Gender sensitive labour markets for the poor (\$400,000)  
PRF champion: Paul Chang (MKSS)

### Laos

- (vii) Integrating the rural poor through standard setting for private sector development and equitable growth (\$150,000)  
PRF champion: Madelaine Varkay (MKGf)

- (viii) Developing social safety nets for the poor in a downsizing formal sector scenario (\$150,000)  
PRF champion: Carole Litwin (MKSS), NN (MKGf)

### **Vietnam**

- (ix) Making market reforms work for the poor (\$720,000)  
PRF champion: Alessandro Pio (VRM)
- (x) Transport service networks for the poor (\$350,000)  
PRF champion team: Carole Litwin (MKSS), NN (MKID)

### **Mekong sub-region**

- (xi) Reducing poverty and sustaining income in the upland areas of the Mekong Region (\$800,000)  
PRF champion: Javed Mir (MKAE)

### **China**

- (xii) Avoiding poverty through HIV/AIDS along the Yunnan Expressway (\$800,000)  
PRF champion: Jean-Marie Lacombe (ECID)

### **Azerbaijan**

- (xiii) Piloting the new generation Poverty Partnership Agreement: The role of good governance (\$200,000)  
PRF champion: Valerie Reppelin-Hill (ECOC), NN (RSPR)

### **Pacific sub-region**

- (xiv) Establishing a Poverty Reduction Analysis Fund for the Pacific (\$50,000)  
PRF champion: Peter King (PARD), Stephen Pollard (PARD)

**SUMMARY OF THE MEETING WITH REGIONAL DIRECTORS GENERAL  
on 17 July 2002 in the context of the First DFID-ADB Strategy Meeting on the PRF/NPRS**

**Background:** In the context of the first strategy meeting with DFID and the Netherlands to prioritize project proposals for 2002 financing under the DFID-ADB Poverty Reduction Cooperation Fund (PRF) and the National Poverty Reduction Strategy Fund (NPRS) financed by the Government of the Netherlands, a meeting was held on 17 July 2002 with the Directors and Deputy Directors of the Regional Departments.

**Participants:** The meeting was attended by (i) from the regional departments: J.K. Lee (DDG-SARD), K. Moinuddin (DG-SERD), P. King and R. Siy (PARD), K. Senga (ECRD), and Y. Zhang (DDG-MKRD) ; (ii) from RSDD: A. Seki (DG-RSDD, having chaired the meeting), and A. Bauer (RSPR, PRF coordinator); and (iii) from DFID-London: H. Taylor (Deputy Director Asia) and N. Jenns (PRF coordinator of DFID). Unfortunately the Executive Directors for UK and the Netherlands could not attend the meeting due to other meeting commitments.

The following issues were discussed and agreed on:

**PRF focal points and working in Peer teams:** Similar to JFPR, PRF and NPRS are centrally coordinated, team-based screened, and decentrally implemented. Projects will be developed in peer groups, and their strategic fit into the country program (CSP) will be discussed in country team meetings. The regional departments will nominate (through e-mail to the PRF coordinator) a poverty expert from their department as PRF/NPRS focal point in their respective departments. These focal points will support the PRF/NPRS coordinator in coordination with the regional departments. Annex A gives an overview of the Responsibilities of the PRF/NPRS and JFPR Peer Groups.

**Strengthening Resident Missions:** The Regional Directors welcomed the opportunity to place 2003 onwards - through PRF budget - poverty experts (as long term consultants) in the Resident Missions. A respective project document will be prepared by RSPR in October and proposed for discussion and during the second PRF/NPRS strategy meeting in November 2002 for 2003 PRF funding. In the meanwhile the regional DGs will instruct their Resident Missions and Operations Coordination divisions to provide country specific terms of reference and costs to the PRF coordinator.

**Operational country focus of regional projects and bank-wide relevance:** The PRF discourages regional projects, if they do not have cross-border and direct country implications. While the regional departments emphasize the need for operational and country relevance of any PRF supported activity, they also understand the urgency to move issues for poverty reduction as a bank-wide agenda. At the same time, after reorganization, cross-cutting departments (such as ERD, OED, and RSDD) have less resources to promote knowledge management, while the demand for such products has even increased. The meeting, therefore, agreed that there is a need to find a sensitive balance between projects with bank-wide and such with country poverty reduction implications. However, it also suggested that all cross-cutting and regional projects need to be rooted in direct country operational implications, and should perhaps be implemented (by the cross-cutting departments) only if they guarantee close cooperation with the respective country teams.

**Stand alone project and co-financing issues:** One of the eligibility criteria for PRF financing is the additionality of the project for ADB operations towards poverty reduction. Hence, the PRF is not an additional financial source for operations ADB would have to finance anyway (such as Poverty Partnership Agreements, or poverty and social assessments in PPTAs). Furthermore, there is no country quota. Projects are only approved based on their merit for poverty reduction and strategic impact on ADB's cooperation with the respective countries. As a result, PRF clearly favors stand-alone projects over co-financing TAs.

**Bilateral arrangements with DFID:** Various Resident Missions are discussing with DFID separate co-financing funds (e.g. IRM has agreed on a \$5 million DFID fund for poverty reduction). It was agreed that such bilateral arrangements are welcomed and should be used for co-financing poverty focused projects and TAs, while stand-alone strategic poverty reduction projects should be proposed for PRF financing. To avoid overlapping and enhance synergies, it was agreed RSPR and the Resident Missions need to strengthen their cooperation and enhance transparent discussion on project proposals for such funds. DFID London will also strengthen its cooperation with the DFID offices in DMCs to enhance synergies for DFID funded poverty reduction projects in Asia.

**Criteria for prioritizing the 2002 PRF and NPRS financed project proposals:** The DFID team and RSPR had meetings cum video/audio conference with all ADB country teams. While proposals worth more than \$8 million were sent to RSPR, actual available funds for 2002 is only \$4.6 million of which \$1.1 million is for PRC. While some regions were very active in proposing eligible projects, others (such as BAN, CARs, NEP, PAK, PRC, SRI) requested some additional time to come up with eligible proposals. The DFID team and RSPR have prioritized the available proposals for 2002 financing based on criteria such as the following: size of PRF, country and sector balance, innovativeness and quality of proposal, poverty focus and pilot character for first year ADB-DFID cooperation, operational need, potential that the project can be processed by the respective project officer given the heavy workload of some of them, linkage to DFID priorities. We have also allotted some additional time for finalizing the prioritization, so that new proposals (particularly from countries not yet represented well) can still be considered for 2002 financing. DFID and RSPR will inform the operational departments by 26 July on the prioritized proposals. Proposals that could not be prioritized for 2002 financing were deferred to the 2003 financial year, and will be discussed in the second DFID-ADB strategy meeting in November 2002. Proposals that are prioritized are not yet necessarily approved by DFID. All prioritized (and if necessary also additional) proposals need to be prepared with quality standard meeting all the PRF eligibility criteria as outlined in the Board paper and detailed in the PRF Concept paper template (cum budget matrix and logframe). These concept papers will be reviewed by the PRF/NPRS peer group and endorsed by RSPR for DFID approval. Only after DFID approval is obtained, the projects can be processed for ADB approval (normally under TA processing and approving requirements).

**Concerns about exclusion of DMCs:** As the PRF is prioritizing DMCs classified as A and B with high incidence of poverty and large numbers of poor people, smaller states (e.g. in the Pacific) as well as countries like UZB and PHI with high incidence and large number of poor might be excluded. The regional DGs requested DFID to be more flexible during the implementation of the PRF, and DFID agreed to consider this. As UZB may be reclassified in 2002 into a class B DMC, it would then have access to PRF financing also.

**Simple administrative procedures:** The regional DGs welcomed RSPR's proposal to prepare templates and other easy reference material for smooth PRF project processing. This would also include a separate administrative budget for processing PRF projects, which can be accessed by the regional departments through RSPR.

## **RESPONSIBILITIES OF THE NPRS/PRF PEER REVIEW TEAMS**

JFPR, NPRS and PRF are centrally coordinated, team-based screened, and decentrally implemented. Following are the proposed responsibilities for NPRS and PRF screening; similar arrangements are also applicable for JFPR:

**Regional Departments and Resident Missions.** The regional (operational) departments will be responsible for developing, processing, and implementing the individual projects. PRF cooperation will particularly strengthen the role of resident missions, and encourage their staff to initiate and implement projects that support innovative action research, and country- or theme-focused poverty analysis, stakeholder coordination, NGO involvement, pilot activities, and monitoring of poverty reduction. It will further strengthen selected resident missions by providing additional consultant expertise on poverty reduction to ADB staff.

**Peer Review Team.** The NPRS/PRF Coordinator in RSPR in consultation with appropriate RSDD cross-cutting specialists and other experts in the bank and Resident Missions (the Peer Team selected on a project by project basis), will screen the initial proposals and recommend them for approval by DFID. The members of the peer review team should have expertise on poverty reduction. They will be engaged on a project-by-project basis, would come normally from the members of the poverty reduction network, and will be selected jointly by the mission leader and the PRF/NPRS coordinator. Depending on the content of the respective PRF/NPRS proposal, the PRF Coordinator will involve cross-cutting specialists from RSDD in making recommendations for further processing of the respective PRF proposal. In selected cases, projects will also be discussed in the context of the Poverty Reduction Committee.

**Preparing the annual strategy meetings:** Proposed NPRS/PRF projects are discussed in Manila during yearly strategy meetings (end November) and six-monthly review meetings (June), along with the strategic rolling work program. The yearly strategy meetings and the six-monthly PRF review meeting with DFID will be prepared by a team comprising (i) one representative from each regional department; (ii) appropriate sector and thematic specialists in RSDD (depending on the project content); (iii) one representative each from ADB's evaluation and economics offices; (iv) the head of the Poverty Reduction Committee; (v) PRF/NPS focal points from the regional departments, and (vi) the NPRS/PRF coordinator as secretariat. They will also participate selectively in the NPRS/PRF strategy and review meetings.

**RSPR and PRF Coordinator:** Within ADB, RSPR of RSDD will be responsible for managing the PRF, and function as the communication link to DFID on technical matters. It will also be responsible for reporting the implementation progress to DFID on the activities financed under the PRF. RSPR will also support the operational departments in project processing. To have maximum poverty reduction mainstreaming and additionality impact in ADB operations, RSDD will nominate a PRF coordinator who will be responsible for (i) supporting ? through a teamwork approach? operational departments and resident missions in project processing, (ii) mainstreaming appropriate cross-cutting concerns for poverty reduction, and (iii) overall fund management.