

Note on the Second Strategy Meeting of the ADB/DFID Poverty Reduction Co-operation Fund (PRF), and the ADB/Netherlands National Poverty Reduction Strategy Fund (NPRS)¹

**Asian Development Bank, Manila
11-13 December 2002**

I. EXECUTIVE SUMMARY

1. The second strategy meeting of the ADB/DFID Poverty Reduction Cooperation Fund (PRF) and the ADB/Netherlands National Poverty Reduction Strategy Fund (NPRS) was held in Manila on 11-13 December 2002. Special meetings on selected strategic issues of poverty reduction also took place on 10 December 2002. The meeting program is in Appendix 1. The meeting was attended by 91 participants from ADB, including Executive Directors (BOD), Directors General, Directors, staff from the Headquarters and Resident Missions, and the donors.

2. In all, 28 concrete projects were proposed. In addition, about 15 more project ideas as well as several country issues were discussed. Of these, 18 projects valued at \$10.83 million were initially prioritized for NPRS/PRF funding in 2003. Some of the prioritized projects would need a peer review and a revised concept paper in January 2002 for final endorsement by the donors. The key messages of the strategic meetings related to: (i) the value of the coordinated management of poverty funds by RSDD to enhance knowledge and poverty focus in the country operations as well as bank-wide learning; (ii) the value of the peer review process in developing innovative and well-targeted projects with inputs from thematic and sector specialists all over the bank; (iii) the need to closely integrate NPRS/PRF projects for poverty reduction in the CSPs; (iv) the need to strengthen coordination of poverty and thematic funds in RSDD; and (v) the need to enhance visibility and outreach of the poverty reduction grant funds through newsletters and websites as well as other media.

II. INTRODUCTION

3. The meeting was organized by RSDD, which is responsible for the NPRS and PRF fund management and coordination.² Staff from both regional and other departments of ADB participated in the meeting, as did representatives from ADB's Resident Missions via video- or teleconference. DFID was represented by Howard Taylor (Asia Strategy and Programmes Department, DFID London), Mehtab Currey (Deputy Country Director for Bangladesh), and Nicola Jenns (DFID focal person for PRF in the Philippines). The Government of the Netherlands was represented by Corina van der Laan (Ministry of Foreign Affairs, the Hague). DFID and the Government of the Netherlands were also represented by their respective representatives in the

¹ This note was prepared by Armin Bauer and Sonomi Tanaka (RSPR) in cooperation with the representatives from DFID and the Government of the Netherlands who attended the Strategy Meeting.

² Armin Bauer (NPRS/PRF Coordinator), Sonomi Tanaka (alternating the NPS/PRF Coordinator); Brahm Prakash (Director, RSPR); Jan van Heeswijk (Director General, RSDD).

ADB Board of Directors, i.e., Frank Black, Geert Jan Engelsman, and Julian Payne. A full list of participants is in Appendix 2.

4. The purpose of the strategy meeting was to prioritize activities to be funded by the PRF and NPRS in 2003. This note records the agreed prioritized activities and summarizes general, country, and project-specific issues that arose during the strategic discussions. More detailed minutes can also be made available on request.

III. STRATEGIC ISSUES

5. **Achievements of Poverty Reduction Grant Funds and Issues:** A session was held to discuss the preliminary impact of the funds on ADB's operation and operational departments. The donors expressed their satisfaction with the initiatives proposed and developed by staff to date, as well as the good, evolving process of project development and fund management. They emphasized that the funds' key characteristics should be continued as they are, including:

- Conceptual additionality to ADB's core activities to generate new knowledge and experience conceptually linked to the thrust of ADB's Country Strategy and Programs (CSPs) and other strategic poverty focused work. Donor-financed projects should be additional to indicative planning figures under the CSP.
- Strategic poverty reduction focus of projects, and a catalytic impact with potential for up-scaling into future ADB operations.
- The promotion of knowledge management in the ADB in coordination with other donors, stakeholders, and other poverty and thematic funds in ADB, such as JFPR, the renewable energy, water, and governance funds under RSDD, as well as the gender and environment activities of ADB.

6. **Link with Country Strategy and Programs (CSPs):** The donors stressed the role of PRF/NPRS in helping ADB develop inputs to CSPs that are more poverty reducing. However, some regional departments suggested the (i) integration of PRF/NPRS funded initiatives into the CSP processes, (ii) advantages of having extra funding for innovative poverty reduction processes in the CSP, and (iii) integration of PRF/NPRS resources into 'core' PPTA and ADTA funds. SPD also supported these ideas, reflecting its concern at declining 'core' funds and increasing 'ad-hoc' funds. The donors felt that PRF/NPRS funding should not be used to replace core funds, nor should these grant funds be used for project preparatory technical assistances (PPTAs) or replace ADB commitment for poverty reduction through core advisory technical assistance (ADTAs). Such a move would not be in accordance with the procedures and agreements set out in the approved Board Paper. They also applauded the strong role to date of RSDD and RSPR in poverty funds management and technical steering for project development, and urged that this should continue.

7. **Country Allocation:** Some regional departments (e.g. SERD), and SPD suggested country allocations under the PRF/NPRS. However, others (such as MKRD) cautioned against this as it may compromise the effectiveness of the poverty reduction funds in promoting initiatives which are more risky, and therefore less likely to be promoted by ADB, but which are needed to move forward more innovative approaches for ADB's poverty reduction agenda. DFID noted that the proposals should be selected on merit rather than country quotas. The Netherlands indicated that country allocations may have the advantage of promoting predictability for regional division and therefore facilitate planning. This could enhance country ownership but also carried the risk of substituting the regular TA funds available. In principle the Netherlands

was willing to consider the option of country allocations in case the NPRS would be replenished after 2003.

8. **Role of RSDD:** The donors noted the strategic importance of the location of the funds in RSDD and recommended the continuation of the funds management by RSDD for continuity, quality assurance, and cross-regional exchange. They also stressed the important role of the resident missions. They particularly lauded the role of a large number of professional staff committed to poverty reduction and championing NPRS/PRF (and also JFPR) projects. It was suggested that such staff should be acknowledged and encouraged by ADB's management. The Board members acknowledged that staff engaged in JFPR and NPRS/PRF work are highly appreciated for making a difference in actually implementing ADB's poverty reduction agenda. In particular, the role of RSPR and the committed work of the NPRS/PRF coordinator was mentioned many times. It was suggested that the impact of the funds on staff capacity should be included in the PRF/NPRS Progress Report.

9. **Coordination of PRF/NPRS and Other Funds:** The donors were pleased with the current arrangement of joint processing of PRF and NPRS projects, the close link to JFPR fund management within RSPR, and the benefits of this cooperation over all projects. It was generally agreed that: (i) coordination with JFPR should be further pursued; (ii) other sectoral/thematic funds (e.g. water, governance, gender) should also be technically coordinated through RSDD; (iii) the existing poverty funds should remain open to the entry of funds from other donors; and (iv) cross-fertilization and cross-learning across various funds should be strongly encouraged. SPD expressed concerns that with declining TASF funds, the poverty reduction funds should be more closely integrated into the IPF process of the CSP to facilitate predictability in country program planning. However, the donors strongly objected this move as the funds endorse projects based on their contribution towards poverty reduction. OCO confirmed that it does not see the proliferation of poverty or other thematic funds as a problem. It further supported the proactive role of RSDD in consolidating fund management through peer review teams, promoting conceptual strategic planning of the funds, and harmonizing administrative arrangements. The DFID-financed national poverty reduction funds for India and Indonesia were also discussed, with RSDD making a case that these funds should be consolidated within a more coherent fund such as the PRF. The possibility of DFID funding the forthcoming Viet Nam (Markets for the Poor) project through the PRF was also discussed, although no decisions were taken. Both donors emphasized the potential value of closer co-ordination between Resident Missions and their embassies in the field.

10. **Eligibility:** Some regional departments (ECDR and SERD) asked for further clarifications on the procedures and selection criteria for PRF/NPRS. These are clearly specified in the respective Board Papers, and are further detailed in Appendix 3. SERD requested that the Philippines should be included under the NPRS/PRF funds. DFID noted that it is not eligible to PRF by virtue of its category C status in the ADB classification of DMCs. However, it could be included in cross-border and regional projects. They also pointed out that many of the lessons learnt in projects in other countries were directly relevant to the Philippines operations, for example with respect to obstacles for the poor in their access to electricity supplies.

11. **Project Development and Peer Review Teams:** The donors strongly endorsed the work of the Project Development and Peer Review Teams in developing NPRS/PRF proposals and in assuring project quality for direct and systemic poverty reduction impact subsequently to be upscaled within ADB's country assistance program. The importance of peer review in knowledge exchange, enhancing quality of proposals, and strengthening relevance to countries was obvious from the differences between the proposals that have gone through a good peer review meeting and those that had not. Early communication with the PRF/NPRS Coordinator

and a quality peer review meeting at an early stage was identified as a key milestone in development of good project proposals. It was also decided that for the third (in June/July 2003) and the successive strategy meetings, proposals would only be considered if they had gone through this peer review and concept paper development process beforehand. Such project proposals shall be submitted to the donors at least 10 working days before the strategy meetings.

IV. Regional and Country-Specific Issues and Proposals

A. Overview

12. The meeting was attended by 91 participants from ADB, including Executive Directors (BOD), Directors General, Directors, staff from Headquarters and Resident Missions, and the donors. In all, 28 concrete projects were proposed. In addition, 15 more project ideas as well as many country issues were discussed. Of these, 18 projects valued at \$10.83 million were initially prioritized for NPRS/PRF funding in 2003, 4 of which are for joint NPRS/PRF financing. Four PRF/NPRS projects were fully endorsed for preparing TA papers, 6 were endorsed subject to additional peer reviews in January, and further 8 were for endorsed subject to peer review and a revised concept paper by February 2003. Appendix 4 gives the list of the projects prioritized for 2003 financing. It also indicates additional requirements for further developing the proposals for final endorsement by the donors latest by mid-February. Proposals not endorsed for the NPRS/PRF at this stage may be resubmitted for the third strategy meeting in June/July 2003 only if they have gone through a full peer review process and have been submitted to the donors by RSDD .

B. Mekong and Southeast Asia

13. **Greater Mekong Subregion (GMS):** The donors commended the active role of the Mekong Department in promoting innovative and relevant NPRS/PRF projects. However, staff should closely coordinate their proposals with RSPR, so as to ensure a better regional and sector balance in the portfolio.

14. **Indonesia:** No proposals submitted, and only the representative from the Indonesia desk participated in the meeting. A discussion on the synergies between the DFID Indonesia country fund and the PRF took place. IRM was asked whether the local poverty expert can be financed by the DFID Indonesia fund rather than the PRF.

15. **Philippines:** Despite its ineligibility for country-specific projects, two sub-regional and cross-border projects were proposed for Indonesia and the Philippines. These were discussed on an exceptional basis as they were innovative and showed significant importance for systemic poverty reduction.

16. Project proposals:

- **Cross-border - Institutionalizing Tools for Creating Pro-Poor Budgets** (J. Brommelhorster, RSGR): This proposal initially covered PHI, AZE, and SRI. However, it was suggested to refocus the scope to countries where ADB plays a more active role in the budget and in the decentralized public policy process, such as in PAK, SRI, and INO. The revised project should closely link up to the provincial poverty partnership agreement (PRF-project for PAK), sector-related decentralized public finance efforts in INO (e.g. in education); and monitoring public expenditure impact on the peace process in SRI. Furthermore, the proposal should clarify the link with ongoing IMF work on making budgets more pro-poor,

which is one of the key areas of IMF's PRGF policy guidelines. It was suggested to revise the concept paper accordingly after a broad-based peer review in January 2003. The strategy meeting tentatively endorsed the proposal for 2003 financing with up to \$400,000, on condition of clearance of the revised concept paper through RSPR and the donors in January 2003.

- **Regional / Cross-border - Social Protection for Service Sector Liberalization** (DR Blarcom, RSFI): The proposal had not yet undergone a formal peer review process, which was suggested to refine the objectives and scope, relevance to the poor and for systemic poverty reduction, and the immediate relevance for ADB operation and upscaling potential. Further specification of the type of 'liberalization' was also suggested. The proposal was not prioritized for financing at this stage, although it may be re-submitted after further development.
- **Regional / Cross-border - Poverty Monitoring in GMS:** The GMS Poverty Monitoring TA endorsed in December 2001 for \$600,000 under the NPRS has not yet begun. MKRD agreed to find a new champion for this project, engage in the peer review process in early 2003 and prepare a revised proposal for ADB approval by June 2003.
- **Cross-border - Removing Barriers for Delivering Energy Services to the Poor – Learning from Mekong** (C. Litwin, MKID): The project had been peer reviewed and a very good concept paper was prepared. The project was commended for its innovativeness and systemic relevance and up-scaling potential for ADB. It was endorsed for PRF financing of \$600,000.
- **Cross-border – Up streaming NGO Knowledge on Poverty Reduction into Regional CSP** (B. Frielink, MKOC): There was an intensive discussion on the design of this project and various suggestions were made, particularly to strengthen the role of the project to impact beyond the regional CSP. Prompt processing is needed given the timing of the sub-regional CSP process for GMS. While 2 peer review meetings were held, no full concept paper had been prepared. Nevertheless, the donors commended the relevance of the project and prioritized it for 2003 financing (\$500,000), provided a full concept paper is submitted from RSPR to the donors.
- **Regional / Cross-border - Providing Assistance to Poor Women and Girls Against Trafficking in the Greater Mekong Subregion** (M. Mitra, MKAE): Whilst a laudable topic, the proposal was considered too large, ambitious and wide-ranging. It appeared more suited to a bilateral/NGO project, and had limited operational up scaling potential for ADB. The proposal was not recommended for NPRS/PRF financing at this stage. If MKRD wishes to prepare a new proposal for consideration by the third Strategy Meeting in June/July 2003, this should consult with RSDD and perhaps focus on poverty related trafficking-issues as a cross-border project rather than expanding into women's land rights.
- **Regional / Cross-border - Strengthening Poverty Reduction Impacts of Grant-Funded Poverty Reduction Projects in GMS** (M. Mitra, MKAE): The meeting agreed to the need for a broader poverty impact evaluations of ADB core activities. However, the proposal seemed to focus on how to integrate grant-funded projects into traditional loan design, something at odds with the objectives of the funds. The potential for using PRF/NPRS funds to evaluate the effectiveness of JFPR projects (amongst others) was questionable. Hence the proposal was not recommended at this stage. If MKRD wishes to pursue such project, it was suggested to redirect the focus on assessing the constraints for ADB to upscale, to carry out poverty monitoring, and/or to document ADB's learning through JFPR and other operational initiatives. Such a proposal could then be linked to the poverty monitoring project for which funding is already endorsed under the NPRS.

- CAM - Participatory Poverty and Gender Analysis in Tonle Sap** (Manoshi Mitra, MKAE). It was suggested to narrow down the project proposal and focus on the project's relevance for the national poverty reduction program. It was also suggested to coordinate with other donors such as the World Food Program, which are doing similar activities. The strategic importance of Tonle Sap for Cambodia was acknowledged, as well as the relevance of the proposed work and its potential influence on the shape and direction of future ADB loans. The project was endorsed in principle for \$250,000 under the PRF financing, provided it went through a proper peer review process in January 2003. No revised concept paper has to be prepared.
- LAO - Marketing of Organic Produce of Ethnic Minority Groups in Lao PDR** (M. Katagami, MKAE): The participants agreed that this proposal is of high strategic relevance for ADB's move to be more relevant for poverty reduction by opening niche markets for the poor. It was well prepared and seems to have a strong champion. The project is also positively considered in the context of ADB's recent activities to strengthen fair trade with the poor in various DMCs, particularly in the context of JFPR projects (such as in VIE-silk, INO-micro exporters, PHI-BIRD). The fact that project success faced risks from external factors justified the use of PRF/NPRS financing (as conventional sources were unlikely to fund). The project was shortlisted for up to \$600,000 for PRF financing, provided it undergoes a proper peer review process in January 2003. No revised concept paper has to be prepared. It was suggested to focus – among others – on: (i) clarifying future up scaling channel for ADB (e.g., by working through private sector operations and fair trade networks); (ii) exploring assistance of internal and external experts on fair trade and the private sector network (such as CBI in Rotterdam or The Fair Trade Company in Japan); (iii) including discussions on intellectual property rights for the poor/ethnic minorities; (iv) strengthening the need for certification of products and link up to the PRF-project on standard settings
- LAO - Poverty Reduction for Ethnic Minorities through Protected Area Development** (M. Mitra, MKAE): The meeting commented that the proposed components already appear like loan project components, so the justification for additional funding was not clear. The proposal was not endorsed for NPRS/PRF financing. However, if MKRD wishes to submit a new proposal for the third Strategy Meeting in June 2003, a new concept paper should be prepared and subjected to a peer review process.
- VIE – Market for the Poor** (Alessandro Pio, VRM): PRF endorsed in the first strategy meeting (August 2002) a project on markets for the poor (\$720,000). In the meanwhile, DFID-Viet Nam offered \$2 million through a country fund for a similar project. In various discussions since August, it was suggested that the \$2 million might be channeled through the PRF (increasing the PRF fund size from \$58 million to \$60 million). The Market for the Poor project could then be financed in a total size of \$2 million from PRF. However, there were issues of financing to be resolved, including the fact that this would exceed the \$1 million project size ceiling, the narrative and financial reporting on the funds, and the fact that DFID-Viet Nam did not want to see additional layers of administration if the benefits of RSDD's full and active engagement with the project could be achieved another way. It was, therefore, suggested that the project might be financed through DFID-Viet Nam in form of a co-financing agreement with ADB. However, specific wording shall be written into the co-financing agreement to ensure RSDD's sustained engagement in design and lesson learning. In the case of such co-financing (in the amount of \$2 million) the project endorsed in the first Strategy Meeting with \$720,000 financing would be canceled, and the funding would be returned to the PRF. The matter was left open for further discussion and decision in January 2003.

- **VIE - Early Childhood for the Poor (Erik Bloom, MKSS):** The proposal was generally supported by the donors for its strategic importance to the new social protection agenda of ADB in Mekong, and particularly in Viet Nam. However, before final endorsement for 2003 PRF financing of up to \$450,000, the project would require further consultation with the Government (reconnaissance mission in January 2003, financed by MKRD), as well as a formal peer review process and a new submission of the revised concept paper (in February). Other issues to be clarified included the poverty focus, the implementation period, the collaboration mechanisms with UNICEF, the link with RSAN's micro-nutrient project, and the way this proposal contributes to the implementation of the Government's Program of Action for Children.

C. South Asia

17. **Regional considerations:** Given the high incidence of poverty and inequality in South Asia, the donors strongly encouraged SARD to work together with RSPR for utilizing PRF/NPRS. The critical role of the PRF to stimulate learning within ADB beyond country and sub-regional boundaries was highlighted, as well as the need for ADB to be more innovative on the poverty and conflict/post-conflict agenda, particularly in Nepal, Afghanistan, and Sri Lanka. Representatives of the regional departments expressed the need to closely integrate the PRF/NPRS projects into their country programming. However, the donors explained that this integration should be more in the context of the conceptual spirit of the CSP for poverty reduction, rather than in providing country allocations for project work, which can be done through core ADB funding. If such funding is scarce, ADB should engage in a reprioritization of its own TA funds to prove its own efforts to have more impact on change for poverty reduction. The meeting also encouraged staff to engage at an early stage in a dialogue with RSPR on making project ideas (such as in the micro-finance sector) more relevant for PRF/NPRS funding. SASS noted the importance of PRF/NPRS as a lever to push forward social protection agenda, and the donors welcomed the strong championship of SASS for promoting ADB's social protection and poverty reduction agenda.

18. **Afghanistan:** SAOC suggested 4 proposals for Afghanistan on (i) investment planning for water resources (\$1.5 million), (ii) rural livelihood support (\$5.5 million), (iii) development policy analysis (\$2.0 million), and (iv) public expenditure management (\$0.5 million). However, these proposals had neither been discussed with RSPR earlier, nor have they gone through a peer review process or development of a concept paper. The donors considered that the larger proposals on irrigation and livelihood are not eligible under PRF/NPRS funding, but could perhaps find grant co-financing under their bilateral programs. However, due to the highly political context of Afghanistan, all proposals need to be submitted as full concept papers for review by colleagues working on the Afghanistan program in the respective donors' capitals or at their Embassies in Kabul. The donors also questioned whether the budget and development analysis work was not already done by other agencies, particularly the World Bank. They reiterated the need for conceptual additionality for addressing systemic poverty reduction issues and cautioned that projects would not be eligible for PRF/NPRS funding simply because more than 80% of the population in Afghanistan was poor. In the post-conflict and high poverty context of AFG. PRF/NPRS could be relevant for testing new approaches of poverty reduction for ADB to show its comparative advantage and make a difference in conflict/post-conflict situations. The donors therefore encouraged other relevant proposals to be developed.

19. **Nepal:** There was no proposal for discussion. Donors encouraged NRM and the Nepal country team to develop proposals for the country, given its high level of poverty and the conflict situation, which is worsening the situation among the poor. Examples might include a series of

small projects to reach out to the poor at a time when conflict had called a halt to the conventional development projects. It was agreed that a Nepal Country Team would meet early next year with participation of potential resource persons (RSPR, post-conflict expert in SPD) to explore the options.

20. **Project proposals:** The following proposals were discussed:

- **BAN - Lessons Learned for ADB's Poverty Partnership Commitments through Improving Capacity for the Poverty Reduction Monitoring Unit (Supplement with Focus on Performance Monitoring)** (M. Subroto [BRM] and C. Buentjen [RSGR]): This project would be an additional component valued at \$150,000 to *Effective Monitoring and Compliance with the Poverty Partnership Agreement* project which was endorsed for \$200,000 in August 2002 during the first Strategy Meeting. Hence, a joint TA paper for \$350,000 would be prepared. While the donors prioritized the additional component for 2003 financing they requested that a peer review meeting be held in January 2002 and a revised concept paper being submitted.
- **PAK - Determinants and Drivers of Poverty Reduction and ADB's Contribution in Rural Pakistan** (N. Hamid, PRM): The proposal was prioritized for 2003 financing under the PRF in the amount of \$300,000 on condition of a full peer review in January. Suggestions to strengthen the project include, among others, (i) link closer to the IPRSP process and ADB's provincial poverty reduction PRF project in Punjab; (ii) integrate lessons learned from other research work, including DFID's in Bangladesh, work of CEAT and UN organizations, and the DFID's participatory poverty assessment in PAK; (iii) encourage closer involvement of OED and SAAE staff in ADB and preparing recommendations for ADB's future involvement in the agriculture sector to have more poverty reduction impact; (iv) strengthen the upscaling potential and the linkage with policy dialogue; and (v) consider outreach and information dissemination activities, including preparing a video on the subject.
- **SRI - Community Information Services for the Poor and Disabled** (J.K. Lee, SASS): This project was proposed to the first Strategy Meeting. It was noted that SASS and the peer review team have done some further work. The donors, therefore, concept endorsed the proposal for PRF funding of up to \$800,000 on the condition of a peer review meeting in January, and clarification of technical issues, such as the sustainability of recurrent costs, commitment and buy-in from the government and the potential engagement of the private sector, revised budget, and others. DFID also undertook to put Mr. Lee in touch with its IMFUNDO project specializing in similar ICT/education issues.
- **Regional / Cross-border (BAN and CAM) - Supporting Poor Female Workers in Ready Made Garment Industry Affected by Changing Trade Environment** (F. Sultana [BRM], L. Ding [MKGF], and S. Tanaka RSPR). The meeting welcomed the innovativeness and relevance of the project for strategic involvement of ADB in poverty reduction. It particularly lauded the conceptual links to gender and poverty, trade, social protection, and SME development agenda. The meeting suggested strengthening the trade aspect for BAN and enhancing the role of BRM – in coordination with other donors – in policy dialogue on gender and poverty impact of trade reforms. Closer and more strategic coordination of ADB with EC and using this TA as a leverage for ADB to continue policy dialogue on trade were also suggested. The project was endorsed for PRF financing of \$920,000 (PRF).
- **Regional (BAN, SRI, PAK, NEP, VIE, INO) - Developing a Social Protection Index for Committed Poverty Reduction** (A. Weber, SASS): The proposal was welcomed for its innovative character and strategic importance for ADB's social protection agenda. Close donor cooperation with ILO, UNDP, World Bank, and IADB was welcomed. It was envisaged as a first phase of a bigger initiative; which could also feature ADB work on the social

protection index in the annual theme of UNDP's Human Development Report. It was further suggested that the index should develop methodologies to reflect the analysis of the informal sector and compliment cost-benefit analysis. It was also proposed to perhaps include a country from the Central Asian Republics. The proposal was concept endorsed for joint PRF/NPRS financing of \$600,000, on the condition that a peer review process in January is being held and the comments and queries being addressed.

D. East and Central Asia

21. **Central Asia:** All the CAR country team leaders participated in the strategy meeting on behalf of ECOC, a show of support that was, however, not matched by project proposals. Only one proposal for MON was submitted. Demand for a locally-based poverty expert was expressed by ECOC, and – in addition to Mongolia – the Kyrgyz Republic was mentioned as a potential priority country for CARs. The expert could cover from KGZ also UZB, TAJ, and AZE. A possible TA to support the poverty reduction strategy and CSP formulation in KGZ and other countries were mentioned, but it was requested that a proper proposal be prepared including concept paper and peer review process. Another potential proposal was suggested for Azerbaijan Poverty Reduction Strategy Paper (PRSP) TA, for which the Government requested ADB to build capacity for participatory process of PRSP in agriculture and social protection sectors. However, further discussion is needed to tailor this proposal to an NPRS-eligible project. The donors suggested that the comparative advantage between the bilateral grants and PRF/NPRS should be considered carefully for each proposal. In this context, a poverty initiative for TKM would perhaps be useful. Other areas for ADB to explore its comparative advantage are the following, particularly in Mongolia: social protection agenda, employment strategy for the poor, rural-urban migration, social insurance, education for migrants, early childhood development, and addressing inverse gender gaps in secondary education. It was re-emphasized by the donors that project proposals should be discussed with RSDD in the first instance, and subject to peer review and the development of concept papers before their submission to future meetings.

22. **The People's Republic of China (PRC):** PRCM updated on the status of the proposed TA for the Western Yunnan Roads HIV/AIDS Prevention Program. This was endorsed for PRF financing (\$800,000) in August 2002 but still awaited MOF approval.³ The delays may be due to the MOF's internal reorganization or their concern, as expressed by the PRC Board of Director to ADB, that the project might set a precedent that similar HIV/AIDS prevention components should apply to all future ADB-funded roads projects. It was also reported that MOF had introduced PRF-PRC to Ministries of Education and Health and provincial governments but not to ADB's normal partner ministries (with the implication therefore that these would find it harder to submit relevant and appropriate proposals). DFID explained that it would be reluctant to agree to any carryover of project funding for PRC until the status of this first proposal had been decided. (ADB has been informed on 20 December 2002 that the PRC Ministry of Finance officially endorsed the HIV-AID project). Two further proposals had been submitted by ADB for the PRF-PRC (one by RSES and another by ECID). None of them had yet received MOF approval. The meeting discussed only the transport proposal, as the author was present. The need for a genuine partnership between MOF, ADB and the NPRS/PRF, with co-operative working, goodwill and flexibility on all sides was stressed. Another proposal to provide additional funding of \$260,000 to the already NPRF-supported TA (Poverty Planning for Small Indigenous Communities) was also discussed and prioritized.

³ MoF has meanwhile endorsed the project.

23. **Project proposals:** The following proposals were discussed:

- **MON - Facilitating Poors' Cross Border Small Trade and Finance Settlement as the MON-PRC Border** (F. Yue [ECOC] and DR Blarcom [RSFI]): The proposal is based on an initial discussion in a small peer team (comprising RSPR and RSGF). While the project was perceived as highly innovative and relevant for ADB operations, many technical questions were asked, particularly on the relevance for small traders and livelihood for the poor, and opportunities for ADB to upscale such poverty focused learning under loans. While the project was in principle prioritized for PRF financing of \$500,000, further processing would require a formal peer review in January and a revised concept paper, satisfactory to RSPR.
- **PRC-Poverty Impact of Area Wide Road Networks – Information Needs of the Poor to Make Use of Transport Facilities** (K. Jrai, ECID): The project was discussed in the context of strengthening partnership with PRC on PRF funding. Various technical issues were not yet satisfactorily resolved to make the proposal fully eligible under PRF. Nevertheless, the meeting prioritized the project for PRF funding of up to \$1.0 million. However, the Ministry of Communication has requested its extension to \$1.8 million (PRF-PRC), whilst the costs proposed by ADB currently stands at \$0.8 million. The meeting advised that the absolute ceiling for PRF projects would be \$1 million. It also requested a peer review and revised concept paper by January/February before the project can be further pursued. In addition, any further processing would require the official endorsement of the Ministry of Finance.

E. Pacific

24. **Pacific:** The donors confirmed their commitment to support the small island economies which are part of ADB's operations, as well absolute as discussing the potential of a poverty expert for Papua New Guinea (PNG)'s Resident Mission (a suggestion welcomed by PARD). While the timing of RM establishment is still not definite two international staff and two local staff will be included, and that the assimilation of the locally-engaged poverty expert into a regular position would be feasible. A poverty expert in the Fiji was raised as another possibility, but PNG was considered strategically more important given that half of the Pacific portfolio is in PNG. Also, Fiji would not qualify for PRF funding as it is a category C DMC. Other ongoing work on poverty reduction strategy formulation (e.g. participatory poverty assessment, national poverty reduction strategy formulation, etc.) was also outlined.

25. **Project proposals:** The following proposals were discussed:

- **Pacific Poverty Analysis Initiative – Priority Data Collection, Strategy Formulation, and MDG Monitoring** (S. Pollard, PARD): The donors generally supported the initiative, which would strengthen ADB's leading role among various donors, NGOs, and institutions in poverty analysis in the Pacific. It was prioritized for joint PRF and NPRS financing of up to \$800,000. However it was requested that ADB should co-finance the PRF/NPRS project from ADB's own RETA sources to demonstrate ownership on poverty reduction and multi-donor approaches.

F. Asia-Wide Regional Proposals

26. **Project proposals:** The following proposals were discussed:

- **Fund for Poverty Experts in Resident Missions** (Resident Missions, Operations Coordination divisions, coordinated by RSPR): The proposal requests for locally-engaged poverty experts at 9 resident missions (PRCM, KYRM or URM, MNRM, VRM, CARM or LRM, BRM, PRM, SLRM, PNG) for 2 years. DFID expressed that given the importance of ADB's

commitment to internal human resources, it could fund only up to 1 year on condition that ADB institutionalizes these positions from the second year. It was explained that a visible impact for sustainable poverty reduction and regularizing the domestic consultants as local ADB staff would only be possible when the project has demonstrated success over a minimum of 2 years. The Government of the Netherlands then agreed in principle to offer part of the funding for the second year, as long as ADB then phased in the use of its own resources. It was decided that the PRF/NPRS coordinator would help RM's to prepare country-specific terms of reference and agree with the donors by January 2003 on the various options for PRF/NPRS joint funding. The proposal was prioritized for PRF and NPRS funding, on condition of a full concept paper including detailed country specific terms of reference.

- **PAK, VIE, PRC, THA, INO - Catalyzing Private Sector-Led Involvement for Addressing Hidden Hunger Poverty in Asia** (J. Hunt, RSAN): The potential importance of ADB's leadership in Asia in addressing hidden hunger, promoting the poverty and trade agenda, enhancing private sector/private foundation cooperation and catalyzing social corporate responsibility was acknowledged. Furthermore, the potential opportunity for the PRF, NPRS and potentially also JFPR to catalyze larger financing from private sector and foundations for poverty reduction in Asia was welcomed. However, it was considered that the poverty targeting of the proposal needed to be strengthened, as well as the up-scaling through ADB. The project was referred back to the donors' capitals for future discussion and decision by January 2003.
- **Strengthening Relevance of NGOs in the Dialogue with Government and ADB's Poverty Reduction Portfolio** (R. Dobias, NGOC): The project was welcomed to support ADB's participation for poverty reduction agenda. Questions were raised on the potential lack of RM capacity in selecting strategic proposals and the potential lack of NGOs' incentives to work with ADB. The donors also stressed the need to design a two-way communication channel in which ADB is more accessible to DMCs and local NGOs rather than international advocacy NGOs. Furthermore the NGO-poverty nexus needs strengthening. Also, the project should not finance pilot activities without systemic poverty reduction impact for ADB portfolio and policy interventions. The project was generally prioritized for PRF financing in 2003 of up to \$500,000, provided it undergoes a peer review process, and a revised concept paper is prepared (in January 2003) satisfactory to RSPR as PRF manager.
- **Sustainable Capacity Building in Partnership for Monitoring ADB's Poverty Partnership Commitments** (B. Prakash, RSPR): A project concept was discussed, but neither a concept paper was prepared, nor a peer review held. The donors recognized the value of the initiative proposed, and suggested closer cooperation with local DMC institutions in order to ensure capacity building in DMCs. It was further recommended to build the training on the refined methodologies of the ex-post poverty social impact analysis done by the World Bank, and incorporate the lessons learned under the World Bank Institute Attacking Poverty Program program, which the Government of the Netherlands is also co-financing. While the proposal was generally prioritized for 2003 NPRS funding for up to \$400,000, it would have to undergo a detailed peer review process and a concept paper would have to be submitted to the donors by February 2003.
- **Poverty Conference with IADB and CD-ROM on Examples of How Both Banks Change for Poverty Reduction** (A. Bauer, RSPR): A project to evaluate and document ADB's learning in poverty reduction since 1999, and share it with other donors including IADB was proposed. However, no concept paper was available. The donors were reluctant to finance such activity because of the risk that it would not result in a focused learning event,

but in another large-scale general conference on poverty reduction (of which we have had too many).

V. Special Meetings (10 December 2002)

27. **Special Meeting on Strategic Poverty Reduction Issues:** Three special meetings on broader strategic poverty reduction issues related to nutrition, donor coordination for poverty strategy formulation, and labor market and poverty reduction impacts of infrastructure projects (videoconference with ILO-ASIST in Bangkok) were also organized. The outcomes of these meetings are summarized below:

- **Role of ADB in Formulating Poverty Reduction Strategies:** The objective of the meeting was to exchange concerns and experiences on ADB-donor cooperation on poverty reduction strategy formulation, primarily on the four key areas: (i) comparative advantage of ADB, (ii) sector priority of ADB, (iii) ADB's experience with Poverty Reduction Partnership Agreement (PPA), and (iv) other donor coordination issues. It was noted by some participants that ADB's comparative advantage could be to assist the country in developing sector strategies based on the priorities set by the country's poverty reduction strategy (filling the 'missing middle' between the macro and the micro level in policy development). A need for better integration of PPAs into the CSP process was also expressed. ADB's lack of visibility as a poverty reduction policy advisor was also pointed out, for which its human resource lamination and not being part of the 'Washington Consensus' were raised as potential reasons. The role of ADB (in comparison to the World Bank in particular) as a 'sympathetic' and 'more approachable' partner to DMCs was highlighted by some. Whilst this was welcomed by donors, they also reminded that with the resources delivered by the ADB came the responsibility to deliver messages and focus attention on the more difficult issues such as corruption or genuine targeting of the poorest.
- **Nutrition for the Poor:** J. Hunt (RSAE), a consultant under RETA 5944, and a high-level representative from the Gates Foundation⁴ presented the background, objectives and scope of the multi-partner proposal for Addressing Hidden Hunger Poverty in Asia (see also para 26). The meeting was chaired by Director, RSAN, and was attended by social protection and health experts from the various operational divisions in ADB. Further meetings and briefing sessions throughout the week with social sector Directors and Directors General of regional and knowledge management departments confirmed ADB's commitment to engage in a strategic partnership on fighting hidden hunger in Asia, joining hands with the private sector operations in ADB, major corporate foundations, other donors, and specialized international institutes. The social protection and health networks in ADB as well as the respective Directors have committed to avail staff and other inputs to make such partnership a highly visible ADB activity for poverty reduction. The Gates Foundation has committed major funding for such partnership and indicated that high-level consultations with ADB could be held already in January 2003. The donors and participants stressed the need for close cooperation under ADB's poverty reduction grant funds, including JFPR. DFID and the Government of the Netherlands will consider funding the first step of the initiative under a joint PRF/NPRS project.
- **Making Infrastructure Work for the Poor:** A videoconference with ILO-ASIST-AP (Advisory Support, Information Services and Training – Asia and the Pacific) based in Bangkok was

⁴ The Bill Gates Foundation has a major investment program on food fortification, and wishes a strategic partnership with ADB to move the poverty and hidden hunger agenda in Asia.

held to obtain their comments on selected PRF/NPRS/JFPR infrastructure projects, and initiate discussions on future collaboration between ADB and ILO-ASIST. The discussions on the 6 projects are summarized below. It was also discussed that effective institutional mechanisms are needed to make more effective use of the Toolkit for HIV Prevention among Mobile Populations in GMS (by ADB and UNDP). It was suggested that the cost of HIV/AIDS awareness raising (to be carried out by NGOs) could be internalized in the contract for contractors, so that contractors become directly accountable. Such an initiative is already being tested under a World Bank-financed project in PNG. For a more productive meeting and effective collaboration in the future, it was suggested that (i) ILO-ASIST be involved in the JFPR/PRF/NPRS peer review meetings where relevant proposals are discussed; (ii) ADB and ILO-ASIST will have a periodic thematic meeting to discuss specific issues (e.g. HIV/AIDS, gender-equal wage); and (iii) ILO-ASIST will use RSDD in addition to specific regional department staff as a communication focal point, so that the regional exchange within ADB is facilitated. It was also suggested that the new Director, ILO and Mr. Werner Blenk at the ILO Manila Office, as an official coordinator, would be invited to relevant meetings, as well as the 3 regional ILO offices.

- ✓ CAM: Maintaining Poverty Reduction into the National Transport Program - JFPR (MKID). The proposal looks ambitious with too many elements. As labor-based work is already institutionalized in many rural infrastructure projects financed by ADB, this proposal may go beyond this to provide direct capacity building of the Ministry of public works. ILO-CAM person will join the appraisal mission for further improvement of the proposal.
- ✓ SRI: Infrastructure Maintenance to Reduce Rural Poverty – JFPR (SAAE). The reasons behind why PIU was located outside the Government's management unit were explained by ADB. Safeguards against the selection of the non-poor among the traders and farmers organizations members need to be in place. It was pointed out that potential for up scaling and institutionalization of the initiatives under the JFPR project should be assessed during the mid-term review of the project.
- ✓ VIE: Transport Service Networks for the Poor (MKID). It was decided that for ILO-ASIST, it was too late to establish formal collaboration.
- ✓ GMS: Poverty Focused Energy Planning - PRF (MKID). It was noted as an important initiative to establish a multi-stakeholder approach. Experience of Rural Electrification Board in Bangladesh may be used in the discussion of what might work in this region. It was also suggested that a strategy to reach out to the poor should be developed.
- ✓ PRC: Poverty Impact of Area Wide Road Networks – Information Needs of the Poor – PRF (ECID). It was noted that the idea to address the information needs of the poor is important but transport demands and access needs of the poor should be also analyzed together. The proposal looks ambitious with many components. Hence, it was suggested that a phased approach might help.
- ✓ BAN: Urban Infrastructure Maintenance by the Poor – JFPR (SASS/OED). It was noted that more direct involvement of the poor might be needed. Consultation with other donors and NGOs such as World Bank, DFID, Water Aid were suggested.

Appendixes:

- 1 Meeting Agenda
- 2 List of Participants
- 3 NPRS/PRF Project Processing Steps
- 4 Prioritized NPRS/PRF Proposals for 2003 Financing