

**NOTE ON THE THIRD STRATEGY MEETING ON THE
ADB/NETHERLANDS COOPERATION FUND IN SUPPORT OF THE FORMULATION AND
IMPLEMENTATION OF NATIONAL POVERTY REDUCTION STRATEGIES (NPRS) AND
ADB/DFID POVERTY REDUCTION COOPERATION FUND (PRF)**

**Asian Development Bank, Manila
28-30 July 2003**

I. INTRODUCTION

1. The Third Strategy Meeting (the Meeting) on the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies (NPRS) and Poverty Reduction Cooperation Fund (PRF) was held in Manila on 28-30 July 2003, with representatives from the Government of the Netherlands, and Department for International Development of the Government of the United Kingdom and Northern Ireland (DFID) and their respective representatives from the Board of Directors (BOD).¹ The Meeting program is in Appendix 1. The Meeting was attended by nearly 80 participants from the Asian Development Bank (ADB), including Directors General (DGs), Directors, and other staff from the Headquarters and resident missions (RMs).² The Meeting was also attended by the Coordinators of other thematic funds in the Regional and Sustainable Development Department (RSDD) and the representatives of Office of Cofinancing Operations (OCO). The list of participants is in Appendix 2.

2. The objectives of the meeting were to: (i) review and examine the technical, managerial and financial issues related to the NPRS and PRF; (ii) review and prioritize new proposals; and (iii) hold strategic discussions on the future direction of the funds. To achieve these objectives, two types of sessions were held: (i) sessions with RSDD and others on funds management and utilization; and (ii) sessions with regional departments (RDs) which included a (a) brief presentation and discussion on ADB's strategic poverty reduction support in the region, and (b) review and discussion of the new proposals.

3. In terms of TA operation, 23 peer reviewed NPRS/PRF proposals were considered for endorsement. Of these, 15 proposals in the amount of \$ 6.7 million were endorsed for further processing in 2003/4, as explained in detail in Appendix 3. In addition, a special session on pro-poor infrastructure with the International Labor Organization (ILO) was also organized.

4. This note summarizes the key discussions and agreement during the three-day Meeting.³ The key actions agreed upon are in Appendix 4.

¹ The Government of the Netherlands was represented by Martijn Dadema (ADB Desk Officer, International Financial Institutions Division, The Ministry of Foreign Affairs, the Hague); and counterparts in BOD (Julian Payne and Geert Jan Engelsman). DFID was represented by Jeremy Clarke (Chief Regional Policy and Strategy, Asia Directorate, DFID-London); and counterparts in BOD (Rolf Eckerman, Marcus Heinz and Nicola Jenns). Bella Bird (DFID-Hanoi) and Catherine Martin (DFID Beijing) also joined their respective country discussions through videoconference.

² Some RMs participated through video conference.

³ This note was prepared by Sonomi Tanaka (NPRS/PRF Coordinator) under the guidance of Jan van Heeswijk (Director General, RSDD) and Brahm Prakash (Director, RSPR). Detailed minutes were taken by Mary Rose Aquino (RSPR).

II. STRATEGIC ISSUES

A. Overview

5. ADB acknowledged valuable contributions of the donors and thanked them for their generous support. Donors in general were pleased with the growing portfolio and expressed their appreciation for the institutional mechanisms in place for the management of the funds. The discussions highlighted the need to:

- (i) Maintain the 'additionality' of the funds (i.e., added values to ADB's operations and policy dialogues on poverty reduction);
- (ii) Ensure more explicit and strategic links between individual proposals and ADB's overall poverty reduction programs in the country and region;
- (iii) Develop mechanisms to address potential constraints to the rapid and timely processing and implementation of NPRS/PRF-funded projects, including further alignment with ADB procedures;
- (iv) Institute mechanisms to monitor impacts of the funds on ADB's operations (especially on policy dialogue with developing member countries [DMCs]);
- (v) Strive for more regional balance for PRF by seeking increased participation especially from Bangladesh and Pakistan;
- (vi) Generate greater synergy between NPRS and PRF, and other thematic funds; and
- (vii) Maintain a consolidated NPRS/PRF management window in RSDD that coordinates with all other relevant departments.

B. Achievements of NPRS/PRF

6. As of 30 June 2003, 7 projects in the amount of \$2.74 million have been endorsed for NPRS financing and 26 projects in the amount of \$ 11.47 million have been endorsed for PRF financing.⁴ During the overview session, the NPRS/PRF Coordinator of the funds described the operational modality and highlighted the following:

- (i) The peer review process has been providing a forum for innovation, teamwork, and cross-regional and cross-sectoral learning;
- (ii) Capacity building of the RMs is one of the key objectives of the PRF. While most proposals still come from the Headquarters, RMs are gradually gaining capacity in developing proposals;
- (iii) Some projects have opened opportunities to work with new executing agencies, such as labor, social welfare and commerce (e.g., for the technical assistance

⁴ The NPRS and PRF have been in operation for 20 months (since November 2002) and 12 months (since July 2002), respectively.

[TA] on Cambodia garment workers), and thus created synergy to address poverty reduction;

- (iv) Special efforts have been made to enhance partnerships with local activities, such as national NGOs, research institutes, and private sector institutions; and
- (v) The funds' emphasis on ADB's comparative advantage has been facilitating harmonization and coordination with the activities carried out by other donors and development partners.

C. Additionality

7. The 'additional' nature of the funds, in terms of both (i) being outside of core funding sources and (ii) providing ADB with new opportunities to influence its policy dialogues on poverty reduction with DMCs, were noted by many staff, including those from the RDs, RSDD and Strategy and Policy Department (SPD). Mekong Department (MKRD) mentioned that the 'additional' nature of the funds enables them to enter into policy dialogue in new areas (e.g., human trafficking). Pacific Department (PARD) pointed out that because these funds are additional to the indicative planning figures (IPF) it allows the governments and ADB to consider addressing new issues that may not be part of their initial priorities. The NPRS/PRF Coordinator emphasized that the additionality of these funds has been maintained and that none of the NPRS/PRF-funded activities substituted core activities of ADB. On the other hand, a concern was raised that 'additionality' also runs the risk of remaining 'peripheral' to the main thrust of ADB operations. SPD pointed out that government ownership is linked to country and strategy programs (CSPs), and suggested that integration of NPRS/PRF proposals into CSPs should be considered. It was suggested by DFID that an issues paper be prepared by RSDD to look at various options as to how to maintain additionality while ensuring full DMC ownership.

D. Disbursement

8. While the pace of commitment to the PRF has been on-track, the donors were concerned about the slow pace of disbursement. As of 30 June 2003, disbursements totaled \$437,392.65 and \$69,660.11 for the NPRS and PRF, respectively. As requested by the donors, the projected disbursements for the next 6 months (July-December 2003) were presented at the Meeting. These were estimated at \$1.16 and \$2.31⁵ million for the NPRS and PRF, respectively, which can be managed within cash balances in ADB, and this require no additional remittances from the two donors in 2003.

9. The NPRS/PRF Coordinator explained to the donors the nature of disbursements under TA operations. The funds emphasize bottom-up implementation and systematic poverty reduction impacts, and therefore, on average, the NPRS/PRF projects require a longer processing time and slower implementation start-up than normal ADB TAs. She also explained that the pace of disbursements also depends upon the type of consultants (whether a firm of consultants is involved or individual consultants). Although precise figures were not available as yet, the Coordinator pointed out that there was no empirical evidence that the NPRS/PRF-funded TAs are processed and/or implemented more slowly than normal ADB TAs. The donors requested ADB to verify this with actual data.

⁵ Originally estimated at \$3.11 million, the PRF projection was reduced after discussion with DFID during the Meeting.

10. For the time being, the following arrangements were agreed upon to hasten utilization of funds: (i) set a 9-month cut-off from funding endorsement by the donors to ADB approval; (ii) collect data on and assess the average processing time of regular ADB TAs and use the figures as benchmarks for NPRS/PRF projects; (iii) set targets for disbursements based on financial forecasts,⁶ and strengthen reporting to the donors in case of slow spending; (iv) explore incentives to promote timely implementation; and (v) further streamline procedures for more timely TA processing and implementation.

E. Alignment of Procedures⁷

11. **Concept Paper.** Many project officers requested to adopt a more streamlined concept paper format. The current NPRS/PRF template requires details that are not always available before the fact-finding mission. A new format was suggested which is closely patterned after ADB's concept note template, with an additional note to indicate links with NPRS/PRF objectives and eligibility criteria. The concept paper template will be further refined by the NPRS/PRF Coordinator, and piloted in some of the proposals for the next NPRS/PRF Strategy Meeting. For the budget matrix, it was agreed that ADB's TA format would be adopted because it is less complicated than the NPRS/PRF template. However, attaching the project framework will be continued as the donors strongly felt that it was important to develop and demonstrate logical thinking in the proposals.

12. **Inclusion in CSPs/CSPUs.** In response to the suggestion from the RDs and SPD that the NPRS/PRF proposals be included in CSPs/CSP Updates (CSPUs), it was decided that a brief note would be prepared by RSDD in consultation with other departments and the donors to assess the pros and cons of the approach, especially in relation to the additionality and ownership issue (para 7).

F. Management Incentives

13. The donors acknowledged the heavy workload of staff in RDs, particularly for loan processing. They stressed the need to recognize the efforts of individuals engaging in innovative and additional work for poverty reduction. The RDs agreed to the importance of such incentives.

G. Links between Proposals and Policy Dialogues

14. The donors appreciated the growing demand for the funds, and the generally high quality of the proposals. During the wrap-up, they suggested that there should be a mechanism to ensure that individual proposals are more strategically linked with ADB's broader policy dialogue agenda in the country and/or region. Some RDs raised concern that if such an exercise is required for each and every proposal, it would be time consuming. SPD suggested that the inclusion of NPRS/PRF proposals in CSPs would result in strengthening such strategic links. The participants were also divided with regard to whether the RDs or NPRS/PRF Coordinator should ensure such strategic links between individual proposals and the overall programs and policy dialogue of a particular country or region. For the time being, it was agreed that such

⁶ It was agreed that, in addition to the individual requests claims of the project officers, a more sophisticated financial projection model would be developed in collaboration with the Controllers Department.

⁷ Different procedures apply for PRF-PRC. This section only covers the discussion on the headquarter-based PRF. See para 36 for the discussions on PRF-PRC procedures.

strategic links should be specified clearly in the concept paper. A suggestion was made by the donors to attempt country-by-country programming for both the NPRS and PRF starting from the next strategy meeting, during which this issue will be discussed further.

H. Monitoring Impact

15. The meeting discussed what type of mechanism should be in place to monitor the impact of individual projects on overall strategic policy dialogue, staff capacity, and the way ADB addresses poverty reduction. This would be one of the items on the agenda for the next strategy meeting.

I. Project Portfolio Balance

16. **Regional Balance.** The donors felt the need to balance the NPRS/PRF project portfolio across regions. For example, MKRD currently has the largest share in the PRF portfolio, both in number (46%) and amount (38%) of TAs. On the other hand, South Asia Department (SARD), which contains the largest population of the poor among all of ADB's subregions, accounts for only 19% in terms of number and 18% in terms of the amount of TAs. The possible reasons for the regional imbalance were clarified⁸. DFID appreciated MKRD's management support to its staff to apply for PRF financing. Other RDs should be encouraged to emulate MKRD, It was suggested that the proposals from Bangladesh and Pakistan should be increased to achieve better regional balance. The Netherlands further suggested that future cross-border and Asia-wide proposals should only be supported if they present strong links to national poverty reduction strategies.

17. **Sector Balance.** It was noted that, given ADB's comparative advantage and its large lending portfolio in infrastructure and energy sector, efforts should be made to attract more proposals from these sectors to make these investments more pro-poor.

J. Integration of NPRS/PRF

18. Both ADB and the donors were pleased with the current arrangement of jointly processing NPRS and PRF proposals. At the wrap-up, the donors also announced that they were open to further integrating the two funds to reduce transaction costs. They will hold internal follow-up discussions in relation to: funds consolidation, reporting, and preparation of a memorandum of understanding.

K. Coordination of NPRS/PRF with Other Thematic Funds

19. During the overview session, three thematic/sector fund coordinators from RSDD (Governance, Gender, and Water) and the coordinator for the Japan Fund for Poverty Reduction (JFPR) were invited to share their experiences on funds management. They also discussed possible modes of collaboration and were appreciative of the opportunity to share their experiences. It was decided that discussion would continue among the relevant staff in ADB after the Meeting.

⁸ Southeast Asia Regional Department (SERD), covering the Philippines and Indonesia, has no portfolio because (i) the Philippines is not eligible for PRF financing; and (ii) the RM in Indonesia has a bilateral country level funding program from DFID, and staff are encouraged to use this first. For NPRS however, both countries are eligible.

20. **Governance Cooperation Fund.** The Governance Fund Coordinator emphasized the importance of the fund's location in RSDD as it allows cross-regional learning. Governance Cooperation Fund also had a similar experience as the NPRS/PRF, especially with regard to the initial slow processing and implementation. The need to further streamline procedures was also highlighted.

21. **Multidonor Fund for Gender.** Although the Gender Fund was recently established and is yet to commence operations, some proposals have already been received. The Coordinator stressed the importance of a two-pronged approach: (i) gender mainstreaming in NPRS/PRF and other thematic and sector funds; and (ii) utilizing the Gender Fund for smaller activities.

22. **Cooperation Fund for the Water Sector.** The representative from the Water Fund stressed the important role played by the Water Sector Committee in project selection and monitoring. In this case too, the pace of progress in pilot demonstration activities had been slower than expected.

23. **JFPR.** JFPR is now managed from OCO. The Coordinator explained the new management structure and guidelines for JFPR projects.

L. Strategic Role of RSDD

24. Donors noted that RSDD is in a strategic position to carry out the overall management of NPRS/PRF given its quality assurance and knowledge management functions. They emphasized the importance of having one consolidated channel for communication and reporting, and recommended RSDD to continue playing its current roles.

25. OCO mentioned that RSDD should ensure that financial reporting to the donors be done through them. Donors however, preferred to have only one formal focal point in ADB. SPD observed that ADB was the only multilateral development bank that did not have a common unit to manage all thematic trust funds. SPD representative suggested that this should be considered. The representative of the Government of the Netherlands observed that, at least to his knowledge, the World Bank did not have such a central unit. They also felt that changing the funds management system yet again would be inefficient, now that the system and procedures are in place.

M. Modality of Strategy Meetings

26. All participants agreed that the semi-annual strategy meetings should be continued. They also appreciated the opportunity to discuss poverty reduction programs with each RD. SPD commended that the NPRS and PRF are the only grant funds in ADB that hold regular meetings with the donors. It was noted that these meetings were extremely useful in discussing strategic directions. SPD suggested that the next meeting should start with SPD's presentation on the overall strategic context in which ADB operates.

27. ADB and the donors also agreed that the three-day meeting format should be maintained. However, in order to allow sufficient time for strategic issues, discussions on individual proposals should be limited to those that required further clarification, as required during the peer review meeting.

III. REGIONAL AND COUNTRY-SPECIFIC ISSUES AND PROPOSALS

A. Overview

28. During the meeting, the regional sessions were attended by the representatives from RDs and project officers who submitted proposals. Each session had two objectives: (i) better understand the current status of ADB's strategic poverty reduction work in each RD, at the country level as well as at the subregional level; and (ii) discuss and prioritize the new proposals. In all, 23 peer-reviewed proposals amounting to about \$12.19 million were discussed at the meeting.⁹ Of these, 15 projects amounting to \$6.7 million were endorsed, comprising 11 PRF projects for \$4.55 million and 6 NPRS projects for \$2.15 million, with 2 projects jointly financed by both funds.

29. As per decision of the Second Strategy Meeting, only the pre-peer-reviewed proposals that were circulated to the donors before hand were discussed in this meeting. Some of the proposals have also received valuable comments from DFID country offices. While this ensured improvement in the technical quality of individual proposals, the donors put stronger emphasis this time on individual proposals demonstrating explicit links with strategic agenda of ADB on poverty reduction. Nearly all projects were required to clarify this point. The description mainly records the key comments and questions raised during the meeting. The Meeting's decision on endorsement/non-endorsement, the amount endorsed, and further actions required are in Appendix 3.

B. Cross-Regional Discussion

30. **Project Proposals.** The following cross-regional proposals were discussed:

- (i) **Enhancing Poverty Reduction Expertise in Resident Missions** (4 RMs, coordinated by S. Tanaka, RSPR). The proposed scheme supports local poverty experts (consultants) in 4 RMs including Cambodia (CARM), People's Republic of China (PRCM), Pakistan (PRM) and Viet Nam (VRM), all of which joined the meeting by videoconference and provided justification. As suggested in the previous strategy meeting, the cost of 2-year scheme will be jointly shared by PRF (1 year), NPRS (0.5 year), and ADB (0.5 year, from either its own TA resources or staff consultant budget). This proposal has been discussed with the donors for nearly one year. CARM's poverty expert has already started with positive initial feedback. The proposal was endorsed for NPRS/PRF joint funding. However, to ensure the sustainability, the donors requested RSDD and RDs to engage in discussion with BPBM to provide permanent local staff at RMs. Each RM will process the TA separately as SSTAs.
- (ii) **Participatory Strategy Development for Poverty Reduction** (proposed for NPRS) and **Strengthening DMC Capacity to Enable Participation by the Poor** (proposed for PRF), (A. Sweetser, RSPR). The donors supported the idea of building capacity on

⁹ The proposal for PRC was not peer-reviewed as PRF-PRC is primarily managed by the RM in PRC, and DFID Beijing.

participatory development at various levels (policy/strategy in the first proposal, and project in the second) but raised questions on the: (i) links of project-level training with ADB's other future country programs/loans; (ii) mechanisms to ensure the needs of the poor reflected through participatory training; and (iii) demand in RDs for the proposed training/capacity building activities. Both proposals have been endorsed for NPRS/PRF joint funding, but it was recommended that the two proposal be merged for synergy and efficiency.

- (iii) **Training and Capacity Building for Poverty Reduction** (A. Asra, ERDI; A. Panggabean, RSPR). In principle, the proposal has been endorsed for NPRS funding. However, its specific objectives need to be more clearly determined and ADB's comparative advantage clarified during TA processing.
- (iv) **Social Health Insurance in Asia and the Pacific: Lessons Learned and Prospects** (J. Jeugmans, SESS, with teamwork from the Health Sector Network). The proposal was endorsed for PRF funding but the revision of the concept paper was requested. The questions raised at the Meeting are in Appendix 3.

31. **Others:** The project officer of **TA 6109-NGO Partnerships for Poverty Reduction** (\$500,000, PRF) presented the status of this regional TA (RETA), approved by ADB on 27 May 2003. The project officer reported that the RETA has been well received by 11 RMs. Many NGOs have proposed activities in support of NGO capacity building, national poverty strategy formulation, etc. The amounts of proposals range from \$5,000 to \$20,000. The proposals would be prioritized by the RMs, with the final decision to come from HQ. The project officer requested for additional topping up of the funds. Donors mentioned that although usually they would not prefer an umbrella fund under NPRS and PRF due to its high transaction costs, they feel that the area of NGO support through an umbrella fund modality was exceptionally important. The request for additional funding therefore would be considered in the next strategy meeting.

C. Central Asia Region

32. **Central Asia Republics (CARs) and Mongolia.** A Poverty Reduction Specialist from ECRD presented the overview of key poverty issues in the region, milestones of ADB's poverty reduction partnership agreements (PPAs) and CSPs, and key approaches to reduce poverty in the region. While the poverty situation significantly varies across countries within the region, the overall achievement in policy dialogue has been the increasing acceptance in these countries that poverty *is* a major problem. It was emphasized that ADB, through its experience with supporting national poverty reduction strategies in many countries, has shown a comparative advantage in promoting government ownership of these strategies. The agenda now is to follow up these strategies with strengthened monitoring mechanisms.

33. **Project Proposals.** Two proposals were submitted for CARs.

- (i) **CARs Cross-border: Gender and Poverty Reduction Strategy in Central Asian Region—Azerbaijan, Kyrgyz Republic, Mongolia, and Tajikistan** (S. Handayani, ECSS). The proposal was considered well designed and in line with the approach of gender mainstreaming in the national poverty reduction strategies that the Government of the Netherlands fully supports. The project officer explained that the country-level assessment of gender and poverty was just the first step in ADB's longer-term support to DMCs during which ownership would be gradually strengthened. Regarding the partnership

with the UNDP regional office, it was clarified that collaboration on gender work between UNDP and ADB already exists and should be further strengthened through this RETA. It was also suggested that during further processing, clear steps should be developed as to how the TA outputs will be utilized to influence the DMCs' and ADB's poverty reduction operations. It was pointed out that the focus on the poorest of the poor should clearly appear in the TA paper. The proposal was endorsed for NPRS funding.

- (ii) **TAJ: Community Mini Hydropower Development for Poverty Reduction** (S. Hasnie/N. Toba, ECID). Although the proposal appeared to be an innovative pilot project promoting community participation, the donors felt that more work would be needed for funding consideration. The key comments of the donors were: (i) piloting 'what' is unclear, (ii) how the TA outputs intend to influence future ADB loans and programs is unclear, and (iii) ADB's comparative advantage in mini-hydropower schemes is not specified. The link with the energy policy was also identified as weak.

D. PRC

34. The two-hour videoconference with PRCM and DFID-Beijing addressed three key issues on PRF-PRC: (i) status of programming in the upcoming CSP, (ii) procedural alignment, and (iii) next steps for 2003 proposals. However, the discussion on procedures and next steps was inconclusive. It was agreed that further discussions involving both DFID and ADB (in PRC and Headquarters) would be organized to follow up the issues¹⁰.

35. **Status of Programming 2003-2006 PRF-PRC:** The PRF-PRC Coordinator in PRCM reported that the proposals coming from ADB and the Ministry of Finance (MOF) were short-listed in the MOF-DFID-ADB Tripartite Meeting in Beijing on 4 June 2003. In July, a series of meetings were held among PRCM, ECRD Directors, RSDD, and the Economics and Research Department to get comments on the shortlisted proposals and match the MOF-prepared proposals with those of ECRD and the other ADB divisions concerned. The comments were given to the CSP programming mission in Manila in July. The PRF-PRC Coordinator is currently working on the "Status of TAs 2003-2006" in which these short-listed PRF-PRC proposals are included. The PRC CSP is to be approved by ADB soon. For the 2003 proposals, PRF-PRC Coordinator would ask SPD if it would be possible to include them in the CSP, which is not the usual practice. If this would not be possible, clearance for the individual TA concept notes by the Vice President would be required.¹¹

36. **Procedural Alignment with ADB.** To accelerate the procedures, the PRF-PRC Coordinator requested DFID to use ADB's Concept Note template rather than the NPRS/PRF template, as the latter requires detailed information that is hard to obtain before fielding a fact-finding mission. The example of a previously endorsed PRF-PRC project (Poverty Impact of Area Wide Road Networks) that ended up holding several peer review meetings, the PRF-PRC Coordinator raised his concern that DFID might be requiring unreasonably high level of information at too early a stage. The BOD representative for the United Kingdom clarified that there were some other reasons that necessitated several meetings for a particular project, and that DFID call for these. The representative of DFID-London was not persuaded to switch to

¹⁰ The final decision on the procedures was made between DFID and ADB later in August 2003 to considerably align the PRF-PRC procedures with ADB's TA processing procedures.

¹¹ It was later clarified by SPD that an ongoing review of the New Business Processes is looking into this matter. Clearance by the Vice President for each concept note should therefore be obtained until further notice.

ADB's Concept Note and suggested that PRF-PRC proposals should try the new pilot template being prepared by the NPRS/PRF Coordinator. The meeting discussion was not conclusive on which template to use for DFID's funding endorsement.

37. Next Steps for 2003/4 Proposals. The PRF-PRC Coordinator suggested that TA processing of 2003 proposals should start immediately by encouraging the staff to field a fact-finding mission, and that DFID's concept endorsement should come after the mission. The representative of DFID-London pointed out the need for peer review meetings. The PRF-PRC Coordinator agreed to this, only in the case of ADB-proposed projects. For the Government-proposed projects, the PRF-PRC Coordinator strongly suggested that a fact-finding mission be conducted by staff first, followed by a peer review meeting, and then DFID's endorsement (for the MOU or TA paper), as the project scope cannot be defined without the Government's agreement. The representative of DFID-London and the BOD representative for the United Kingdom were concerned that if DFID's endorsement came too late, then DFID would be under pressure to endorse a proposal regardless of its quality. It was suggested to field a fact-finding mission using the concerned project division's budget first and, in the event of DFID's endorsement, the mission cost would be reimbursed from the PRF. However, Director, ECSS pointed out that allocation of divisional budget for those TAs that were not in the CSPs would be difficult if not impossible, as such allocation would be 'additional' to the original division budget. Another suggestion was to field a reconnaissance mission before the fact-finding mission. However, the participants felt that two missions for a small advisory TA would be inefficient. Despite much discussion, the meeting could not arrive at a concrete understanding. It was decided that the discussion should continue in another meeting to sort out the procedures.

38. Project Proposal. One proposal for PRC outside of the original shortlist at the Tripartite Meeting (para. 33) was submitted for NPRS funding:

- (i) **PRC: Reform of China's National Development Planning Process** (M. Collette, RSGR). The representative of the Government of the Netherlands was not in support of the proposal. DFID however, supported the proposal in principle. Nevertheless, it was felt that the arguments on how to cover the poverty aspects in the planning processes were weak in the proposal. DFID-Beijing suggested considering this proposal by linking it up with the provincial partnerships and other relevant initiatives, which may have some time implications. The final decision of DFID-Beijing and DFID-London is therefore to keep the proposal pending until the end of August.¹²

E. Mekong Region

39. Regional and Country Strategic Discussion. Advisor, MKRD presented the overview of ADB's strategic roles in poverty reduction in Cambodia, Lao PDR, Viet Nam; and the Greater Mekong Subregion (GMS). Cambodia's weak human and institutional capacity was cited as a challenge in poverty reduction. It was explained that ADB's TAs are focusing on institutional capacity building in the region. For Lao PDR, major improvements in narrowing the gender and ethnicity gaps are needed. On the other hand, the process of Viet Nam's Comprehensive

¹² DFID London later sent written suggestions to ADB, including (i) incorporating best practices in poverty analysis and strategy formulation in Viet Nam and other DMCs, and not just the experience of the Organisation for Economic Co-operation and Development; (ii) backing up the training with other capacity-building measures in the PRC; and (iii) linking with existing efforts by the World Bank and other development partners.

Poverty Reduction and Growth Strategy (CPRGS) was presented as a good practice in which the Government of Viet Nam had displayed strong ownership in coordinating with multiple stakeholders, including the aid community. Viet Nam is also successful in 'localizing' the Millennium Development Goals (called Vietnam Development Goals). ADB has been supporting provincial-level participatory poverty assessments in the Central Highlands provinces, and fine-tuning its TAs and loans to help achieve the Vietnam Development Goals. In all, MKRD has taken initiatives to develop strategies with key stakeholders in Cambodia, Lao PDR, and Viet Nam to best utilize the grant-based poverty funds. For GMS, MKRD currently focuses on five key areas (infrastructure, cross-border trade, private sector participation, human development, environmental protection). ADB is helping GMS countries make the operations in these sectors pro-poor and poverty-focused.

40. **Project Proposals.** Ten proposals were received from MKRD, including five for GMS. The donors commended MKRD's proactive role in preparing innovative and poverty-focused projects. However, the donors suggested a clearer presentation on how the TA outputs would be used to promote ADB's policy dialogue on national poverty reduction strategies (or related sector or thematic strategies) in each participating DMC, including for GMS proposals. Representatives of CARM, VRM, and DFID-Hanoi also participated in the discussions through videoconference.

- (i) **GMS: Unmasking Cross-border Poverty in the Greater Mekong Subregion** (J. Oka, MKAE). A question was raised on exactly what is meant by the cross-border aspects of poverty, and this was clarified at the meeting. The proposal has been endorsed for NPRS funding, provided that Myanmar would not be included in the scope (EU policy), and a mechanism to influence the national poverty reduction strategies in each DMC would be carefully considered.
- (ii) **GMS: Developing a Uniform Data System to Support the Sustainable Management of Subsistence and Artisanal Freshwater Fishery Resources in the Lower Mekong River Basin** (H. Tucker, COPP).¹³ Although the donors considered this a good proposal for a fisheries project, they felt that it was not sufficiently aligned with PRF objectives and eligibility criteria. In particular, the linkage with poverty reduction impact and the ADB's comparative advantage were perceived to require more strengthening. Therefore, it was deemed ineligible for PRF funding.
- (iii) **GMS: Regional Approaches to Livestock Disease Control in the Greater Mekong Subregion** (A. Siddiq, MKAE). Although this was considered a good proposal for a livestock project and seems to be poverty-focused, it was deemed ineligible for PRF funding (proposed for \$1 million) because of its overall financial requirements (\$5 million) and proposed phasing. Splitting the project into phases in order to meet PRF eligibility criteria may not do justice to the project objectives. The proposal seemed therefore more suitable to other funding programs.
- (iv) **GMS: Synergising Poverty Reduction and Biodiversity Conservation in Mekong Region** (J. Mir, MKAE). Although this is an innovative proposal for an environmental and forestry project, and seems to have poverty focus and emphasis on piloting aspects, it was deemed ineligible for PRF funding. The proposal was not sufficiently aligned with PRF objectives and eligibility criteria, and appeared to be narrowly defined for a specific

¹³ The proposal was submitted by the project officer when he was still in MKAE.

subsector (forestry development). Concerns were raised about how it would (i) influence national sector and poverty reduction policies and strategies, (ii) influence future ADB loans, and ADB's comparative advantage; and (iii) be scaled up to the future projects of ADB or the DMCs. The proposal seemed therefore more suitable to other funding programs (e.g Poverty and Environment fund).

- (v) **GMS: Promoting Safe Migration for Women and Prevention of Trafficking of Girls and Women in the GMS** (M. Mitra, MKAE). The importance of the issue and the justification for a cross-border approach were stressed at the meeting. However, the donors felt that ADB's comparative advantage on this topic can be best achieved through a pilot component built along with an ADB's cross-border loan project. Two new loan projects (LAO: Northern Economic Corridor and GMS: Ecotourism, both approved in 2002) were identified. The proposal was endorsed for PRF funding. In order to accommodate the two pilots, a budget increase was also supported.

- (vi) **LAO: Integrating the Poor in Regional Trade through Standard-Setting for Private Sector Development, Phase 2** (M. Varkay, MKGF). The project was endorsed for PRF funding. The success of the ongoing Phase 1 was presented. The donors raised questions regarding (i) direct links between industrial standards setting and poverty reduction, and (ii) ADB's comparative advantage to support the initiative in Lao PDR. Both questions were clarified, with the first drawing on Thailand's rural development model. It was suggested that a more explicit mechanism be built into the proposal so that the results of the TA would not only influence the regional trade strategy but also the national poverty reduction strategy in Lao PDR.

- (vii) **LAO: The Extent and impacts of Gender Inequality in Women's Access to Land, Forests and Water Resources on Poverty Reduction in Lao PDR** (M. Mitra, MKAE). The proposal was endorsed for PRF funding. The project officer explained that the results of the project would be incorporated into future loans, and influence the implementation of the national poverty reduction strategies. The project area is also strategically important to ADB with many ongoing and future loans concentrated in it. The project was considered an important initiative in Lao PDR given the nexus among poverty, gender and ethnicity in the country and how they play a role in the access to productive resources. These issues also fit well with Lao PDR's country's national poverty reduction strategy.

- (viii) **CAM/BAN: Study of Urban Violence in the Public Realm: Towards Safer Cities** (G. Cezayirli, MKSS/H. Kim, SASS). The proposal has been endorsed for PRF financing. The donors raised many questions regarding ADB's roles in addressing urban violence in Asia. The following clarifications were provided: (i) Violence is one of the key causes and manifestations of urban poverty, but not much has been studied in Asia unlike in Latin America. (ii) ADB has been a key player in the urban sector not only in infrastructure but also in governance and institutional capacity support. (iii) The findings and recommendations of the study will directly feed into ADB's urban strategy and programs as well as the DMCs' urban and poverty reduction strategies.

- (ix) **VIE: Developing Social Security System in Viet Nam** (X. Zhang, MKGF). The proposal was endorsed for PRF funding noting that it (i) opens a new avenue for ADB-Government of Viet Nam policy dialogue, (ii) addresses social safety nets, and (iii) aims to expand the

coverage of social security system to the poor. A more explicit project design to outreach and/or target the poor during TA processing was suggested.

- (x) **VIE: Support for Pro-poor Health Policies in Viet Nam** (I. Bhushan, MKSS). The proposal has been endorsed for PRF funding. VRM and DFID-Hanoi agreed that this is a high priority area of the Government of Viet Nam, and that it would directly feed into the upcoming ADB ban in the health sector as well as the policy dialogue on poverty reduction.

F. Pacific Region

41. **Regional and Country Strategic Discussion.** Director, PAHQ-1 presented the key findings and approaches to poverty reduction in the Pacific DMCs (PDMCs). The poor's two key priorities, identified through various participatory poverty assessments, are: improved access to basic social services, and improved income and market opportunities. To date, ADB has signed PPAs with six PDMCs, and expects to sign with five more by the end of 2003. The current strategic approaches to poverty reduction work in PDMCs are: improved poverty data collection and analysis, promoting civil society participation, and building capacity. The donors found the proposals in line with these general approaches.

42. **Project Proposals:** Two proposals were discussed for Pacific region.

- (i) **TIM: Village Self Help Program for Poverty Alleviation** (K. Kannan/H. Baxter, PAHQ). This proposal was considered as innovative and participatory. However, it was not endorsed, because ADB's long-term commitments in Timor-Leste was unclear at this stage and the role of this initiative in setting future ADB portfolio in the country were not clearly presented.
- (ii) **PDMCs: Making Resource Allocation Pro-poor and Participatory in the Pacific** (T. Mellor/M. Prokop, PAHQ). The proposal has been endorsed for PRF funding, on the ground that the idea of promoting civic engagement in the decision-making process of resource allocation fits well with the strategic approach to poverty reduction in PDMCs. In addition, several technical questions were raised, and it was decided that more technical details would need to be worked out during TA processing wherein clearer objectives and indicators would be developed. The poverty focus also needs to be further strengthened.

G. South Asia Region

43. **Regional and Country Strategic Discussion.** A staff member of SAOC presented the overview of how ADB's Poverty Reduction Strategy (1999) has influenced CSPs, monitoring of poverty and CSP implementation, lending profiles, and project designs in South Asia. Senior Advisor, SARD complemented the presentation, and gave a specific example of the India CSP in which extensive state-level poverty analyses have been carried out and that 'softening' of hard infrastructure was adopted as part of the approach in the country. Nepal Desk Officer, SAOC also gave an example of Nepal in which good collaboration among the donors took place in the PRSP process. General shift of paradigm towards pro-poor and/or poverty-focused project designs in South Asia was pointed out. DFID stressed the importance of encouraging more proposals from Bangladesh and Pakistan, especially from RMs, as these DMCs contain a large number of the poor population. Accordingly, the need to strengthen BRM and PRM's capacity was also emphasized.

44. **Project Proposals:** Three proposals for South Asia were discussed. Representatives from the RMs in Nepal and Sri Lanka also participated in the meeting through videoconference.

- (i) **NEP: Promoting Pro-poor and Gender Responsive Local Governance** (A. Shrestha, NRM). The proposal has been endorsed for PRF financing, as its emphasis on decentralization, gender equity, and local-level capacity building broadly fit with ADB's and Nepal's poverty reduction strategies. However, it was felt that more details would need to be worked out in during further TA processing, especially on how to influence ADB's overall program, and how to work with other donor-assisted initiatives. A concern with the low budget with too many components was raised by DFID, consultation with DFID-Kathmandu was also recommended.
- (ii) **NEP: Matching Fund for Empowerment of Women** (L. Chazee, NRM; M. Mongiorgi, SAAE). DFID commended the innovative idea behind the proposal, but mentioned that there were too many technical issues that needed further clarifications before concept clearance can be given. The major concern was the 'moral hazards', i.e., how to safeguard against grant-based arrangement from potentially undermining the loan components. This fundamental question can only be addressed through clearer implementation arrangements for the proposed Fund. The meeting therefore considered it premature to endorse the proposal as it was. DFID encouraged the team to continue refining the proposal for resubmission, in consultation with DFID-Kathmandu.
- (iii) **SRI: Sri Lanka Poverty Assessment and Information Management** (B. Smith, SLRM). The donors felt that the proposal was timely and well designed. After a series of questions and answers on technical issues through video-conference, the proposal was endorsed for NPRS financing.

IV. SPECIAL MEETING

45. A special presentation entitled "Opportunities for Pro-Poor Infrastructure Development" was organized with ILO-ASIST Asia-Pacific in Bangkok in collaboration with ILO-Manila on the first day of the Meeting. This followed on the agreement made between ADB and ILO-ASIST during the Second NPRS/PRF Strategy Meeting (10 December 2002) for further discussion on pro-poor infrastructure. Geoff Edmonds, ILO-ASIST Asia-Pacific in Bangkok presented the challenges of translating various strategies and tools for pro-poor infrastructure (e.g. labor-based techniques, local participation and ownership, local and private-sector capacity building, decentralized rural infrastructure management, etc.) into practice, drawing upon three case studies in which ILO-ASIST worked with ADB. Antero Vahapassi, RSPR, presented pro-poor infrastructure from the perspective of creating 'decent work' with 'decent' labor standards applied to the poor. The meeting was well attended by ADB staff working on the transport and rural development sectors.

V. CONCLUSION

46. In general, the participants, both from the donors and ADB, agreed that the strategic discussions at the Meeting were extremely useful in strengthening systemic poverty reduction impacts of the funds-supported activities in DMCs, albeit some issues needed follow-up as

summarized in Appendix 4.

47. The Fourth Strategy Meeting is tentatively scheduled on 20-22 January 2004.