



Evaluation Study

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ADB's Japan Funds: Japan Fund for Poverty Reduction

Operations Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CPS	–	country partnership strategy
DMC	–	developing member country
ICM	–	implementation completion memorandum
JFPR	–	Japan Fund for Poverty Reduction
NGO	–	nongovernment organization
OCO	–	Office of Cofinancing Operations
OED	–	Operations Evaluation Department
OEM	–	Operations Evaluation Mission
RSDD	–	Regional and Sustainable Development Department
SES	–	special evaluation study
TA	–	technical assistance

NOTE

In this report, “\$” refers to US dollars.

Key Words

adb, asian development bank, adb development grants, government of japan, japan fund for poverty reduction, nongovernment organizations, poverty reduction, poverty reduction strategy

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The guidelines formally adopted by the Operations Evaluation Department (OED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. Jonathan Cook and Graham Walter were the international consultants assisted by Grace Agnes Sevilla, national consultant. To the knowledge of the management of OED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

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DATA

In this report, projects are referred to by their number and short name, e.g., JFPR 9017-CAM: CBLE (see table).

Field Evaluation Countries and Projects

Grant No.	Project Name	Short Name
Cambodian Projects		
9017	Community-Based Livelihood Enhancement for the Rural Poor	CBLE
9023	Income for the Poor through Community-Based Environmental Improvements in Phnom Penh	CB Environmental Improvement
9064	Improving the Access of Poor Floating Communities on the Tonle Sap to Social Infrastructure and Livelihood Activities	TLS Floating Communities
Cambodian Regional Projects		
9006	Community Action for Preventing HIV/AIDS (CAM, LAO, VIE)	HIV/AIDS
9036	Improving Poor Farmers' Livelihoods through Post Harvest Technology (CAM, VIE)	Post Harvest Technology
Indonesian Projects		
9000	Assisting Girl Street Children at Risk of Sexual Abuse	Street Children
9016	Supporting Community-Based Basic Education for the Poor	Basic Education
9065	Enriching Lives of the Urban Poor through Food Fortification	Food Fortification
Mongolian Projects^a		
9014	Expanding Employment Opportunities for Poor Disabled Persons	Employment for Disabled
9015	Improving the Living Environment of the Poor in Ger Areas of Mongolia's Cities	Environment in Ger Areas
Philippine Projects		
9001	Supporting the Sustainable Livelihood for the Poor in Southern Philippines	Sustainable Livelihood
9003	On-Site Urban Upgrading for Vulnerable Slum Communities of Payatas	Payatas Slum Communities
9004	Off-Site and Off-City Relocation of Vulnerable Slum Communities of Muntinlupa City	Muntinlupa Slum Communities
9022	Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila	STEP UP
9042	Renewable Energy and Livelihood Development for the Poor in Negros Occidental	Renewable Energy
Tajikistan Projects		
9008	Tajikistan Rural Poverty Reduction	Rural Poverty Reduction
9040	School Improvement Project	School Improvement
Tajikistan Regional Projects		
9005	Improving Nutrition for Poor Mothers and Children (AZE, KAZ, KGZ, MON, TAJ, UZB)	Improving Nutrition
9052	Sustainable Food Fortification in Central Asia and Mongolia (MON, KAZ, KGZ, TAJ, UZB)	Food Fortification

AZE = Azerbaijan, CAM = Cambodia, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, LAO = Lao People's Democratic Republic, MON = Mongolia, No. = number, TAJ = Tajikistan, UZB = Uzbekistan, VIE = Viet Nam.

^a The regional nutrition projects JFPR 9005 and JFPR 9052 were also reviewed in Mongolia.

EXECUTIVE SUMMARY

This study of the Japan Fund for Poverty Reduction (JFPR) is part of a special evaluation study by the Operations Evaluation Department (OED) of the Asian Development Bank (ADB) on the three grant funds administered by ADB's Office of Cofinancing Operations (OCO).

JFPR was established in 2000 to "provide grants in support of innovative poverty reduction and social development activities to help alleviate poverty in ADB's DMCs [developing member countries]." By December 2006, 90 grants in 20 countries had been approved; of these, 28 had been completed, 58 were being implemented, and 4 were canceled. A total of \$360 million had been contributed by the Government of Japan, and \$45 million earned from investments. In total, \$244 million in grants had been approved and, by the end of 2006, \$82 million had been disbursed.

This study evaluates the extent to which the Fund has met its objectives, analyzes issues and constraints, and makes recommendations and suggestions to assist in future implementation.

The evaluation comprises both a top-down assessment of the funded program as a whole—how it relates to ADB's overall strategic objectives and priorities—and a bottom-up assessment of the performance of individual JFPR projects in selected countries. At the strategic level, the evaluation examines the program's relationship and links to ADB's overarching goal of poverty reduction as set out in the Poverty Reduction Strategy (1999) and the Long-Term Strategic Framework (2001–2015), and as expressed in the Medium-Term Strategy and Second Medium-Term Strategy. But the evaluation deals mainly with program and project assessment, covering aspects such as project design, implementation, and performance. The evaluation also examines the procedures and management of the program, and the administrative support provided to it.

The performance and impact of JFPR projects in individual countries was assessed through case studies, after a desk review of the JFPR program. The fieldwork centered on countries with a substantial JFPR portfolio under several geopolitical systems but no recent major program evaluation by OED. The five countries selected for this purpose were Cambodia, Indonesia, Mongolia, Philippines, and Tajikistan. The analysis here is based on the five country case studies that resulted from the evaluation of 19 projects in the field, as well as interviews with stakeholders in the various countries and at ADB headquarters.

The study reached these conclusions about JFPR performance:

- (i) JFPR generally aligns well with ADB's strategic objectives as defined in its medium- and long-term strategic frameworks. The individual projects are in line with the country partnership strategies and national poverty reduction strategies.
- (ii) JFPR has generally met its specific objectives related to innovation and Japan's visibility. The original intention to expand JFPR projects into loan projects has been met in several cases, but overall at a lower level than intended.
- (iii) All ADB staff interviewed at headquarters or in the fieldwork countries considered JFPR a valuable program that made ADB better able to deal in a practical way with poverty-related problems. ADB staff reported strong ongoing demand for JFPR projects, as reflected in the substantial project pipeline.
- (iv) The experience in the five fieldwork countries indicates the success of JFPR overall. Of the 17 completed projects evaluated, 23% were rated *highly successful*, 65% *successful*, and 12% *partly successful*. The proportion of

- projects rated successful or higher (88%) compares well with the success rate of the overall ADB loan program (65% of completed projects).
- (v) Evidence of a sound design was not a strong point of many of the JFPR projects evaluated (i.e., they did not include design and monitoring frameworks), yet most projects achieved their intended outcomes, so presumably design was adequate.
 - (vi) The administration of JFPR projects does not follow standard ADB process. The projects require approval by the Japanese embassy at the concept stage and by the Government of Japan at the final design stage, in addition to the normal ADB approvals. The design template is based on that for the Japan Social Development Fund of the World Bank, which differs from ADB's standard templates.
 - (vii) Project monitoring and completion reports also follow Japan Social Development Fund processes. They give little information about outcomes, and are not integrated with ADB's monitoring systems.
 - (viii) JFPR projects can be implemented in several ways, through the project management offices of government departments or nongovernment organizations (NGOs) or both. All these avenues can be suitable under appropriate circumstances, but the contribution of NGOs is worthy of note, particularly the willingness of some international NGOs to fund temporary fund deficits from their own resources, adding flexibility to implementation.
 - (ix) Imprest account management has been a problem for many projects, with delays in replenishment causing management difficulties for NGOs and project management offices.
 - (x) Though fund management within OCO is effective, the unit would benefit from the addition of staff for technical and monitoring support. The appointment of focal points in ADB departments would also assist in program development and management.

The relative success of the JFPR program is due mainly to the following: (i) the small scale and manageability of projects, (ii) the relevance of projects to the real needs of poor communities, (iii) the close involvement and motivation of most project officers, (iv) implementation by NGOs that are highly motivated and close to their communities, and (v) the consequent reduction in rent seeking and bureaucratic inefficiency.

According to the four evaluation criteria used by OED, the program is *relevant*, *efficient*, *effective*, and *sustainable*. Almost all of the projects evaluated were relevant or highly relevant to both ADB and national policies at the time of design and at conclusion. Process efficiency was mixed although often limited by implementation delays, but economic efficiency, though not calculated, is likely to have been at least adequate or even high for most projects, for an overall rating of efficient. The projects evaluated mainly achieved their intended outcomes, and most were rated effective or higher. All projects were rated sustainable or higher, apart from two early slum projects in the Philippines and one in Cambodia; the Cambodia project will require ongoing support from the attached loan project to sustain project outcomes.

Many JFPR projects—notably the regional projects that were evaluated in HIV/AIDS and nutrition in Cambodia, Mongolia, and Tajikistan—have had substantial socioeconomic impacts. There has also been significant positive impact from projects in the education, rural development, and urban waste sectors.

While the program, as mandated, has focused on poverty, the poorest sectors of society have been difficult to reach. Health and education projects generally achieved this poverty focus and included the poorest as well as the less poor; livelihood projects, on the other hand, often

experienced difficulties in including the very poor in microfinance activities and had to direct their efforts to the “enterprising poor.”

The study’s main conclusions are that JFPR (i) has been successful; (ii) strongly supports ADB’s Poverty Reduction Strategy; and (iii) is a valuable means of poverty reduction for ADB, providing its partners and the public with a visible link and demonstration effect, and a useful complement to the loan program; but (iv) needs to have its processes refined and simplified to facilitate its use by ADB staff and reduce the workload on project officers, management, the Central Operations Services Office, and support staff. The fund represents good “value for money” and should, if possible, be continued and reinforced.

The principal recommendations are as follows:

Recommendation	Responsibility	Time Frame
1. Country partnership strategies should specifically include a strategy for the use of JFPR if it is intended to access this fund within the country program.	Strategy and Policy Department, regional departments, and the Office of Cofinancing Operations (OCO)	From 2008
2. JFPR systems should be moved closer to ADB’s core business practices.	Strategy and Policy Department, regional departments, OCO, Government of Japan	Mid-2008
3. Grant size restrictions should be reviewed—while the grants should remain of modest size, the possibility of increasing the maximum grant to \$3 million, or even \$5 million, with adequate justification, should be considered.	OCO and the Government of Japan	Mid-2008
4. Resident mission staff should be involved in JFPR project design, and where appropriate, have responsibility for project supervision.	OCO, resident missions/regional departments	From 2008
5. Careful beneficiary targeting is important and needs detailed attention during project design and implementation. JFPR projects should target mainly the “enterprising poor.”	Regional departments	From 2008
6. The approach to the use of JFPR grants for disaster recovery should be reviewed. JFPR may be best suited to addressing localized disasters rather than larger regional emergencies.	Strategy and Policy Department, regional departments, OCO, Regional and Sustainable Development Department (RSDD) and Government of Japan	Mid-2008

Recommendation	Responsibility	Time Frame
7. The Government of Japan might consider providing increased input at the concept and design stages. While the process would not be shortened, subsequent approval by Japan would be more predictable and final approval more efficient.	Government of Japan	Mid-2008
8. If JFPR funds can be made available, OCO's staffing resources should be increased to allow greater input in design, and more frequent monitoring in the field. Closer links with RSDD should be sought.	OCO, RSDD	Mid-2008
9. Given the innovative and pilot nature of JFPR projects and their potential for expansion, greater emphasis should be given to learning from JFPR projects and disseminating the findings.	OCO, regional departments	From 2008

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I. INTRODUCTION

A. Objectives of the Study

1. This evaluation of the Japan Fund for Poverty Reduction (JFPR) has been undertaken by the Operations Evaluation Department (OED) of the Asian Development Bank (ADB) at the request of, and with funding from, the Government of Japan. It seeks to (i) assess the impact of the program in ADB's developing member countries (DMCs), (ii) define key issues and lessons arising from the program, (iii) assess the processes of the fund to define the need for and desirability of improvements, and (iv) recommend how ADB should administer and develop the fund in the future. This report is one of the three evaluations of Japanese grant funds administered by ADB's Office of Cofinancing Operations (OCO), the others being the Japan Special Fund and the Japan Scholarship Fund.

B. Background

2. JFPR was established in May 2000¹ to support ADB's new Poverty Reduction Strategy,² approved in 1999. Unlike most other funds administered by ADB, JFPR grants were not for technical assistance (TA). Instead, the grants would finance small investment projects linked to ADB loans to pilot-test innovative poverty reduction approaches that could later be expanded into loan projects and incorporated into ADB operations. ADB thus gained opportunities to work more directly with civil society groups, such as nongovernment organizations (NGOs) and community-based organizations, and with communities themselves. To promote knowledge sharing in poverty reduction, JFPR was linked to the work of ADB's new Poverty Unit and located at first in the Strategy and Policy Department and then moved in 2001 to the Regional and Sustainable Development Department (RSDD). RSDD also managed two other poverty reduction funds, the National Poverty Reduction Strategies Fund and the Poverty Reduction Cooperation Fund, which, though smaller and used mainly to finance TA operations, were conceptually similar. In 2003, ADB moved JFPR management to OCO but left the two other funds with RSDD.

C. Approach and Methodology

3. This evaluation includes both a top-down assessment of the funded program as a whole—how it relates to ADB's overall strategic objectives and priorities—and a bottom-up assessment of the performance of individual JFPR projects in selected countries. At the strategic level, the evaluation examines the program's relationship and links to ADB's overarching goal of poverty reduction as set out in the Poverty Reduction Strategy and Long-Term Strategic Framework,³ and as expressed in the Medium-Term Strategy⁴ and Second Medium-Term Strategy.⁵ However, the evaluation concerns itself mainly with program and project assessment, covering aspects such as project design, implementation, and performance. It also examines the procedures and management of the program, and the administrative support provided to it.

¹ ADB. 2000. *Cooperation with Japan: Japan Fund for Poverty Reduction*. Manila (R105-00, dated 28 April); and Arrangement Letter, *Establishment of a Japan Fund for Poverty Reduction* between the Government of Japan and ADB, 24 May. Manila.

² ADB. 1999. *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy*. Manila.

³ ADB. 2001. *Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: The Long-Term Strategic Framework of the Asian Development Bank (2001–2015)*. Manila.

⁴ ADB. 2001. *Medium-Term Strategy (2001–2005)*. Manila.

⁵ ADB. 2006. *Medium-Term Strategy II (2006–2008)*. Manila.

4. The performance and impact of JFPR projects in individual countries was assessed through case studies, after a desk review of the JFPR program and the development of a field evaluation plan. The field evaluations were necessarily brief, but a more thorough assessment is not expected to change the ratings, except perhaps in the case of some partly completed projects that have the potential to succeed but need to do better (further details on the methodology used in the evaluation are found in Appendix 1, and the information on JFPR project and program is found in Appendix 2). The field evaluation centered on countries with a substantial JFPR portfolio under several geopolitical systems but with no major recent program evaluation by OED. Five countries were selected for the fieldwork: Cambodia, Indonesia, Mongolia, Philippines, and Tajikistan. Nineteen projects were evaluated in the field, and five country case studies prepared, the main report sections of which are in Appendixes 3 to 7 of this report. Project stakeholders were interviewed in Manila and in the various countries, and their views became the basis for many of the recommendations presented in section V.

II. CONTEXT

A. JFPR Objectives

5. JFPR has a clear objective: “to provide grants in support of innovative poverty reduction and social development activities to help alleviate poverty in ADB’s DMCs.” Formal directional guidelines and operating procedures were included in ADB’s Operations Manual⁶ in 2003 and detailed directional guidance for the operations of the fund is proposed each year. These guidelines are on the ADB website (<http://www.adb.org/JFPR/directional-guidance-2007.pdf>).

6. JFPR grants should be compatible with the development objectives of national poverty reduction strategies and the poverty reduction elements of ADB’s country and sector strategies. Grants must support activities that (i) respond directly in new and innovative ways to the needs of the poorest and most vulnerable groups; (ii) lead to rapid, demonstrable benefits that could eventually become sustainable; or (iii) build ownership and capacity, empower, and promote the participation of local communities, NGOs, and other civil society groups in operations financed by ADB. JFPR grants are either project grants or capacity-building grants, though the dividing line between the classes is not always clear. Most projects have capacity-building components—while only around 15% are classed as capacity building, 80% have one or more capacity-building components, according to an analysis made by OED. Until 2006, grants had to be linked to an ongoing or pipeline ADB loan project. Now projects can be independent, though the potential for replication or expansion is still desirable.

7. Grants can range from \$200,000 to \$2 million. In exceptional circumstances and with prior clearance by OCO, grants up to \$3 million (or higher in the case of Afghanistan) may be submitted for consideration.⁷ Proposals exceeding \$2 million are subject to greater scrutiny by OCO, which may request technical reviewers to verify the validity and viability of proposed activities and to follow a “[more] disciplined process” of costing.

8. “Seed money” of up to \$20,000 can be provided from JFPR to assist ADB staff in designing grants. Funds can be used to hire international consultants (including community consultation experts) and local consultants, and to meet the travel and subsistence costs of

⁶ ADB. 2003. *Operations Manual*. Manila.

⁷ With regard to assistance to Afghanistan, proposals exceeding \$3 million may be considered on an exceptional basis in consultation with the Government of Japan. Grant limits have also been increased for emergency response projects in India and Pakistan and for some regional projects.

ADB staff. Project officers who receive seed money are expected to deliver well-developed grant proposals within 12 months of the approval of the application. Incremental costs (including consultant fees) up to 5% of the grant amount may be requested to facilitate community participation or NGO collaboration, and also to prepare and implement unusually complex projects. In addition, JFPR can fund travel and per diems for 6-monthly review missions, independently of the project budget.

9. Proposals should be discussed with the Japanese embassy in the country before formal submission to OCO. Information sharing with the local office of the Japan International Cooperation Agency or the Japan Bank for International Cooperation is also recommended. Proposals that overlap with Japanese bilateral assistance activities cannot be supported by JFPR; nor can grants be used for academic research, government staff salaries, motor vehicles, or study tours. (Some ADB staff favor the lifting of the study-tour restriction, particularly for transition economies, which can benefit from observing successful systems and processes in foreign countries.) Grants are approved by the Government of Japan on the basis of a standard one-page grant proposal summary together with detailed background information. The proposal contains basic data, overall development objectives, expected key performance indicators, and expenditure categories. The complete application form describes in detail the activities to be funded and sets forth a general plan for implementation, expected outputs and outcomes, project risks, a detailed budget, and a checklist of questions to assist in evaluating the eligibility of the application.

B. Current Status

10. From May 2000 to June 2006, the Government of Japan contributed \$360 million to the fund. As of 31 December 2006, 90 projects worth \$244 million had been approved. Among these were nine grants worth \$98 million for Afghanistan, and nine grants totaling \$20 million for tsunami response projects in India, Indonesia, Maldives, and Sri Lanka. Background information on JFPR, including copies of annual reports and details of approved grants and operating procedures, can be found on the JFPR website (<http://www.adb.org/jfpr>).

11. The number and value of JFPR projects approved yearly have grown more or less steadily since the program began in 2000. The only significant decline occurred in 2003, when only nine projects were approved, down from 16 in 2002, partly because of the changeover from RSDD to OCO management. OCO has received requests to fund 45 projects that could start in 2007. Of these, OCO expects to approve perhaps 18–20 with a total budget of \$50 million (excluding Afghanistan). This suggests that the pipeline is healthy and that 2007 will be a strong year for the Fund. The possible closure at the end of 2007 of the £36 million Poverty Reduction Fund of the United Kingdom and the \$6.8 million National Poverty Reduction Strategies Fund funded by the Government of the Netherlands may increase future demands on JFPR.

C. Portfolio

12. Information on the 90 JFPR projects begun in 2000–2006 is given in Appendix 2 (Tables A2.2–A2.7). A full list of projects is in Table A2.2, together with the grant amount for each one and the dates of approval by the Government of Japan and ADB, the date of the letter of agreement, the original closing date, and the final or extended closing date. The development of the program over time in terms of the number and value of projects is summarized in Figure 1.

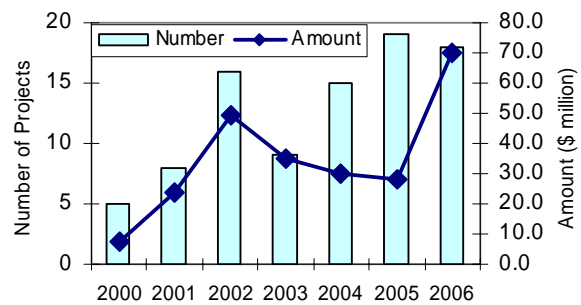
13. JFPR projects have been implemented in 20 of ADB's 44 DMCs. All countries in Southeast Asia apart from Myanmar are represented in the program, as are all the South Asian countries (Appendix 2, Table A2.6). Afghanistan, Cambodia, and Indonesia each have had nine JFPR projects, the Philippines eight, and the People's Republic of China and Papua New Guinea one JFPR project each. But the program has yet to include any other Pacific member country.

14. In terms of value, Afghanistan is dominant, with \$98 million worth of projects approved, because of an agreement between ADB and Japan to treat the country as a special case. Grants can go up to \$20 million, compared with the normal ceiling of \$2 million. Cambodia, India, Indonesia, Pakistan, and Philippines have each received projects valued at more than \$10 million, while regional grants, mainly for the transition economies including the Central Asian republics and Mongolia, totaled \$18 million by the end of 2006 (Figure 2).

15. JFPR's financial commitments at the end of 2006 amounted to \$234 million out of the available grant fund of \$405 million—\$360 million contributed by the Government of Japan and \$45 million earned from investments. Disbursements totaled \$84 million, equivalent to 23% of total grant value and 36% of the committed amount. This low rate of disbursement may be attributed in part to the large number of projects approved in the last 3 years. However, it also highlights the relatively slow implementation of grants and under-spending in some projects due to difficulties in consultant selection and fund flow arrangements—problems that are also evident in many ADB loans. The high rate of disbursement in the regional projects is due to full disbursement in two large projects—JFPR 9005: Improving Nutrition and JFPR 9006: HIV/AIDS. Data for Pakistan and India indicate very low disbursement. While the rate is likely to increase as more projects come on stream, full disbursement of the committed amount could take a further 6 years. Efforts are therefore needed to speed up disbursement and complete projects on time.

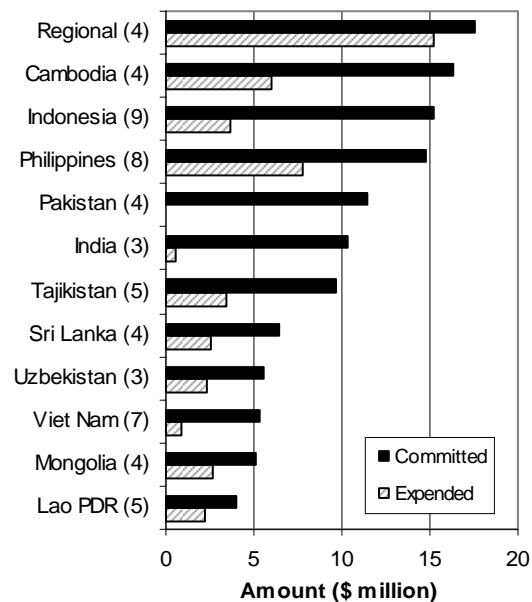
16. JFPR projects cover a wide range of sectors and subsectors. In number of projects, the three dominant sectors are agriculture (24 projects), health (18), and social infrastructure (17).

Figure 1: JFPR Project Approvals, by Year



Sources: OCO database and Appendix 2, Table A2.3.

Figure 2: JFPR Commitments and Disbursements, December 2006



JFPR = Japan Fund for Poverty Reduction, Lao PDR = Lao People's Democratic Republic.

Note: Major countries by value (number of projects).

Afghanistan (9 projects), with \$98 million in commitments and \$32 million in disbursements, is excluded.

Source: OCO database.

These sectors each have grants totaling \$60 million or more, and together account for 78% of the total commitment so far. Other major sectors are water supply and education. The project names in Table A2.2 show the diversity in the program, which comprises an interesting and innovative group of projects. Because of this diversity, classifying projects other than by sector or subsector is difficult. However, the four projects approved for Mongolia give an indication of the range of subjects addressed: JFPR 9014: Employment for Disabled, JFPR 9015: Environment in Ger Areas, JFPR 9063: Maternal Mortality Reduction, and JFPR 9085: Nonformal Skills Training for Unemployed Youth and Adults.

D. Past Reviews and Evaluations of JFPR Projects

17. Because the program is relatively new, and few projects have been completed, this study was the first evaluation of JFPR. Under JFPR guidelines, project officers should prepare implementation completion memorandums (ICMs) on completed projects within 6 months of the grant closing date. By April 2007, eleven ICMs had been prepared. JFPR projects have been mentioned in country and sector assistance program evaluations and special evaluation studies prepared by OED; however, none of these evaluations were made specifically to examine the performance of JFPR projects. No examples of even moderately in-depth evaluation of JFPR projects were identified during the literature review for this study, though OCO has sought to include JFPR activities in the work plan of OED.

III. PERFORMANCE ASSESSMENT

18. This section summarizes the performance of the program in the five fieldwork countries, discusses the four key evaluation parameters—relevance, effectiveness, efficiency, and sustainability—and makes some assessment of socioeconomic impact. It also examines both how the JFPR as a fund is linked and responsive to ADB's strategies, objectives, and priorities, and how the individual projects examined in the case studies have contributed to this response. Each of the 19 projects that were evaluated in the field is assessed against several project factors.⁸ Finally, this section looks at the achievement of specific JFPR objectives.

A. Country Case Studies

19. Five country case studies were carried out and country reports prepared (Appendixes 3–7). The self-assessment questionnaires completed by project staff or consultants were reviewed during the Operations Evaluation Mission (OEM) and modified on the basis of the fieldwork and interviews done. They were taken into account in the rating of the projects and thus the overall country programs. Of the 19 projects evaluated in the field, 17 were well advanced or completed. The results of the assessment of these 17 projects are summarized in Table 1.

⁸ The factors were design, innovation, implementation, performance of international and local implementation consultants, performance of ADB, project management, beneficiary participation, involvement of Japanese embassy, involvement of or relationship with NGOs, ownership by government, ownership by private sector, extent of linkage with and support for loan project, and extent of replication.

Table 1: Country Program Ratings

Country	Highly Successful		Partly Successful		Total	% Successful	Overall Rating	% Successful Projects Overall
Cambodia	1	3			4	100	Successful	91
Indonesia		2			2	100	Successful	63
Mongolia	2				2	100	Highly successful	75
Philippines		3	2		5	60	Borderline successful	47
Tajikistan	1	3			4	100	Successful	83
Total	4	11	2		17	88	Successful	72
Percent	23.5%	64.7%	11.8%		100.0%			

Note: The column “% Successful Projects Overall” includes the proportion of loan projects rated successful or higher in their completion or evaluation reports. Because of the dominance of Indonesia (in terms of projects) the total (72%) is unweighted.

Source: Appendixes 3–7.

20. The Mongolia program was the most successful of the country programs evaluated, with two highly successful projects. The other two Mongolian projects were also reported by the resident mission to be performing well. In Indonesia, only two projects were evaluated in detail, and both were rated successful. The ongoing JFPR 9065-INO: Food Fortification is having start-up problems, as are the tsunami-related projects. In Cambodia, JFPR 9006-REG: HIV/AIDS was rated highly successful—a rating that probably extends to the Lao People’s Democratic Republic and Viet Nam, the other participating countries. Other Cambodian projects were rated successful, though the recently started JFPR 9064-CAM: TLS Floating Communities has had severe fund flow problems in its early stages. In Tajikistan, JFPR 9008-TAJ: Rural Poverty Reduction was rated highly successful; the other projects could be successful, depending, particularly in the case of JFPR 9040-TAJ: School Improvement, on the efficiency of implementation during the remaining project period. JFPR 9052-REG: Food Fortification was recently extended (close to the end of the project period) to allow benefits under the project and the earlier JFPR 9005-REG: Improving Nutrition to be reinforced. The JFPR program in the Philippines was less successful than the other country programs examined. The two earlier slum projects failed to meet many of their objectives. The subsequent slum upgrading project, JFPR 9022-PHI: STEP UP, was more successful, however. JFPR 9001-PHI: Sustainable Livelihood was rated successful, despite significant implementation delays, while JFPR 9042-PHI: Renewable Energy was considered potentially successful, with quite well-established community-based organizations and a management team that had recovered from earlier problems.

B. Program Assessment

21. Insofar as a program is the sum of its parts, JFPR has been *successful* overall, considering the experience in the fieldwork countries. Though not strictly amenable to statistical analysis, the average rating of the JFPR projects evaluated was 2.1, significantly above the partly successful/successful dividing line of 1.7. Of the 16 projects rated, 88% achieved successful or highly successful grades. This performance is better than that of loans or TA. In addition, provisional ratings of successful were given to several ongoing projects.

22. The relative success of the JFPR program is due mainly to (i) the small scale and manageability of projects, (ii) the relevance of projects to the real needs of poor communities, (iii) the close involvement and motivation of most project officers, (iv) implementation by NGOs that are highly motivated and close to their communities, and (v) the consequent reduction in

rent seeking and bureaucratic inefficiency. But while the projects evaluated lead to the conclusion that the program has been successful, the slow pace of disbursement may be a concern. As of 30 March 2007, only around \$90 million of the total JFPR commitment of \$360 million had been disbursed. Efforts are required to accelerate disbursement and grant drawdown, but not at the expense of successful achievement of objectives.

C. Relevance

23. Almost all projects evaluated were relevant or highly relevant to ADB's and national policies at the time of design and at conclusion for an overall rating of *relevant*. The only exception was JFPR 9000-INO: Street Children, which was relevant when it was designed after the Asian financial crisis but was less relevant at completion, when the number of street girls had declined to a relatively low level. The project would have been more relevant had it fulfilled its pilot role, since the implementing NGOs had developed strong networking and referral processes.

24. While many projects were directly or indirectly linked to ADB loan projects in the fieldwork countries, the net contribution of one to the other was often low, or lower than intended. In some cases, such as in JFPR 9040-TAJ: School Improvement, the loan project had to undertake several functions that were to be implemented under the JFPR project (such as school mapping and the establishment of parent-teacher associations), because NGOs were appointed late for the JFPR project. In Cambodia, after the completion of JFPR 9017: CBLE, the ongoing loan project is helping to reinforce JFPR project processes and interventions through such means as providing support to community-based organizations. In the Philippines, delays limited the extent to which JFPR 9001: Sustainable Livelihood in Southern Philippines could mesh with the corresponding loan project, such that supporting services were developed by the JFPR project before infrastructure could be built under the loan. In other cases, such as in JFPR 9022-PHI: STEP UP and JFPR 9015-MON: Environment in Ger Areas, the JFPR projects have made substantial contributions to the design or implementation of ADB loan projects.

D. Effectiveness

25. Overall, the JFPR projects in the fieldwork countries were rated *effective*. The two Mongolian projects, plus JFPR 9006-REG: HIV/AIDS (Box 1) and JFPR 9008-TAJ: Rural Poverty Reduction, were highly effective, and the remaining Tajikistan projects were effective, meaning that they substantially achieved their intended outcomes. In the Philippines, two of the three slum-related projects did not achieve their intended outcomes, and were less effective, mainly because of the attempt to apply an integrated approach within a limited period. But the

Box 1: Successful Collaboration Leads to Better Outcomes and Replication

JFPR 9006 in Cambodia has yielded high economic returns by limiting the spread of HIV/AIDS and reducing the need for hospital care, which is economically and socially disruptive to the community. The HIV/AIDS project laid down the foundation for mutual trust and a generally excellent working relationship between NGOs and the Ministry of Health National Center for HIV/AIDS, Dermatology, and Sexually Transmitted Diseases. Project techniques were extended to several areas in the country, effectively magnifying project benefits. The HIV/AIDS project was the basis for a current regional loan on communicable disease control with a \$30 million grant component. This shows that a high level of management and a close interest taken by the government can lead to successful project outcomes and a high probability of replication into national base programs.

HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome.

Source: JFPR 9006-CAM: *Community Action for Preventing HIV/AIDS*, for \$8 million, approved May 2001.

other three Philippine projects evaluated have good potential to achieve their development objectives.

E. Efficiency

26. The overall rating for JFPR projects evaluated is *efficient*. Efficiency of process was high for several projects, but other projects were greatly delayed and required several extensions before they could be completed. Several, for example the two projects evaluated in Indonesia, were unable to achieve full disbursement. Underspending compared with budget is unfortunate, since it usually means that funds badly needed for activities to assist the poor cannot be used. Slow disbursement and underspending are often symptoms of poor financial management, an area that merits close attention from JFPR and project officers in the future.

27. The study did not undertake any economic analysis of evaluated projects. JFPR designs and completion reports do not undertake economic assessment or even discuss economic parameters in any detail. However, a review of the outputs and outcomes of JFPR projects in the economic sectors indicates that in many cases project economic performance has been satisfactory.

F. Sustainability

28. The average rating for the JFPR projects evaluated is *sustainable*. Sustainability was rated high for JFPR 9006-REG: HIV/AIDS and JFPR 9008-TAJ: Rural Poverty Reduction as well as the Mongolian projects (Box 2). The regional and Tajikistan projects both accorded closely with national policy—a key factor in sustainability. Other projects were rated sustainable, apart from JFPR 9017-CAM: CBLE, which was considered intrinsically less sustainable (but should gain in sustainability with the support of an ongoing rural development project). However, the Northwest Rural Development Project, now being implemented in the same districts, is funding continued NGO support for community-based organizations and self-help groups established under the project. The earlier slum-upgrading projects in the Philippines were also rated less sustainable.

Box 2: Increasing Awareness while Maximizing Human Resources

JFPR was instrumental in increasing the productivity and welfare of the disabled in Mongolia. Project outputs and outcomes were exceeded. The project also produced excellent synergies in job placements and had a major impact on raising government awareness and that of the population at large concerning the predicament of the disabled and the material contribution they can make to society. Trade fairs also promoted the value of putting the disabled to work and helped them manage small enterprises. Consequently, the project led to other service providers giving increased access to the disabled in businesses as well as to the installation of street crossing aids.

Source: JFPR 9014-MON: *Expanding Employment Opportunities for Poor Disabled Persons*, for \$1 million, approved April 2002.

G. Socioeconomic Impact

29. The socioeconomic impact of the JFPR program has been significantly positive in all fieldwork countries except the Philippines, where the impact has been limited (Appendix 6). Not surprisingly, the projects with high ratings for efficiency and effectiveness also rated high in socioeconomic impact. JFPR 9006-REG: HIV/AIDS in particular has made a major contribution to the development of home-based care systems for people living with HIV/AIDS and to the development of national policy, and JFPR 9023-CAM: CB Environmental Improvement has played a part in infrastructure development in the poor areas of Phnom Penh, with partial

funding from the communities, and has thus contributed to a better living environment. Some of the core activities of JFPR 9023 were, however, overtaken by the appointment of a private solid waste contractor, which reduced the impact of the community-based waste collection service. In Tajikistan, JFPR 9052-REG: Food Fortification could complement JFPR 9005-REG: Improving Nutrition and lead to markedly reduced morbidity due to iodine and iron and/or folate deficiency, particularly after flour fortification legislation is passed.

H. Poverty Focus

30. Poverty is a central concern of the JFPR program in the fieldwork countries. But several projects have found it difficult to focus on the poorest members of society. This is particularly true of the microfinance projects. People in dire need are hard put to commit time and undertake the risk involved in credit for productive enterprises, even at subsidized interest rates. The “handout mentality” spawned by politicians jeopardized project sustainability in the two earlier slum projects in the Philippines. Other projects encompass almost the whole of society, as, for example, the iodization of salt under JFPR 9005-REG: Improving Nutrition in Tajikistan. Since around 84% of the population was found to be poor at the time of design, the project could target the entire population without losing its poverty focus.

31. The required focus on the poorest has been achieved in many cases, for example, in JFPR 9006-REG: HIV/AIDS. People living with HIV/AIDS are often poor or become so on account of their limited employment prospects, poor health, and medical costs. In other cases, including most livelihood-related projects, the focus has been more on the “enterprising poor”—individuals or families with the physical and mental capacity to improve their lot, and the willingness to make the commitment needed to develop new livelihood activities and to take on the risks involved. They may include the landless, single- (and particularly female-) headed households, and families impoverished by health problems or crop failures (for example).

32. The poorest group includes those who, for various reasons, are not well able to take advantage of the potential offered by a project, and who may use livelihood loans for consumption purposes. JFPR 9017-CAM: CBLE took an interesting approach to livelihood development, tying it to psychosocial support. Though the primary reason for including the component (the Khmer Rouge war) had reduced in severity by the time the project was implemented, livelihood development still helped to reduce domestic violence and to deal with mental health issues in the target villages. The concept could be considered in other relevant projects.

I. JFPR and ADB Strategic Objectives

33. ADB’s Long-Term Strategic Framework notes that poverty reduction remains the central challenge in the region, where robust, sustainable growth is needed to make significant gains in poverty reduction, address the diverse problems of underdevelopment, and more generally, improve the quality of life. The Long-Term Strategic Framework sets out three core strategic themes⁹ for ADB operations, supported by three crosscutting themes.¹⁰ The Medium-Term Strategy and Second Medium-Term Strategy fleshed out the approaches to Long-Term Strategic Framework in the short term, with the pillars and themes of Long-Term Strategic Framework as the basic frame of reference. The Medium-Term Strategy set out four main

⁹ The strategic themes are (i) sustainable economic growth, (ii) inclusive social development, and (iii) governance for effective policies and institutions.

¹⁰ The three crosscutting themes are (i) private sector participation in development, (ii) regional cooperation and integration for development, and (iii) environmental sustainability.

themes: (i) country ownership and long-term approach, (ii) strategic alliance and partnerships, (iii) development effectiveness, and (iv) organizational alignment. To implement these, country strategies and programs—now country partnership strategies (CPSs)—were key. The CPS would provide the link to the national poverty reduction strategy, and ensure sector selectivity. Together with the sector strategies, the CPS would guide the design of projects and TA. The Medium-Term Strategy also recognized the need to work together with NGOs, and underscored the importance of knowledge products and the learning and dissemination process.

34. The Second Medium-Term Strategy was aimed at making the poverty reduction strategy more effective in addressing the goal of poverty reduction. However, it recognized that while ADB must maintain the capacity to assist DMCs across a wide range of sectors and subsectors, it cannot achieve critical mass in all these fields. There is a tension between the identification of a few priority sectors for ADB and the diversity of conditions and needs in different DMCs. A broad approach to defining ADB's strategic priorities was, therefore, taken in this strategy to accommodate this diversity of needs, and within this broad framework the use of CPSs was proposed as the key strategic document to provide the required country focus and tailor country assistance programs to the specific needs and priorities of individual DMCs. Both these strategies thus proposed the CPS as the key strategic document to guide sector and project selection and design. The CPSs, however, were not required to have, and do not have, a specific strategy for JFPR operations. While linkage was encouraged, CPSs were not required to identify JFPR projects to allow flexibility in the preparation of JFPR projects, which are intended as quick-response tools, and to avoid giving the impression that inclusion in CPSs would automatically lead to approval by the Government of Japan. While this is understandable, there would be merit in CPSs defining in general terms the role JFPR might play in the country strategy.

35. The JFPR program has objectives that are in line with ADB's strategic framework, and recognizes the need for compatibility with national poverty reduction strategies. As noted in para. 30, the program as a whole has a clear focus on poverty reduction. The JFPR grant proposals evaluated all had sections showing the linkage of the project to the CPS and sector strategies. In almost all cases the linkage was shown to be strong. However, earlier proposals were not required to demonstrate such linkages—the guidelines on JFPR operations, requiring such linkages, were finalized and issued in May 2003.

36. The JFPR program in Cambodia aligns well with ADB's current CPS, with all the projects lying within the ambit of one or more of its three strategic pillars. The regional projects examined were also highly relevant to the program. In Indonesia, the projects examined were similarly well aligned with the country's medium-term development plan and ADB's CPS, particularly the focus on human and social development and effective poverty reduction. The projects in Mongolia also conformed reasonably well to the CPS framework and Mongolia's development priorities, particularly the national poverty alleviation program and the economic growth and poverty reduction strategy. But one project dealing with the employment of the disabled, while achieving much, has little connection with ADB's core business and its sector expertise and experience. The program in the Philippines is highly relevant to both national and ADB strategies and the CPS. The Tajikistan program similarly aligns well with both the national poverty strategy and the CPS, particularly the increasing emphasis on the rural and social sectors.

J. Achievement of JFPR-Specific Objectives

1. Innovation

37. ADB staff are encouraged to develop JFPR projects that are innovative. All five country programs evaluated scored reasonably well for innovation. In the Cambodian program, for example, JFPR 9006: HIV/AIDS was instrumental in developing NGO involvement in the home-based care approach, which is now central to the national HIV/AIDS control program. JFPR 9023: CB Environmental Improvement established that communities, including the poor, can and will contribute a significant amount to the development of required infrastructure, such as water supply, drainage, and road improvement. JFPR 9017: CBLE pioneered the introduction of psychosocial support into rural development projects, with significant implications and potential for replication in other areas of the country, where psychological problems can prevent many villagers from being fully involved in the economic and social life of the village.

38. Innovation is not risk-free. The few innovators who develop a new technology or approach often fail, leaving the early adopters, who build on the innovation, to capitalize on the development. Innovation in itself is also a risky undertaking for development projects: "Major development projects should not be experiments. Projects should be planned and financed because there already exist a body of knowledge and experience indicating that certain activities can be expected to produce certain results."¹¹ This passage is particularly relevant for projects intended to assist the poor. JFPR projects must thus define innovation in broad terms. Innovation may be considered relative to ADB experience in a sector or country. A particular approach that has been shown to be viable by other government or nongovernment agencies, or ADB experience in other sectors or countries that can be applied with confidence to a particular JFPR project, should be considered as meeting the criteria for innovation. However, innovation should not be a goal in itself, and should be considered primarily where it is deemed to be the best possible approach to poverty reduction in the area or sector. A minor change in wording in the JFPR guidelines (or the release of a directional guidance paper), or at least the adoption of a broad definition of the concept of innovation, may be required.

2. Visibility of Japan and Involvement of Local Japanese Officials

39. The JFPR guidelines require informing and consulting with local Japanese officials on the project design. Project proponents are strongly urged to discuss projects with the local Japanese embassy at the concept stage, since this will allow Japanese perceptions of conflict or duplication with the Japanese development assistance program to be identified at an early stage. After the grant paper is prepared, and before it is approved by ADB, it is sent to Tokyo and then forwarded to a number of agencies for comment.

40. In most cases, Japanese visibility has been adequate on the projects evaluated. JFPR and ADB involvement was flagged during construction and in some cases on plaques on the completed infrastructure. In JFPR 9023-CAM: CB Environmental Improvement, every infrastructure investment under the project had a plaque that clearly mentioned JFPR and ADB. This was also true of both Mongolian projects. In Indonesia, all stakeholders interviewed were familiar with the source of funding. JFPR 9016: Basic Education subprojects were reported to have been adequately flagged during construction. Books and desks provided under the project were marked "JFPR 9016-INO." One school visited had recognition of ADB and JFPR painted

¹¹ Casley, D. J., and D. A. Lury. 1981. *A Handbook on Monitoring and Evaluation of Agriculture and Rural Development Projects*. Washington, DC: World Bank.

on the entrance gate. In the Philippines, Japanese embassy officials were present during turnover ceremonies of housing projects for the urban poor. Some Philippine JFPR projects were also showcased for visiting officials and dignitaries; this was possible partly because of the proximity of ADB headquarters to the JFPR project sites. During the field visits, project stakeholders were asked about their knowledge of the source of funds for their project. In most projects there was quite wide knowledge that ADB was administering the program and that the source of finance was Japan. However, in Tajikistan, project participants tended to ascribe projects primarily to the implementing NGOs.

3. Pilot Projects, Replication, and Scaling Up

41. Several JFPR projects were designed as pilot projects. In Cambodia, much of the national HIV/AIDS home care system is founded on the experience of JFPR 9006: HIV/AIDS, which also laid the foundation for mutual trust and a generally excellent working relationship between NGOs and the Ministry of Health/National Center for the Control of HIV/AIDS, Dermatology, and Sexually Transmitted Diseases. JFPR 9006: HIV/AIDS was the basis for a current regional loan for communicable disease control with a \$30 million grant component. JFPR 9023-CAM: CB Environmental Improvement pioneered the concept of community contribution to the construction of public infrastructure. This has been extended to a general upgrading of the minor roads in Phnom Penh, a key factor improving the urban environment, well beyond the limited areas served by the JFPR project. JFPR 9017-CAM: CBLE has not been replicated far outside its own area, except into the districts covered by its parent project, the Northwestern Rural Development Project (Loan 1862-CAM).

42. In some cases, projects have not met their pilot objectives. JFPR 9000-INO: Street Children developed successful NGO collaboration and referral systems, but the problem of girl street children had declined by the time the project was completed, and replication was limited, as there was less need for it. JFPR 9016-INO: Basic Education was intended to be a pilot project for ADB's Basic Education Project, but implementation was delayed, the two projects were implemented in parallel, and the pilot function was lost.

43. Until JFPR guidelines changed in 2006, projects had to be linked to ADB loan projects. However, this is no longer the case. The guidelines note that projects should be able to provide a basis for "upscaling" into ADB or other externally funded projects. While successful examples are numerous in general, more needs to be done to promote the learning of lessons from JFPR projects and subsequent replication. The earlier slum projects in the Philippines were meant to represent examples of how to develop local services and resettle communities living in poor or dangerous conditions. However, the relatively poor performance of the projects limited their potential to act as models. Nonetheless, valuable lessons can be learned from both projects, and they need to be written up to maximize their ability to influence other slum development projects. The greater success of the later JFPR 9022-PHI: STEP UP has provided valuable input to the ongoing preparation of the proposed Metro Manila Urban Services for the Poor Investment Program, a possible \$487 million multitranchise financing facility. Some aspects of JFPR 9000-INO: Street Children also have good potential for replication, but mechanisms need to be developed to write up and extend the project principles—such as the referral system for addressing the health problems of street children. OCO's intention to conduct more dissemination meetings and to publish monographs on individual project experiences is a step in this direction.

4. Emergency Response

44. Several emergency-related projects have been approved for JFPR funding (e.g., in response to the Indonesian tsunami in 2004, the Pakistan earthquake in 2005, and landslides in eastern Philippines in 2006). In the early years, the use of JFPR for emergency response was not supported (e.g., there was no project to help the poor recover from the 2000 floods in Cambodia.). All the emergency projects face problems, with the Indonesian tsunami projects hardly barely started implementation almost 30 months after the disaster. The Pakistan project is also not progressing, reportedly because of difficult implementation arrangements. In comparison, the earthquake relief project of the International Fund for Agricultural Development in Pakistan fully disbursed the funds allocated for the first year of a 3-year project. In eastern Philippines, most project funds are being used to build a rural road damaged by landslides, to build a new school and add classrooms to 13 schools, and to upgrade a hospital. While the infrastructure is needed and relevant to communities, the project is not fully in line with JFPR objectives.¹²

45. While in principle ADB is motivated to apply the flexible and responsive approaches required after emergencies, in practice it has proved unable to make the necessary changes in procedures to permit rapid response. It is tempting to conclude that JFPR should not be used for emergency response, but this may be too restrictive. However, it is clearly necessary to approach emergency response with care. Under JFPR, it is suggested that relatively limited emergencies like the Cambodian floods, which do not normally attract massive international aid, should be the focus. Large emergencies, such as the tsunami and the Pakistan earthquake, may best be avoided—they are well-served by other agencies, who are often far more responsive and flexible than ADB and JFPR. OED evaluations of emergency loans in Cambodia¹³ and Flores¹⁴ (Indonesia) tend to support this finding. RSDD has recently recommended the establishment of a regional disaster response fund as an immediate source of cash injections that can be used soon after a disaster. JFPR could complement the efforts of this fund (when established) and support the rebuilding of livelihood as a targeted poverty reduction intervention. An emergency contingency assistance facility for conflict and natural disaster recovery could be built into or linked to JFPRs to enhance the reach and impact of an emergency assistance loan.

5. ADB Perceptions

46. All ADB staff interviewed by the OEM believed that JFPR formed a valuable part of ADB's overall program.¹⁵ In particular, all five country directors interviewed by the OEM welcomed the existence of JFPR projects in their country portfolios. The Indonesia country director and staff, for example, considered the JFPR program to be of value by demonstrating to donors and the public that ADB is concerned about poverty and can address grassroots problems. JFPR 9000-INO: Street Children, the first JFPR project approved in particular, generated much goodwill.

¹² OCO reported that, because other donors were quicker to respond to the emergency, and ADB had decided that a needs assessment should first be undertaken, many items in the needs matrix had been responded to by the time the JFPR proposal was developed.

¹³ ADB. 2000. *Project Performance Audit Report on the Special Rehabilitation Assistance Project in Cambodia*. Manila (Loan 1199-CAM[SF], for \$67.7 million, approved on 26 November 1992).

¹⁴ ADB. 2001. *Project Performance Audit Report on the Flores Emergency Reconstruction Project in Indonesia*. Manila (Loan 1241-INO[SF], for \$26 million, approved on 1 July 1993).

¹⁵ ADB's South Asia Regional Department, however, commented that JFPR processing is not universally seen by decision makers in the operations departments as a positive contribution to the pipeline or to staff performance. Unlike project preparatory TA or loans, JFPR is currently seen as an "inferior" product.

IV. JFPR MANAGEMENT

A. Management and Administration

1. Design

47. The assessment of individual projects in the fieldwork countries highlighted design as a relatively weak point of many JFPR projects. The design and monitoring frameworks in the older projects often appeared to be “bolted on,” i.e., prepared after the project had been designed to meet a design requirement, rather than as an integral component of design (a problem not unique to JFPR). Consequently, the vertical and horizontal logic of the design was often not demonstrable, and risks and assumptions were not well assessed or described. Many designs also lacked formal beneficiary participation (or a description of the participation process), and suffered from limited apparent problem analysis. Issues relating to design are discussed in each country program report (Appendixes 3–7).

48. When JFPR management was moved to OCO, the requirement to include design and monitoring frameworks in the grant application to Japan was dropped, to conform to the format of the Japan Social Development Fund, administered by the World Bank.¹⁶ Design and monitoring frameworks were replaced by a risk matrix and a monitoring framework containing some of the analysis that would normally be in a design and monitoring framework. However, the mandatory requirement of Operations Manual Section J1/BP for all loan, grant-funded, and TA projects to include design and monitoring frameworks for Management and the Board seemingly remains, though not all staff may be aware of this. A further change made at the time of transfer was the dissolution of the mandatory interdepartmental peer groups that used to meet to develop JFPR designs. However, when necessary, grant proposals can be subjected to thematic peer review before approval by the staff review committee (mandatory for JFPR) and RSDD’s clearance for compliance with ADB’s safeguard policies. After the transfer to OCO, a requirement was added to include a discussion of beneficiary participation in project design and implementation.

49. Many JFPR projects have simple designs. However, JFPR 9064-CAM: TLS Floating Communities, for one, has several components and implementing NGOs. When combined with an inexperienced project management office and complicated implementation arrangements and fund flow mechanisms, this design multiplicity goes a long way toward explaining the severe implementation difficulties of the project. Several other projects are similarly complex.

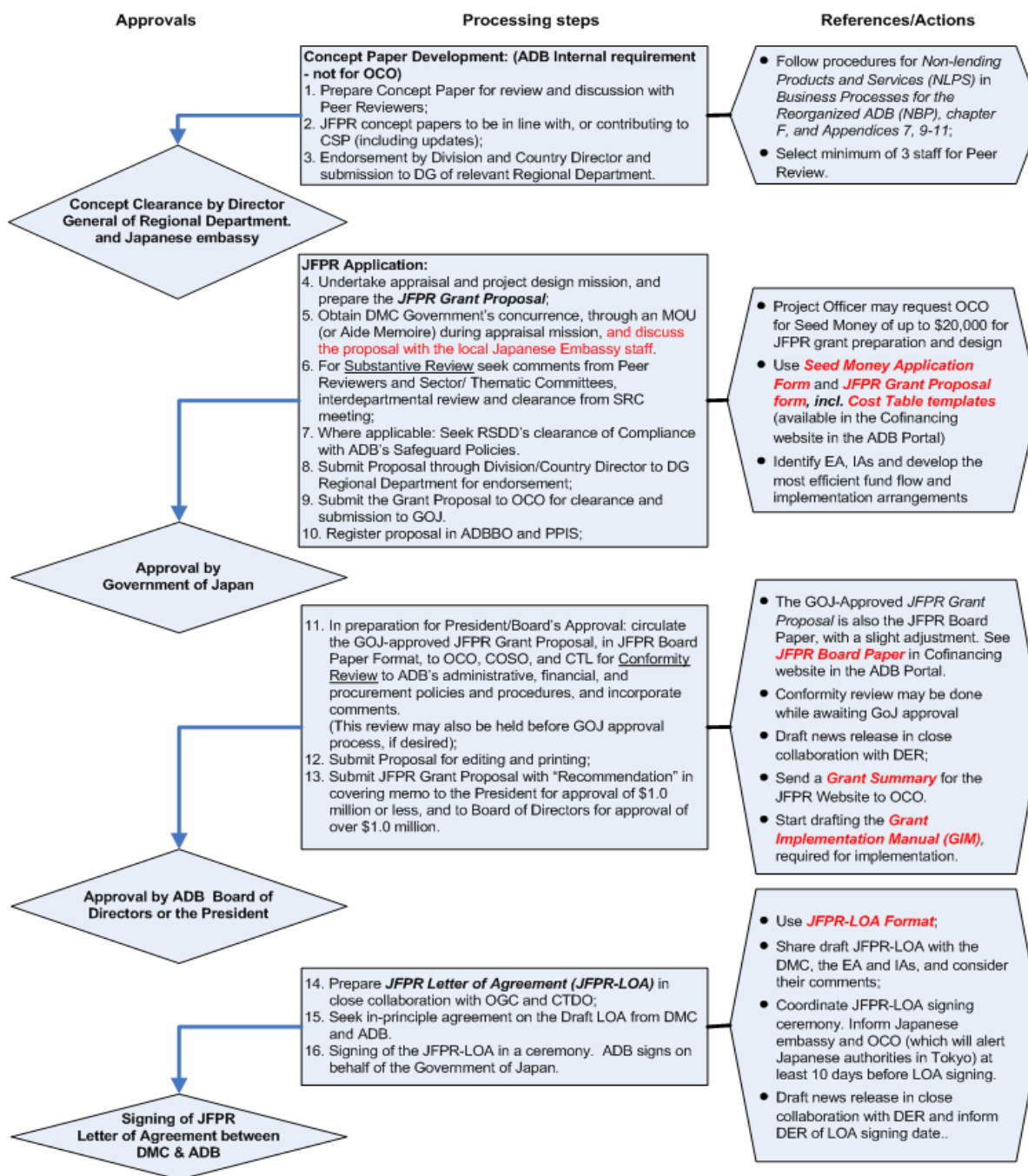
50. To some degree, identified weaknesses in design may be a function of small project size and consequent limited allocation of resources. They may also be caused by the current requirements of the JFPR process, which differ from normal ADB business practices and do not give very clear guidelines. It is certainly accepted that fewer resources can be devoted to the design of a \$2 million grant than to a \$100 million loan. But standard design processes can still be applied, particularly if the projects are kept simple. Although there were weaknesses in the design of the projects evaluated, they still had a high rate of success.

¹⁶ While JFPR focused initially on promoting poverty-relevant pilot investment projects, the World Bank fund had a broader emphasis, supporting technical assistance, capacity development, participatory assessments, and research.

2. Approval

51. The design and approval process for JFPR projects differs from the usual ADB approval process, as indicated in Figure 3. At the concept stage, approval is required from the ADB department where the project is located. Before departmental approval, the concept should be explained to the Japanese embassy in the recipient country or countries. The embassy may turn down projects (a more collaborative approach at the concept stage may resolve issues more readily, an issue discussed further in para. 53 onward). The approval of the DMC government is then sought and a memorandum of agreement signed, though the latter is not mandatory. The grant design paper is then prepared as instructed on the JFPR website and circulated for interdepartmental comments, and approval of the staff review committee is sought. OCO submits grant proposals in four batches each year to the Government of Japan (through the Ministry of Finance) via the ADB Japanese executive director. The Government of Japan, in principle, approves the proposal within 4 weeks of submission by OCO, unless further clarifications are required. The Ministry of Finance circulates the design document to the Japan Bank for International Cooperation and to the Ministry of Foreign Affairs, which in turn passes the document to relevant agencies like the Japan International Cooperation Agency and the Japanese embassies in recipient countries for review. The Ministry of Finance consolidates the comments and questions (often seeking clarification) and forwards these to OCO. Once the Japanese agencies are satisfied with the proposal and inquiries have been clarified, formal approval to proceed is granted. The grant paper is then circulated in ADB, revised as necessary, and forwarded to the President or Board for approval. After approval, a letter of agreement between ADB and the recipient country is drawn up and signed, a lengthy process at times.

Figure 3: JFPR Project Design and Approval Process



ADB = Asian Development Bank, ADBBO = ADB Business Opportunities, CSP = country strategy and program, COSO = Central Operations Services Office, CTDO = Disbursement Operations Division, CTL = Controller's Department, DG = director general, DER = Department of External Relations, DMC = developing member country, EA = executing agency, GIM = grant implementation manual, GOJ = Government of Japan, IA = implementing agency, JFPR = Japan Fund for Poverty Reduction, LOA = letter of agreement, MOU = memorandum of understanding, NBP = New Business Processes for a Reorganized ADB, NLPS = nonlending products and services, OCO = Office of Cofinancing Operations, OGC = Office of the General Counsel, PPIS = project processing information system, RSDD = Regional and Sustainable Development Department, SRC = Staff Review Committee.

Source: Amended from JFPR website.

52. In 2003, it was decided that JFPR should closely parallel the World Bank's Japan Social Development Fund procedures. The reasons for the enthusiasm for these procedures cannot be easily ascertained, but seem to include (i) a belief that the system was simpler and well suited to the needs of the program, and (ii) a desire to facilitate assessment by the Government of Japan. In retrospect, neither reason is considered sufficient to justify a system that does not conform to ADB requirements, particularly where it adds significantly to the use of staff resources. In terms of facilitating approval by the Government of Japan, the benefits are perhaps marginal, since other ADB design documents (those for TA grants and for reports and recommendations of the President) are considered to be easy to follow. A better developed design and monitoring framework should greatly facilitate review by the Government of Japan. Changing the format should not adversely affect the review process.

53. The other aspect of donor involvement is requesting significant changes, or even declining to support proposals at the initial discussion, concept, or final design stages, as has happened in a number of projects. After extensive discussion with ADB staff in relation to this issue, and with embassies in two recipient countries, it is considered that review of the nature of Japanese involvement in JFPR management may be desirable. The questions that need to be asked are: (i) At what stage is it most efficient for the Government of Japan to comment on a proposed project? (ii) What action should Japanese officials take independently? and (iii) What consultation mechanisms are desirable to resolve any differences of opinion?

54. Discussion with the Japanese embassy (and agencies such as Japan Bank for International Cooperation/Japan International Cooperation Agency) is highly desirable at the concept stage. In some cases, embassy staff have little familiarity with JFPR requirements, and several visits can be required to inform staff and obtain well-considered input. Discussion should also be held with other bilateral and multilateral agencies with activities in the subsector and geographic area. If a JFPR project concept competes directly with a Japan Bank for International Cooperation/Japan International Cooperation Agency or other donor project in the same area, for example, it would be undesirable for the JFPR project to proceed. However, before any decision is taken to turn down the project, the relevant stakeholders (or at least the Government of Japan, ADB, and the DMC government) should meet to discuss the project with the aim of resolving differences or changing the design of the project to accommodate the needs of all stakeholders including the Government of Japan. If consensus cannot be reached on an appropriate design, ADB could decide to remove the project from the JFPR program and, if necessary, seek alternative funding. At later stages in the project cycle, Japanese involvement would also be welcome, but should perhaps be limited to technical comments, clarifications, or suggested improvements in design.

3. Scale

55. Afghanistan aside, JFPR projects are mainly \$2 million or less, or, in exceptional cases, up to \$3 million. This limit was imposed after discussion with the Government of Japan at the time JFPR was moved to OCO. Previously, projects could be larger—JFPR 9005: Improving Nutrition, for example, was for \$6.9 million, divided among six countries. Now even regional projects are also limited to \$2 million. Many ADB officers interviewed questioned the limits, mainly on the basis that “it takes as much effort to manage a small project as a larger one” and staff resources are overstretched in many divisions. The almost universal consensus in ADB is that most JFPR projects take great effort by staff to design and implement—often “as much as a

loan project.”¹⁷ It is clear that JFPR would be more attractive to managers and staff if the program involved larger, and thus fewer, projects. However, size should relate to need.

56. While project cost would still be determined by need, grants of up to \$3 million, or even \$5 million, could be approved for appropriate projects, and perhaps \$10 million for regional projects. Larger projects would often link to and support loan projects and should reflect the current CPS. Though no projects less than \$500,000 have been approved, there is no particular reason to change the current \$200,000 minimum level. Subject to future evaluation, it may also be desirable for the Afghan program to be subject to the proposed \$5 million limit. While grants up to \$20 million may have been valuable in the years right after the invasion, there does not appear to be any reason to continue to differentiate the country in the future, since it is now eligible for Asian Development Fund grants. Despite the proposed increase in maximum project size, project designs should be kept simple.

4. Implementing Agencies

57. JFPR projects are implemented through (i) a unit within the project management office for a loan project, (ii) a project management office set up in a government department specifically for the JFPR project, (iii) a contracted NGO, or (iv) NGOs contracted for the purpose by a government department. Each process has its strengths and weaknesses. For JFPR projects linked to loan projects, there can be merit in option (i), since the processes required and relationship with ADB will already have been established under the main project. However, delays in the loan project can also translate into parallel delays for the JFPR project. Project management offices established directly under a resident mission may benefit from quicker decision making and efficient project management. ADB's Sri Lanka Resident Mission reports good experience in implementing three JFPR projects under its direct management.

58. To maximize direct benefits to the poor, project planners strongly prefer to install NGOs as implementing agencies, since government departments are often deemed to lack capacity or capability. The performance of the implementing NGOs has often been good, as in the case of JFPR 9017-CAM: CBLE and JFPR 9008-TAJ: Rural Poverty Reduction. International NGOs, unlike most government-linked agencies, are often able to fund temporary financial shortfalls from their own resources and to assist in developing the accounting and reporting capacity of local NGOs.

59. Many JFPR projects have substantially improved the links between governments and NGOs. Governments can be mistrusting and resentful of the involvement of NGOs in their areas of delegated responsibility. JFPR projects have gone some way toward improving these relationships and demonstrating that government and NGO services can be complementary or synergistic. In Cambodia, this was evident in JFPR 9006: HIV/AIDS, and also in JFPR 9017: CBLE and JFPR 9023: CB Environmental Improvement.

60. NGOs have implemented projects effectively, as in the case of JFPR 9008-TAJ: Rural Poverty Reduction. However, in Tajikistan, the Government has concerns relating to international NGOs, particularly because of the Government's inability to provide efficient services to its rural people, and the perceived development of a parallel system. Since all international NGOs have been asked to leave another Central Asian country, the negative

¹⁷ In some cases the design effort may be low, particularly where the design originated with NGOs. There are also cases where loan project preparation teams can prepare JFPRs as part of the design process, limiting the need for staff input.

feelings of some senior bureaucrats in Tajikistan are of concern and need to be addressed if the valuable services provided by the NGOs through JFPR are to continue.

61. Improved service delivery to communities can result from bypassing government agencies and implementing projects through NGOs. However, governments are increasingly demanding a say in project implementation. The issue is how to tap the skills and resources of governments without allowing them to take over the project and potentially limit the impact on communities. It is important to prevent the development of parallel systems with a well-funded NGO implementing the project independently of a weak government department. The optimal approach will vary with the project and agency. Adequate institutional analysis, in which the experience, capacity, and motivation of relevant government agencies are taken into account when defining the project's institutional arrangements, is essential.

62. The small size of local NGOs can lead to the hiring of several to implement a single project. In some ways this is a positive move: It can assist a large number of NGOs to improve their skills and implementation capacity. However, it also complicates management and increases the risk of failure of one or more of the NGO partners. Selection procedures should be sound, and include prequalification against criteria defined in the grant paper or grant implementation manual. Where possible, larger and better established NGOs should be selected, and given wider geographic responsibility. Excessive division of responsibilities can limit the extent of cross-fertilization of ideas and implementation systems, and complicate management.

63. Perhaps because of a lack of confidence in NGO capacity, NGO contracts have often been short, e.g., in the case of JFPR 9006: HIV/AIDS, JFPR 9023: CB Environmental Improvement, and JFPR 9064: TLS Floating Communities in Cambodia, where initial contracts were for 12 months or less. The short duration of the contracts had negative results: it caused uncertainty and created gaps between contracts, when NGO workers had to work without salary. In the future, alternative approaches should be used, including phased contracts with optional follow-on phases. Where this is not possible, it is important to start negotiating the second phase well before the end of the first phase, so that the transition can be made without interruption. OCO reports that longer contracts are now the norm.

64. NGOs, particularly small local ones, are sometimes unfamiliar with the requirements of government departments or ADB, and can find the implementation requirements overly restrictive and demanding. For example, in JFPR 9023-CAM: CB Environmental Improvement, several NGOs interviewed complained about short contracts, onerous reporting requirements, and too frequent meetings. Two NGOs left the project or declined to renew their contracts. NGOs, in their own view, are meant to work in the communities to help the poor; they can therefore resent administrative requirements they deem to be excessive. While they acknowledge the need for reporting and financial management, they also believe that these should be set at the minimum level required for good governance and not determined by formula to satisfy the needs of ADB or the implementing agency.

65. Implementation through government departments can also be efficient, particularly if the department is highly motivated and committed and the project accords closely with departmental and national policy. A good example is the implementation of JFPR 9006-REG in Cambodia through the Ministry of Health and the National Center for the Control of HIV/AIDS, Dermatology, and Sexually Transmitted Diseases. The project was rated highly successful in the ICM and this evaluation. However, government departments, and their project management offices, are not always efficient. Slow decision making and late replenishment of imprest

accounts are quite common. The experience and motivation of the project coordinator or head of the project management office is a key factor in ensuring effective implementation. A case in point is JFPR 9014-MON: Employment for the Disabled, where a project coordinator from outside the sector has implemented a highly successful project.

5. Project Management

66. Imprest account management and delayed fund flows have been major issues for many JFPR projects. In some cases, the financial administration arrangements are unduly complex. For example, JFPR 9049-INO: Sustainable Livelihood Development must have expenditure claims approved by five people in different sections of the Ministry of Marine Affairs and Fisheries through the ADB-funded Coral Reef Rehabilitation and Management Program office. Imprest account replenishment has therefore been delayed by 6 months, and at the time of the evaluation implementation had stopped. In other cases, such as in JFPR 9064-CAM: TLS Floating Communities, documentation has been lost and the imprest account depleted, again disrupting implementation. A move should be made to monthly replenishment until the imprest account has been built up to a viable level. Subcontracted NGOs have sometimes run out of funds and have been compelled to fund activities from the budgets of other projects. Staff have also been laid off or have had to go unpaid for months. These outcomes are unsatisfactory and place the NGO implementers in a difficult position in relation to the project management office and to their clients in the communities. (These issues are discussed further in the country reports.)

67. As with other ADB projects, annual audit reports are required on JFPR projects within 6 months of the end of the financial year. This requirement can pose problems for many projects implemented by NGOs, such as JFPR 9064-CAM: TLS Floating Communities, where around seven NGOs are each required to obtain audit reports of a standard acceptable to ADB. The cost of auditing the 2006/07 accounts may be as high as 30% of expenditures during the period. Project managers need to assist implementing agencies in obtaining cost-effective audits, e.g., by negotiating for one firm to conduct audits of all project NGOs. Beyond this it may be feasible to contract with one firm to conduct audits of all JFPR projects in a country or region.¹⁸ Hiring several NGOs to undertake project activities has its advantages, but it complicates management and adds to overhead, including supervision, management of the individual NGOs, and auditing costs. Project management office staff and implementing NGOs must be adequately trained to ensure that they are familiar with the project processes.

68. Most projects are administered from Manila, though an increasing number, for example in Indonesia and Mongolia, are now being run from resident missions. Where feasible, the latter arrangement has advantages in that it allows closer monitoring and a quicker response to questions and issues. Project supervision is supported by JFPR, which pays for staff travel and per diems. Such support makes it possible to carry out the required two missions per year and is considered helpful by project officers and their managers, given the restrictions on divisional

¹⁸ ADB's Office of the Auditor General commented that auditing firms should be prequalified and a firm with considerable experience in auditing projects funded by ADB and other aid agencies selected. The Financial Management Guidelines on nonrevenue-earning projects (section 5.3.10) (with which JFPR projects may be classified) state that the financial statements required of nonrevenue-earning executing agencies should be determined as each case demands. At the same time, this determination should not be made at the expense of providing ADB with adequate independent information on project use of JFPR funds. The use of supreme audit institutions to audit JFPR grants could be explored as a cost-effective alternative. Where possible, auditors should be hired for the duration of the project to improve familiarity and contain cost. In a new project, with minimal expenditures in its first year, the full audit may be deferred to the second year, and should cover the first 2 years of project implementation.

travel budgets. Some projects appear to need more intensive supervision and support, particularly in their early stages. Regional projects, JFPR 9052-REG: Food Fortification among them, seem to be particularly difficult to implement.

69. Changes in project officers are just as much an issue for JFPR as they are for ADB's TA and loan program. Ownership by the JFPR project officer seems to be important. When possible, the initiating officer should remain with the project throughout the project period or for most of it, since it is likely that this officer's motivation got the project off the ground in the first place. This factor supports the involvement of resident mission staff in design and administration.

6. Monitoring and Reporting

70. JFPR project monitoring involves (in principle) quarterly reports from project management and 6-monthly visits by the project officer. On the basis of the quarterly progress reports, the project officer is required to prepare a 6-monthly grant status report containing a summary of cumulative outputs to date by component and an assessment of performance compared with the target for each component and subcomponent. However, there is little assessment of outcomes or of implementation issues. The grant status reports are received by OCO and posted on the ADB portal. OCO is looking into how much of the information in these reports should be made available outside ADB, i.e., through the external website. These reports differ from normal ADB project and technical assistance performance reports. They do not readily allow project performance information to be added to a database and retrieved by project staff and managers, e.g., in the same way as the project performance report on loans is available on the ADB intranet.

71. In-project reporting requirements have often been unduly onerous, given the length of the NGO contracts. It is therefore suggested that midterm reports should not be required for contracts of less than 2–3 years. Where appropriate, monthly and quarterly reports could comprise exception reporting (where only exceptions from the approved program are reported), together with any particular issues or problems that must be addressed by the project management office, implementing agency, or ADB. The project management office can then prepare the quarterly reports required for ADB's supervision, and the 6-monthly reports required as a basis for the preparation of the grant status reports.

72. Some executing and implementing agencies felt that they did not receive enough information from their projects. Where government institutions are included in JFPR projects as executing or implementing agencies, it is important that they receive regular reports on project activities. Otherwise antagonism can develop between the institutions and the project. At the same time, it is recognized that many government institutions in ADB's DMCs remain short of resources. Thus, the potential for them to capture resources for their own benefit needs to be avoided, but not at the expense of providing them with adequate information on project implementation and financial performance. Reports should be provided to the government in the official language as well as in English. While project costs would increase, the improved communication that should result would be a major benefit. NGOs are not always good at managing the NGO-client (executing or implementing agency) relationship, a factor that could have been handled better in several of the JFPR projects evaluated.

7. Completion

73. Of the 90 JFPR projects begun since 2000, 22 have been completed.¹⁹ Of these 22 projects, 12 have completed ICMs. These documents should be prepared within 6 months of project closing but are sometimes delayed. Three other ICMs are overdue.²⁰ ICMs are prepared by the project officer on the basis of information supplied by the recipient and the grant implementation unit. They should be signed by five individuals including the relevant departmental director general in ADB and the head of the recipient institution (e.g., the Ministry of Finance), as well as the heads of the executing and implementing agencies. Signing the ICM is expected to promote ownership in ADB and among local officers. However, collecting signatures can be difficult and time-consuming, as was the case with JFPR 9013-AZE: Integration of Internally Displaced Persons in Mingechevir Rayon. Having the project officer or the head of his or her division sign off on the ICM (as is done in loan project completion reports) and circulate the document to key stakeholders may be adequate. If OCO and the ADB departments see value in retaining the current signing list, a move to electronic signatures should be considered.²¹ ICMs are stored as image PDFs (files in Portable Document Format) so that they can include the signature page; electronic signing should deal with this problem.

74. ICMs do not assess projects against three of the four evaluation criteria (relevance, efficiency, effectiveness) and only analyze sustainability. Nor do they specifically assess socioeconomic impact. They are thus markedly different from the completion reports on loan projects.

8. Data Storage

75. OCO was able to provide a comprehensive set of records relating to JFPR projects. Many data items (e.g., grant status reports, letters of agreement, and some ICMs) are held as scanned PDF files, making data retrieval and further processing difficult. Transferring the data into databases (e.g., into the proposed Grant Performance Report system) and making them available in document format would facilitate data searches in the future.

9. Timing and Extension

76. Like most loan projects, many JFPR projects suffer implementation delays, with frequently slow start-up and a consequent need for one or more extensions. The average interval between Government of Japan approval and ADB approval is 4 months, but it has recently been shorter. Five more months go by on the average before the letter of agreement is signed. The average planned project period is 32 months, and the average extension 10 months (projects yet to be completed, which may require further extensions in the future, are included here). Projects begun in 2000–2003 were extended by an average of 26 months. The need for extension seems to arise from a number of issues such as (i) slow start-up, (ii) fund flow

¹⁹ According to ADB's Technical Assistance Information System and Controller's Department Accounting Division–Fund Accounting Section report, only six projects had been financially completed by 31 December 2006.

²⁰ ADB. 2000. *Proposed Grant Assistance to the Republic of the Philippines for Supporting the On-Site Integrated Urban Upgrading for Vulnerable Slum Communities of Payatas Project*. Manila (JFPR 9003-PHI: Payatas Slum Communities, approved in December 2000); ADB. 2000. *Proposed Grant Assistance to the Republic of the Philippines for Supporting the Off-Site and Off-City Relocation of Vulnerable Slum Communities of Muntinlupa City Project*. Manila (JFPR 9004-PHI: Muntinlupa Slum Communities, approved in December 2000); and ADB. 2002. *Proposed Grant Assistance to Afghanistan for Community-Based Gender-Sensitive Basic Education for the Poor Project*. Manila (JFPR 9019-AFG: Community-Based Gender-Sensitive Basic Education for the Poor, approved in August 2002).

²¹ Electronic digital signatures are difficult to collect at present, though perhaps not in a few years' time.

problems, (iii) complex project structures, (iv) late appointment of consultants and NGOs, and (v) optimistic programming. Extensions cause problems and entail costs for project management and ADB. The problem must be addressed through careful planning, and the provision of sufficient support to implementing agencies during the start-up period, particularly in financial management, contracting, and compliance with ADB procurement guidelines.

77. Different ADB divisions view project extensions differently. In general, they recommend and accept extensions on the basis of project need. However, there appears to be a tendency to try to limit the project period. In principle this is desirable, as it promotes efficient implementation and contains overhead costs. The maximum allowable implementation period is now 4 years. In general, this is a reasonable limit, though projects should be designed to be completed in 3 years or less, given Parkinson's law that work expands to fill the time allotted. However, extension to 4 years should be allowed with reasonable justification, and beyond that time "in exceptional circumstances."²²

10. JFPR Supervision

78. Supervision is paid from JFPR funds; in 2006 the related costs amounted to \$538,000. Such direct and identifiable costs include, among other things, consultants' fees, salaries for Controller's staff assigned to handle JFPR accounts, and the cost of JFPR mission travel. No additional management fee is paid to ADB, which also provides office space and support services to the Fund. Fund management is streamlined and effective. Having a Japanese head of the Japan Funds unit (with the relevant expertise and experience) has facilitated communication with Tokyo and with local embassies.

79. The Japan Funds unit is managed by a JFPR team comprising professional, national, and contractual staff (Table 2):

Table 2: JFPR Team

Professional Staff:	Senior Financial Partnerships Specialist (Coordinator, JSF, JSP, JFPR, JFICT, JFPPT, JBIC, JICA) – Level 5
Local Staff:	Associate Cofinancing Analyst (Admin Staff handling JSF, JFPR, JFPPT) – Level 7 Associate Cofinancing Analyst (Admin Staff Handling JSP-PIO-Level 7) – Level 7 Senior Cofinancing Assistant (Admin Staff Handling JSF) – Level 5 Senior Cofinancing Assistant (Admin Staff Handling JFPR) – Level 5
Contractual Staff:	Administrative support for JSP
Staff Consultant:	Staff Consultant (international) for JFPR operations

JBIC = Japan Bank for International Cooperation; JFICT = Japan Fund for Information and Communication, Technology; JFPPT = Japan Fund for Public Policy Training; JFPR = Japan Fund for Poverty Reduction; JICA = Japan International Cooperation Agency; JSF = Japan Special Fund; JSP = Japan Scholarship Program.
Source: Office of Cofinancing Operations.

80. One professional staff handles the Japan Funds administered through OCO. He or she is responsible for administration and the technical review of proposals before interdepartmental circulation, at the Staff Review Committee meeting, and before submission to Japan. He or she is also responsible for ensuring portfolio quality and visibility of Japan Trust Fund activities. Additionally, he or she is responsible for the Japan Bank for International Cooperation and

²² According to Elliot Aronson of the University of Texas, the testing of Parkinson's law under laboratory conditions has indicated that a piece of work not only expands to fill the time available but, once expanded, continues to require more time. Aronson, E. 1969. The Proof of Parkinson. *Time*. Volume Number 94 (Issue Number 3; 18 July).

Japan International Cooperation Agency portfolios, which used to be handled by one Level 6 professional staff.

81. Japan Trust Funds local staff rank lower than their counterparts in the commercial cofinancing and official cofinancing units, despite their similar levels of responsibility. The size of the Japan Trust Funds portfolio and the level of responsibility in relation to proposal review, processing, and administration would suggest that the positions in the Japan Trust Funds unit should be reviewed.

82. JFPR management has been supported by an international consultant since September 2000. This consultant has provided valuable help and made a major contribution to the development of systems, data management, and the technical review of project proposals. The functions of the position may have to be continued indefinitely; converting the position to a professional staff position could therefore be considered. While the tasks could continue to be done by a consultant, consultant contracts are limited in duration and extensions are restricted by consultant procurement guidelines. The current arrangement where a consultant performs regular tasks that should be performed by regular staff should be reconsidered.

83. Other design-related issues (including contracting procedures) were identified:

- (i) The format of grant papers causes problems, with too much detail in some areas and not enough in others. For example, grant papers do not give enough information about implementation arrangements and control. Implementation arrangements are critical and should preferably be a main section of the report. Content and sequence should be standardized.
- (ii) Component costs are often very detailed but no basis for costing is provided (e.g., number of person-months). Some project staff also find the costing template difficult to use.
- (iii) Procurement systems do not match the scale of projects. Large tender documents are often required for small contracts.
- (iv) ADB has not had an appropriate contracting system for smaller and national NGOs. In the recently approved revised consultant selection guidelines,²³ simplified procedures are provided for, but these have yet to be implemented. A form of service contract, similar to those with service providers at ADB headquarters, may be required. Again, it is proposed to allow simplified contracts for selected small contracts with NGOs, but this is also pending implementation. NGOs, as not-for-profit organizations, require an approach to incentives and penalties that is different from that used in ADB's standard consulting firm contracts. A number of project assistants at ADB headquarters also mentioned substantial problems in contracting NGOs.

84. Program management under OCO has been sound. Requests for information were met rapidly, despite the rather cumbersome data storage systems. ADB staff interviewed generally had positive views of the support provided, while the close relationship maintained between the head of the Japan Funds unit and the Japanese authorities has assisted in clarifying queries and expediting approvals. Most of the grant projects reviewed were processed before the management and administration of the JFPR was transferred to OCO.

²³ ADB. 2007. *Guidelines on the Use of Consultants by ADB and Its Borrowers*. Manila.

85. When JFPR was transferred from RSDD to OCO, it lost its direct technical links with RSDD, though RSDD continues to provide comments on proposals during interdepartmental review and at the Staff Review Committee meeting. While OCO staff are skilled in administration, limited personnel resources constrain OCO support for the projects it manages. For example, few visits can be made to the field. While OCO should not usurp the function of the project officer, there are useful functions it can perform, as demonstrated by a recent OCO mission to Tajikistan, which helped untangle a number of implementation issues and addressed some questions from the Japanese embassy.

86. In 2006, JFPR focal points were created for the first time in ADB divisions. So far, there is one focal point in place in the Southeast Asia Agriculture Division. This officer coordinates JFPR activities in the division, assists staff in preparing or implementing JFPR projects, and facilitates coordination with Japanese embassies and the Japan Bank for International Cooperation/Japan International Cooperation Agency. After a recent request from OCO, other divisions with substantial JFPR programs have also nominated focal points. A small workshop could be held to define and discuss their roles and responsibilities.

B. Demand for JFPR Projects

87. The large project pipeline indicates continued high demand for JFPR projects. However, JFPR is a mixed blessing to many staff, managers, and project administration unit heads. It is seen as beneficial in providing a mechanism with which divisions can directly attack poverty in their countries and sectors, and train new staff. It can also be a useful complement to loan projects. It is suggested that experience in the design and implementation of one or two JFPR projects was a valuable, if not essential, stepping stone to becoming a loan mission leader. But many staff also had suggestions for improving JFPR design, implementation, and completion processes. At present, these processes do not accord with normal ADB business practices, and require a different approach, methodology, and set of forms and templates, all of which have to be learned.

88. The management of two other poverty-related grant funds—the Poverty Reduction Cooperation Fund of the Department for International Development of the United Kingdom and the National Poverty Reduction Strategies Fund of the Netherlands Government—is fully delegated to ADB, and projects are subject to normal ADB business processes. Largely because of this, they are easier to administer than JFPR, according to ADB staff. Both funds focus on relatively small TA. As an aside, their possible closure at the end of 2007 might result in increased demand for JFPR projects to support ADB's poverty reduction efforts.

V. CONCLUSIONS, ISSUES, LESSONS, AND RECOMMENDATIONS

A. Conclusions

89. The research, interviews, field evaluations, and analysis undertaken for this study lead to the conclusions that JFPR (i) has been successful; and (ii) is a valuable means for ADB to address poverty in its DMCs and a useful complement to the loan program; but (iii) should have simpler processes to facilitate its use by ADB staff and to reduce the workload on project officers, management, Central Operations Services Office, and support staff. The fund represents good “value for money” and should if possible be continued. The strengths and weaknesses of the program and its opportunities and threats are summarized in Table 3.

Table 3: Strengths, Weaknesses, Opportunities, and Threats Summary of the JFPR Program

Strengths	Weaknesses
Strong support for ADB's Poverty Reduction Strategy – LTSF, MTSF II	Design and approval process different from usual ADB practice
Visible link of ADB operations to poverty reduction – demonstration effect for partners and public at large	Lack of integration in ADB's monitoring systems, constraining effective program management and assessment
Innovative approaches – generally successful as individual projects	Pilot, innovative approaches not generally applied on as wide a scale as anticipated
High socioeconomic impact – projects address real needs of communities, encourage beneficiary participation	Contribution to improved effectiveness of associated individual loans often less than intended
Small-scale, manageable projects – flexibility a key factor	Difficulty in reaching poorest of the poor; closer monitoring/attention needed
Strategic alliances and partnerships with NGOs, CBOs and communities – strengthens ADB's capacity to work with NGOs	Implementation delays (imprest replenishment) – NGOs unfamiliar with ADB procedures; financial liquidity/standing of grassroots NGOs often cannot support immediate financial requirements
Involvement of Japanese embassies in DMCs – helps ensure complementarity of country operations	Limited use by ADB of JFPR grants as strategic instrument in CPS
High motivation of staff and NGOs in design and implementation	Relatively high staff and resource use per dollar invested compared with loan projects
Project processing by a wide range of ADB staff (i.e., not restricted to loan mission leaders)	Low recognition in the ADB staff performance appraisal system, compared with loan processing
Opportunities	Threats
Maintenance of visible link to poverty reduction and increased focus on “enterprising poor”	Demands on staff time and resources – some ADB divisions reluctant to process more small grants
High demand – large pipeline of projects	Uncertainty of continued Government of Japan funding
More specific use as a strategic instrument in country operations	
Expansion of JFPR assistance, decoupled from loan operations, to more small-scale economies in the Pacific	
Increased use of resident missions in design, processing, and supervision; reduced demands on staff at headquarters	

ADB = Asian Development Bank, CBO = community-based organization, CPS = country partnership strategy, JFPR = Japan Fund for Poverty Reduction, LTSF = Long-Term Strategic Framework, MTSF = Medium-Term Strategic Framework, NGO = nongovernment organization.

B. Lessons

90. A number of lessons can be drawn from the experience of JFPR projects over the last 7 years (Table 4).

Table 4: Lessons from JFPR Implementation

Project Cycle Stage/Factor	Lesson
Finance	1. Simplified funding mechanisms are desirable, requiring direct contracts between ADB and implementing agencies. This is the approach used effectively by some bilateral donors, and mechanisms can be developed for projects funded with multilateral grants. If normal government channels have to be followed in a particular case, they

Project Cycle Stage/Factor	Lesson
	<p>should be as streamlined as possible.</p> <p>2. Underspending is frequent in JFPR projects. This is unfortunate, since the poor and the institutions supporting them can often use additional funds effectively. Care is required to monitor fund flows closely to identify underspending at an early stage, and if necessary introduce variations to allow most of the grant amount to be used by the end of the project.</p> <p>3. Timely replenishment of the project imprest account is a key factor in the achievement of high disbursement rates and timely completion. Staff from the implementing agency and NGOs should be trained at the start of the project so that they can implement project procedures effectively.</p>
Management	<p>4. Simplicity of reporting is desirable to ensure that the main output of the project is the delivery of services to poor communities and not the preparation of reports and meeting minutes. Midterm reporting should be avoided in most circumstances.</p> <p>5. Local supervision can result in improved performance. Closer attention to implementation problems was evident when responsibility for implementation was passed to the resident mission (Mongolian projects and JFPR 9000-INO: Street Children). The formation of PMOs directly under the resident mission can be successful, as reported by the Sri Lanka resident mission.</p>
NGOs	<p>6. NGOs are appropriate partners for JFPR. They are particularly valuable in their ability to respond to local needs and for their knowledge of and relationship with local communities. NGO selection needs to take experience and capacity into account.</p> <p>7. NGOs need to understand that they will have to follow project procedures in relation to reporting and financial control. Project procedures should be clear and written into the grant implementation manual at the start so that all partners have a good understanding of the project processes. Introducing complex new systems midway through a project should be avoided if possible. A collaborative approach between government and NGOs can be highly effective, as in JFPR 9006-REG: HIV/AIDS.</p> <p>8. Small NGOs need strong support from project management in establishing the required systems. JFPR projects have sometimes placed quite severe financial burdens on NGOs. Effective funding mechanisms are essential for all projects but particularly for those involving NGOs that have limited financial reserves and cannot afford to fund project activities from their own resources.</p>
CBOs	<p>9. The establishment of CBOs needs to take place as early in the project cycle as possible to allow enough time for the organizations to become well established before the end of the project. Alternatively, existing CBOs could be used (JFPR 9001/9022/9042-PHI and JFPR 9017-CAM).</p>
Pilot Projects and “Upscaling”	<p>10. Pilot projects need to be implemented at the correct time (e.g., in relation to the start of a loan project) if they are to be useful (JFPR 9016-INO: Basic Education and JFPR 9001-PHI: Sustainable Livelihood).</p>
Policy and Legislation	<p>11. Where projects closely align with national policy, success is likely, as in the case of JFPR 9006: HIV/AIDS. Some projects require legislation to be effective, for example, the regional nutrition projects in the Central Asian republics and Mongolia.</p>

Project Cycle Stage/Factor	Lesson
Poverty	12. It is difficult to reach the poorest of the poor, as the very poor may be too preoccupied with survival to participate in project activities. Further, they may lack land or other basic means of production. Other ways must be found to assist them.
Microfinance	13. Microfinance activities have been successful in many projects, but less so in the Philippine slum projects. Project experience confirms that it is difficult to work with the very poor, who can be averse to credit or not use it effectively. 14. Projects, where appropriate, should target the “enterprising poor,” who may come from either the poorest or less-poor categories. It is better to have a project that succeeds and may provide employment, implemented by one of the enterprising poor, rather than a project that fails for one of the poorest members of the community and may leave him or her indebted. This means that beneficiary targeting needs detailed attention during project design and implementation.
Emergency Response	15. Emergency response projects should be given careful scrutiny before approval. JFPR experience so far indicates that such projects are high-risk. They are probably more suitable for limited local emergencies rather than major disasters such as the Indian Ocean tsunami. The use of JFPR funds for emergency response requires rapid approval by ADB and the Government of Japan, continuity of project officer, regular follow-up in the field, and enough flexibility to respond to evolving needs and the programs of other aid agencies.

ADB = Asian Development Bank, CAM = Cambodia, CBO = community-based organization, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, INO = Indonesia, JFPR = Japan Fund for Poverty Reduction, NGO = nongovernment organization, PHI = Philippines, PMO = project monitoring office, REG = regional.

C. Recommendations

91. Many of the issues and lessons summarized in this section lead to suggestions or recommendations to increase the effectiveness of JFPR. Some of these are strategic and are listed below (Table 5). Others deal with JFPR processes, and these are listed in Appendix 8.

92. The principal recommendations are as follows:

Table 5: Recommendations, Responsibilities, and Time Frames

Recommendation	Responsibility	Time Frame
1. Country partnership strategies should specifically include a strategy for the use of JFPR if it is intended to access this fund within the country program.	Strategy and Policy Department, regional departments, and the Office of Cofinancing Operations (OCO)	From 2008
2. JFPR systems should be moved closer to ADB's core business practices.	Strategy and Policy Department, regional departments, OCO, Government of Japan	Mid-2008
3. Grant size restrictions should be reviewed—while the grants should remain of modest size, the possibility of increasing the maximum grant to \$3 million, or		

Recommendation	Responsibility	Time Frame
even \$5 million, with adequate justification, should be considered.	OCO and Government of Japan	Mid-2008
4. Resident mission staff should be involved in JFPR project design, and where appropriate, have responsibility for project supervision.	OCO, resident missions/regional departments	From 2008
5. Careful beneficiary targeting is important and needs detailed attention during project design and implementation. JFPR projects should target mainly the “enterprising poor.”	Regional departments	From 2008
6. The approach to the use of JFPR grants for disaster recovery should be reviewed. JFPR may be best suited to addressing localized disasters rather than larger regional emergencies.	Strategy and Policy Department, regional departments, OCO, Regional and Sustainable Development Department (RSDD) and Government of Japan	Mid-2008
7. The Government of Japan might consider providing increased input at the concept and design stages. While the process would not be shortened, subsequent approval by Japan would be more predictable and final approval more efficient.	Government of Japan	Mid-2008
8. If JFPR funds can be made available, OCO’s staffing resources should be increased to allow greater input in design, and more frequent monitoring in the field. Closer links with RSDD should be sought.	OCO, RSDD	Mid- 2008
9. Given the innovative and pilot nature of JFPR projects and their potential for expansion, greater emphasis should be given to learning from JFPR projects and disseminating the findings.	OCO, regional departments	From 2008

APPROACH AND METHODOLOGY OF THE STUDY

1. This study evaluates the Japan Fund for Poverty Reduction (JFPR) program in the developing member countries (DMCs) of the Asian Development Bank (ADB). The evaluation includes both a top-down assessment of the funded program as a whole—how the program relates to ADB’s overall strategic objectives and priorities—and a bottom-up assessment of the performance of individual JFPR projects in selected countries. At the strategic level, the evaluation examines the relationship and links to ADB’s overarching goal of poverty reduction as set out in the Poverty Reduction Strategy¹ (1999) and Long-Term Strategic Framework² (2001–2005), and as expressed in the Medium-Term Strategy³ (MTS) and MTS II.⁴ However, the main efforts in this evaluation were put into the program and project assessment, covering aspects such as project design, implementation, and performance. The evaluation also examined the procedures and management of the program, and the administrative support provided to it.

2. For the assessment of performance and impact of JFPR projects in individual countries, a case-study approach was adopted, after a desk review of the JFPR program, from which a field evaluation plan was developed. The fieldwork focused on countries that had a substantial JFPR portfolio under several geopolitical systems but had not been subject to a major recent program evaluation by Operations Evaluation Department (OED). Five countries were selected for the fieldwork: Cambodia, Indonesia, Mongolia, Philippines, and Tajikistan. Nineteen projects were evaluated in the field, and five country case studies were prepared, the main report sections of which are in Appendixes 3–7 of this report. Project stakeholders were interviewed in Manila and in the various project countries, and their views formed the basis for many of the recommendations made in section V of this report. The field evaluations were necessarily brief, but full evaluation of the projects is not expected to result in changes in the ratings. Possible exceptions include a number of partly completed projects that have potential for success but need to demonstrate improved performance in the future. Longer-established and completed projects, for which some information on effectiveness and sustainability was likely to be available, were evaluated in the field. A few more recent projects were also selected to gain an understanding of current JFPR processes and implementation issues. Other selection criteria included accessibility for field evaluation (given the limited period in-country) and diversity of sectors.

3. During the desk review and country studies, interviews were conducted with country directors, project administration unit heads, ADB project staff, ADB support staff, staff of implementing and executing agencies, consultants, and government officials. These discussions formed the basis for many of the suggested improvements in JFPR processes made in section V. Questionnaires were prepared for each project. These sought the views of project officers or consultants on a range of evaluation factors. Available information on the projects (for example, outputs based on the grant status reports) was attached to the questionnaires to reduce the amount of work required and increase the response rate. Most countries achieved 100% response, though in some cases questionnaires were prepared after the Operations Evaluation Mission (OEM). However, in Tajikistan, project officers managed to complete only one out of four questionnaires.

¹ ADB. 1999. *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy*. Manila.

² ADB. 2001. *Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: The Long-Term Strategic Framework of the Asian Development Bank (2001–2015)*. Manila.

³ ADB. 2001. *Medium-Term Strategy (2001–2005)*. Manila.

⁴ ADB. 2006. *Medium-Term Strategy II (2006–2008)*. Manila.

4. The completed questionnaires were reviewed, extended, or modified during the OEM and are included in the individual project reports. These reports summarize project performance and evaluate each project according to the four standard OED evaluation criteria of relevance, effectiveness, efficiency, and sustainability. The ratings form the basis for the assessments of the success the JFPR program overall and its various country programs. The project reports, including the OEM's meeting notes, are appended to the overall country reports. The full country reports have not been published but are retained in OED as background information. They may be useful to OED and OCO if more detailed project or program evaluations are undertaken in the future. The main sections of the country reports are in Appendixes 2–6 of this JFPR report.

A. Study Sample

5. Overall, OEM evaluated 19 projects in the five fieldwork countries (Appendix 2, Table 2.1). Short names for these projects are used in this report, for example, "JFPR 9000-INO: Street Children." Full and short names are listed on the data page (page iii). In addition to the projects evaluated in the field, a number of other projects were reviewed in the countries covered by the fieldwork and elsewhere, through discussion with project officers and consultants. These included the six tsunami-related projects in Indonesia. These projects were not evaluated in detail, since they have so far made little progress, but may be evaluated separately in due course. Similarly, JFPR's Afghan program was excluded as it is large and difficult to evaluate in the field given the current security situation. If the security situation improves, the program may be evaluated more fully by OED.

B. Limitations

6. The significant limitations of the study include:

- (i) The field evaluation was restricted to five countries and to 19 out of 90 ongoing or completed projects. However, the 21% sample is considered adequate for the purposes of the study and to provide a reasonable estimate of the performance of JFPR.
- (ii) Individual projects were not evaluated at the level of a regular OED individual project evaluation, because of the limited time available for fieldwork. Thus, around four projects were evaluated in 2 weeks in-country, compared with a full evaluation of perhaps 2–3 weeks of fieldwork per project. This meant that relatively few (but, it is hoped, typical) project sites could be visited, and a less than full range of project stakeholders interviewed. Despite these limitations, full evaluation in the future is not expected to greatly change the ratings assigned to most projects.

JFPR PROJECT AND PROGRAM INFORMATION

Table A2.1: Projects Selected for Field Evaluation

Grant No.	Project Name	Year	JFPR Grant (\$ m)	Government of Japan Approval	ADB Approval	LOA Signing Date	Original Closing Date	Revised Closing Date
Cambodian Projects								
9017	Community-Based Livelihood Enhancement for the Rural Poor	2002	1.80	Mar 02	Jul 02	Aug 02	Feb 05	Jun 07
9023	Income for the Poor through Community-Based Environmental Improvements in Phnom Penh	2002	1.00	Jul 02	Sep 02	Oct 02	Aug 05	Nov 05
9064	Improving the Access of Poor Floating Communities on the Tonle Sap to Social Infrastructure and Livelihood Activities	2005	1.00	Oct 04	Feb 05	May 05	Feb 08	Feb 08
Cambodian Regional Projects								
9006	Community Action for Preventing HIV/AIDS (CAM, LAO, VIE)	2001	8.00	Oct 00	May 01	Jun 01	Dec 03	Jan 06
9036	Improving Poor Farmer's Livelihoods through Post Harvest Technology (CAM and VIE)	2003	0.75	Nov 03	Dec 03	Jul 05	Dec 06	Dec 08
Indonesian Projects								
9000	Assisting Girl Street Children at Risk of Sexual Abuse	2000	1.00	Aug 00	Oct 00	Nov 00	Mar 02	Apr 06
9016	Supporting the Community-Based Basic Education for the Poor	2002	3.20	Dec 01	May 02	Jul 02	Dec 05	Jun 06
9065	Enriching Lives of the Urban Poor through Food Fortification	2005	1.75	Dec 04	Mar 05	Jun 05	Feb 08	Feb 08
Mongolian Projects								
9014	Expanding Employment Opportunities for Poor Disabled Persons	2002	1.0	Dec 01	Apr 02	May 02	Mar 05	Mar 06
9015	Improving the Living Environment of the Poor in Ger Areas of Mongolia's Cities	2002	2.2	Dec 01	May 02	May 03	May 05	May 07
Philippine Projects								
9001	Supporting the Sustainable Livelihood for the Poor in Southern Philippines	2000	2.8	Sep 00	Oct 00	Oct 01	Dec 03	Dec 07
9003	On-Site Urban Upgrading for Vulnerable Slum Communities of Payatas	2000	1.0	Sep 00	Dec 00	Jul 01	Dec 02	Feb 04
9004	Off-Site and Off-City Relocation of Vulnerable Slum Communities of Muntinlupa City	2000	1.0	Sep 00	Dec 00	Aug 01	Aug 03	Dec 04
9022	Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila	2002	3.6	Jul 02	Sep 02	Nov 02	Oct 05	Jan 07
9042	Renewable Energy and Livelihood Development for the Poor in Negros Occidental	2004	1.5	Nov 03	Jan 04	Aug 04	Dec 07	Jul 08
Tajikistan Projects								
9008	Tajikistan Rural Poverty Reduction	2001	2.90	Feb 01	Aug 01	Mar 02	Jul 04	Dec 04
9040	School Improvement Project	2004	2.00	Nov 03	Jan 04	Apr 04	Apr 07	Dec 08
Tajikistan Regional Projects								
9005	Improving Nutrition for Poor Mothers and Children (AZE, KAZ, KGZ, MON, TAJ, UZB)	2001	6.85	Oct 00	Apr 01	Mar 02	Aug 02	Mar 07
9052	Sustainable Food Fortification in Central Asia and Mongolia (MON, KAZ, KGZ, TAJ, UZB)	2004	2.00	Mar 04	Jul 04	Feb 05	Aug 06	May 07

ADB = Asian Development Bank, AZE = Azerbaijan, CAM = Cambodia, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, JFPR = Japan Fund for Poverty Reduction, LAO = Lao People's Democratic Republic, LOA = letter of agreement, MON = Mongolia, No. = number, TAJ = Tajikistan, UZB = Uzbekistan, VIE = Viet Nam.

Source: Office of Cofinancing Operations database.

Table A2.2: JFPR Projects Approved, 2000–2006

Grant No.	Country/ Project Name	Year	Grant (\$ m)	Grant Type	Government of Japan Approval	ADB Approval	LOA Date	Orig. Closing Date	Final Closing Date
Afghanistan									
9019	Community-Based Gender-Sensitive Basic Education for the Poor	2002	4.00	P	Jun 02	Sep 02	Oct 02	Sep 04	Oct 05
9024	Road Employment Project for Settlement and Integration of Returning Refugees and Displaced Persons	2002	15.00	P	Sep 02	Oct 02	Oct 02	May 06	Aug 07
9030	Primary Health Care Partnership for the Poor	2002	3.00	P	Nov 02	Dec 02	May 03	Dec 03	May 07
9037	Emergency Road Rehabilitation Project	2003	20.00	P	Oct 03	Dec 03	Sep 04	Dec 06	Dec 07
9038	Integrated Community Development in Northern Afghanistan	2003	3.00	P	Dec 03	Dec 03	Mar 04	Dec 07	Dec 07
9039	Rural Recovery through Community-Based Irrigation Rehabilitation	2003	5.00	P	Dec 03	Dec 03	May 04	Jun 06	Aug 08
9060	Balkh River Basin Integrated Water Resources Management	2004	10.00	P	Apr 04	Dec 04	Jan 05	Mar 08	Mar 08
9097	North–South Corridor Project	2006	20.00	P	Jul 06	Sep 06	Dec 06	Dec 10	Dec 10
9100	Rural Business Support	2006	18.00	P	Oct 06	Dec 06	Dec 06	Dec 10	Dec 10
Azerbaijan									
9013	Integration of Internally Displaced Persons in Mingechevir Rayon	2002	2.50	P	Nov 01	Jan 02	Oct 02	Dec 04	Dec 04
9075	Mahalla Business Development (CANCELED)	2005	1.50	P	Jul 05	Sep 05	NA	Sep 09	Canceled
9086	Affordable Services and Water Conservation for the Urban Poor	2006	1.00	P	Dec 05	Feb 06	NA	Jan 08	Canceled
Bangladesh									
9009	Supporting Livelihood Improvement for the Poor through Water Management Associations	2001	0.90	P	May 01	Aug 01	Nov 01	Jun 05	Jun 06
9080	Social Development for Erosion-Affected Persons in the Jamuna-Meghna Floodplains	2005	0.79	P	Nov 02	Dec 05	Jun 06	Dec 09	Dec 09
Bhutan									
9069	Improving the Well-Being of Road Workers	2005	0.50	CB	Jul 05	Aug 05	Sep 05	Aug 08	Aug 08
9093	Rural Electricians Training Program	2006	1.00	P	Dec 05	May 06	Jul 06	May 08	May 08
Cambodia									
9017	Community-Based Livelihood Enhancement for the Rural Poor	2002	1.80	P	Mar 02	Jul 02	Aug 02	Feb 05	Jun 07
9023	Income for the Poor through Community-Based Environmental Improvements in Phnom Penh	2002	1.00	P	Jul 02	Sep 02	Oct 02	Aug 05	Nov 05
9027	Improving the Livelihood of Poor Farmers in Southern Cambodia	2002	1.80	P	Aug 02	Nov 02	Feb 03	Dec 07	Dec 07
9028	Targeted Assistance for Education of Poor Girls and Poor Children in Ethnic Minority Areas	2002	3.00	P	Aug 02	Nov 02	Dec 02	Oct 05	Dec 06
9048	Mainstreaming Labor-Based Road Maintenance to the National Roads Network	2004	2.20	CB	Feb 04	Jun 04	Sep 04	Jun 07	Oct 08
9057	Health Care Financing for the Poor	2004	1.85	P	Feb 04	Nov 04	Feb 05	Dec 08	Dec 08
9061	Improving Primary School Access in Disadvantaged Communes	2005	1.87	P	Oct 04	Jan 05	Feb 05	Feb 08	Dec 08

Grant No.	Country/ Project Name	Year	Grant (\$ m)	Grant Type	Government of Japan Approval	ADB Approval	LOA Date	Orig. Closing Date	Final Closing Date
9064	Improving the Access of Poor Floating Communities on the Tonle Sap to Social Infrastructure and Livelihood Activities	2005	1.00	P	Oct 04	Feb 05	May 05	Feb 08	Feb 08
9081	Women's Development Centers	2005	1.80	P	Oct 05	Dec 05	Mar 06	Dec 09	Dec 09
China, People's Republic of									
9011	Innovations for Participatory Flood Control by the Poor along the Yellow River	2001	1.00	P	Sep 01	Nov 01	Jan 03	Dec 04	Jun 06
India									
9021	Rainwater Harvesting and Slum Development in Rajasthan	2002	1.90	P	Dec 01	Sep 02	Sep 03	Dec 06	Sep 07
9026	Sustaining Income and Basic Human Needs of the Poor in Disaster Prone Areas of Gujarat	2002	3.40	P	Dec 01	Nov 02	Aug 03	Sep 05	Dec 07
9094	Restoration and Diversification of Livelihoods for Tsunami-Affected Poor and Marginalized People in the States of Tamil Nadu and Kerala	2006	5.00	P	Nov 05	Jun 06	Oct 06	Dec 08	Dec 08
Indonesia									
9000	Assisting Girl Street Children at Risk of Sexual Abuse	2000	1.00	P	Aug 00	Oct 00	Nov 00	Mar 02	Apr 06
9016	Supporting the Community-Based Basic Education for the Poor	2002	3.20	P	Dec 01	May 02	Jul 02	Dec 05	Jun 06
9049	Sustainable Livelihood Development for Poor Coastal and Small Island Communities	2004	1.50	P	Feb 04	Jun 04	Oct 04	Dec 07	Dec 07
9065	Enriching Lives of the Urban Poor through Food Fortification	2005	1.75	P	Dec 04	Mar 05	Jun 05	Feb 08	Feb 08
9072	Sustainable Livelihood Development for Coastal Communities in the Special Province of Nanggroe Aceh Darussalam	2005	2.50	P	Jul 05	Sep 05	Dec 05	Aug 07	Feb 09
9073	Rehabilitation of Coral Reef and Mangrove Resources in the Special Province of Nanggroe Aceh Darussalam	2005	1.50	P	Jul 05	Sep 05	Dec 05	Aug 07	Feb 09
9074	Seismically Upgraded Housing in Nanggroe Aceh Darussalam and North Sumatera	2005	2.00	P	Jul 05	Sep 05	Dec 05	Aug 07	Jul 08
9079	Assistance for the Restoration of Microenterprise and Microfinance in Aceh (ARMMA)	2005	2.00	P	Oct 05	Nov 05	May 06	May 08	May 09
9084	Supporting Community Health Care Initiatives in Nanggroe Aceh Darussalam (CANCELED)	2006	2.00	CB	Oct 05	Jan 06	Sep 06	Jun 07	Canceled (22 Dec 06)
Kyrgyz Republic									
9055	Reducing Vulnerability of Poor to Natural Disasters	2004	1.00	CB	Jul 04	Sep 04	Jan 05	Jan 07	Aug 08
9056	Reducing Neonatal Mortality	2004	1.00	CB	Jul 04	Sep 04	Jan 05	Oct 08	Oct 08
9059	Rural Livelihood Development	2004	1.00	P	Oct 04	Dec 04	May 05	May 08	Oct 08
Lao People's Democratic Republic									
9012	Supporting the Community-Managed Livelihood Improvement	2001	1.00	P	Sep 01	Dec 01	Jan 02	Dec 05	Dec 05
9034	Poverty Reduction for Ethnic Minorities in Nam Ngum Basin	2003	0.53	P	Aug 03	Nov 03	Feb 04	Dec 07	Dec 07

Grant No.	Country/ Project Name	Year	Grant (\$ m)	Grant Type	Government of Japan Approval	ADB Approval	LOA Date	Orig. Closing Date	Final Closing Date
9035	Solid Waste Management and Income Generation for Vientiane's Poor	2003	1.00	P	Jun 03	Dec 03	Mar 04	Jan 07	Jun 07
9062	Sustainable Agro-Forestry Systems for Livelihood Enhancement of Rural Poor	2005	1.50	P	Oct 04	Jan 05	Jun 05	Dec 08	Jul 09
9095	Catalyzing Microfinance for the Poor	2006	1.98	CB	May 04	Aug 06	Mar 07	Dec 09	Jun 10
Maldives									
9066	Restoration of Livelihoods of the Tsunami-Affected Farmers in the Maldives	2005	1.00	P	Mar 05	Apr 05	May 05	Apr 07	Jun 08
Mongolia									
9014	Expanding Employment Opportunities for Poor Disabled Persons	2002	1.00	P	Dec 01	Apr 02	May 02	Mar 05	Mar 06
9015	Improving the Living Environment of the Poor in Ger Areas of Mongolia's Cities	2002	2.20	P	Dec 01	May 02	May 03	May 05	May 07
9063	Maternal Mortality Reduction	2005	1.00	P	Dec 04	Feb 05	Mar 05	Feb 08	Feb 08
9085	Non-Formal Skills Training for Unemployed Youth and Adults	2006	1.00	P	Dec 05	Feb 06	Mar 06	Feb 09	Feb 09
Nepal									
9007	Supporting Poor and Disadvantaged Farmers Through Civil Society Organizations	2001	0.80	P	Apr 01	May 01	Oct 01	Dec 04	Dec 05
9032	Optimizing of Poor Water Users Associations	2003	1.00	P	Sep 01	Aug 03	Apr 04	Mar 07	Mar 08
9101	Improving the Livelihoods of Poor Farmers and Disadvantaged Groups in the Eastern Development Region of Nepal	2006	1.00	P	Oct 06	Dec 06	Feb 07	Dec 09	Dec 09
Pakistan									
9031	Mobilizing the Poor for Better Access to Health	2003	3.40	P	Nov 02	May 03	Oct 04	Jun 06	Dec 07
9067	Enhancing Road Improvement Benefits to Poor Communities in North-West Frontier Province	2005	1.00	P	Jan 05	Apr 05	Jul 06	Apr 09	Apr 09
9090	Iron and Folic Acid Fortification in Small Scale Milling to Improve the Lives of the Poor, Especially Women and Children	2006	2.00	P	Dec 05	Mar 06	Jun 06	Mar 09	Canceled
9092	Immediate Support to Poor and Vulnerable Households in Inaccessible Areas Devastated by the 2005 Earthquake	2006	5.00	P	Feb 06	Mar 06	Jun 06	Mar 07	Dec 07
Philippines									
9001	Supporting the Sustainable Livelihood for the Poor in Southern Philippines	2000	2.80	P	Sep 00	Oct 00	Oct 01	Dec 03	Dec 07
9003	On-Site Urban Upgrading for Vulnerable Slum Communities of Payatas	2000	1.00	P	Sep 00	Dec 00	Jul 01	Feb 04	Feb 04
9004	Off-Site and Off-City Relocation of Vulnerable Slum Communities of Muntinlupa City	2000	1.00	P	Sep 00	Dec 00	Aug 01	Aug 03	Dec 04
9018	Social Protection for Poor Women Vendors in Mindanao Cities	2002	1.00	P	Mar 02	Aug 02	Jan 03	Jan 06	Jun 07
9022	Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila	2002	3.60	P	Jul 02	Sep 02	Nov 02	Oct 05	Jan 07

Grant No.	Country/ Project Name	Year	Grant (\$ m)	Grant Type	Government of Japan Approval	ADB Approval	LOA Date	Orig. Closing Date	Final Closing Date
9042	Renewable Energy and Livelihood Development for the Poor in Negros Occidental	2004	1.50	P	Nov 03	Jan 04	Aug 04	Dec 07	Jul 08
9088	Developing Financial Cooperatives	2006	0.90	CB	Dec 05	Mar 06	May 06	Sep 09	Sep 09
9102	Southern Leyte Landslide Disaster Assistance Project	2006	3.00	P	Nov 06	Dec 06	Dec 06	Jul 09	Jul 09
Papua New Guinea									
9002	Low-Cost Sanitation, Community Awareness and Health Education Program	2000	1.74	P	Sep 00	Dec 00	Feb 03	Dec 03	Dec 06
Sri Lanka									
9025	Infrastructure Maintenance to Reduce Rural Poverty	2002	0.90	P	Aug 02	Oct 02	Feb 03	Nov 05	Aug 07
9045	Power Fund for the Poor	2004	1.50	P	Feb 04	Apr 04	Jun 04	Jul 07	Jul 07
9076	Public Work Restoration and Rehabilitation of Drainage Systems of Tsunami-Affected Local Gov't Roads	2005	2.00	P	Jul 05	Oct 05	Nov 05	Sep 06	May 07
9077	Post Tsunami Utility Connections for the Poor	2005	2.00	P	Jul 05	Oct 05	Nov 05	Oct 06	Nov 07
Tajikistan									
9008	Tajikistan Rural Poverty Reduction	2002	2.90	P	Feb 01	Aug 01	Mar 02	Jul 04	Dec 04
9040	School Improvement Project	2004	2.00	P	Nov 03	Jan 04	Apr 04	Dec 08	Dec 08
9043	Community Participation and Public Information Campaign for Health Improvement	2004	1.00	CB	Nov 03	Jan 04	Apr 04	Dec 07	Dec 07
9078	Community-Based Rural Road Maintenance	2005	1.80	P	Oct 05	Nov 05	Nov 05	Apr 09	Sep 09
9089	Community Based Rural Power Supply	2006	2.00	P	Dec 05	Mar 06	May 06	Jul 07	Nov 07
Uzbekistan									
9010	Supporting Innovative Poverty Reduction in Karakalpakstan	2001	2.54	P	Jun 01	Oct 01	Nov 01	Sep 04	Jun 06
9054	Affordable Services and Water Conservation for the Urban Poor	2004	1.50	CB	May 04	Aug 04	Feb 05	Aug 06	Dec 07
9091	Basic Education for Children with Special Needs	2006	1.50	P	Dec 05	Mar 06	May 06	Mar 09	Mar 09
Viet Nam									
9033	Promoting Silk Income for the Rural Poor in Central Highlands	2003	0.62	CB	Aug 03	Oct 03	Oct 04	Jan 07	Dec 07
9046	Poverty Reduction in Red River Basin Irrigation Systems	2004	0.82	CB	Nov 03	Apr 04	Jun 04	Jul 06	Dec 07
9058	Expanding Benefits to the Poor through Urban Environmental Improvements	2004	1.00	P	Oct 04	Dec 04	May 05	May 08	May 08
9071	Community-Based Agricultural Extension and Training in Mountainous Districts	2005	0.90	P	Jul 05	Aug 05	Aug 06	Aug 08	Feb 10
9083	Nutritious Food for 6–24 Month Old Children Vulnerable to Malnutrition in Poor Areas	2006	1.99	P	Oct 05	Jan 06	Dec 06	Dec 08	Dec 08
9098	Improving Vitamin A Nutrition and Deworming for Poor and Vulnerable Children	2006	1.00	P	Oct 06	Nov 06		Nov 09	Nov 09
9099	Expansion of Learning Opportunities for Ethnic Minority Youth	2006	1.50	CB	Oct 06	Nov 06		Nov 10	Nov 10

Grant No.	Country/ Project Name	Year	Grant (\$ m)	Grant Type	Government of Japan Approval	ADB Approval	LOA Date	Orig. Closing Date	Final Closing Date
Regional									
9005	Improving Nutrition for Poor Mothers and Children (AZE, KAZ, KGZ, MON, TAJ, UZB)	2001	6.85	P	Oct 00	Apr 01	Mar 02	Aug 02	Mar 07
9052	Sustainable Food Fortification in Central Asia and Mongolia (MON, KAZ, KGZ, TAJ, UZB)	2004	2.00	CB	Mar 04	Jul 04	Feb 05	Aug 06	Dec 07
9006	Community Action for Preventing HIV/AIDS (CAM, LAO, VIE)	2001	8.00	P	Oct 00	May 01	Jun 01	Dec 03	Jan 06
9036	Improving Poor Farmers' Livelihoods through Post Harvest Technology (CAM, VIE)	2003	0.75	CB	Nov 03	Dec 03	Jul 05	Dec 06	Dec 08

ADB = Asian Development Bank, AZE = Azerbaijan, CAM = Cambodia, CB (grant type) = capacity building, JFPR = Japan Fund for Poverty Reduction, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, LAO = Lao People's Democratic Republic, LOA = letter of agreement, MON = Mongolia, P (grant type) = project, TAJ = Tajikistan, UZB = Uzbekistan, VIE = Viet Nam.

Source: Office of Cofinancing Operations database.

Table A2.3: Japan Fund for Poverty Reduction Grant Approvals, by Year (2000–2006)

Year	Number	% Share	Amount	
			(\$ m)	% Share
2000	5	5.6	7.54	3.1
2001	8	8.9	23.99	9.8
2002	16	17.8	49.30	20.2
2003	9	10.0	35.30	14.5
2004	15	16.7	29.87	12.2
2005	19	21.1	28.41	11.6
2006	18	20.0	69.87	28.6
Total	90	100.0	244.28	100.0

Source: Office of Cofinancing Operations database.

Table A2.4: Number of Japan Fund for Poverty Reduction Grant Approvals, by Sector (2000–2006)

Sector	2000	2001	2002	2003	2004	2005	2006	Total	% Share
Agriculture and Natural Resources	0	3	2	4	4	7	4	24	26.7
Education	0	0	3	0	1	1	3	8	8.9
Energy	0	0	0	0	2	0	2	4	4.4
Finance	0	0	0	0	0	2	2	4	4.4
Health, Nutrition, and Social Protection	1	1	2	1	4	5	4	29	32.2
Industry and Trade	0	0	0	0	0	0	0	0	0.0
Transport and Communications	0	0	0	1	0	2	1	5	5.6
Water Supply, Sanitation, and Waste Management	1	1	0	1	2	1	1	10	11.1
Multisector	0	1	3	0	0	1	1	6	6.7
Total	5	8	16	9	15	19	18	90	100.0

Source: Office of Cofinancing Operations database.

Table A2.5: Amount of Japan Fund for Poverty Reduction Grant Approvals, by Sector (2000–2006)
(\$ million)

Sector	2000	2001	2002	2003	2004	2005	2006	Total	% Share
Agriculture and Natural Resources	0.0	2.8	3.6	6.9	13.3	9.2	29.0	64.8	26.5
Education	0.0	0.0	4.8	0.0	0.0	0.8	24.0	18.1	7.4
Energy	0.0	0.0	0.0	0.0	3.0	0.0	3.0	6.0	2.5
Finance	0.0	0.0	0.0	0.0	0.0	3.5	2.9	6.4	2.6
Health, Nutrition, and Social Protection	2.8	1.0	16.0	0.6	6.0	6.5	7.0	62.7	25.7
Industry and Trade	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transport and Communications	0.0	0.0	0.0	3.4	0.0	3.8	20.0	45.0	18.4
Water Supply, Sanitation, and Waste Management	1.0	6.9	0.0	5.0	3.5	1.0	1.0	13.0	5.3
Multisector	0.0	8.0	9.4	0.0	0.0	0.9	3.0	28.2	11.6
Total	7.5	24.0	49.3	35.3	29.9	28.4	69.9	244.3	100.0

Source: Office of Cofinancing Operations database.

Table A2.6: Japan Fund for Poverty Reduction Grants, by Type and Sector (2000–2006)

Sector	Capacity Building		Project		Total JFPR	
	Number	Amount	Number	Amount	Number	Amount
Agriculture and Natural Resources	3	2.19	21	62.62	24	64.81
Education	1	1.50	7	16.57	8	18.07
Energy	0	0.00	4	6.00	4	6.00
Finance	2	2.88	2	3.50	4	6.38
Health, Nutrition, and Social Protection	6	7.50	24	59.14	29	62.74
Industry and Trade	0	0.00	0	0.00	0	0.00
Transport and Communications	1	2.20	5	57.80	5	45.00
Water Supply, Sanitation, and Waste Management	1	1.50	9	11.54	10	13.04
Multisector	0	0.00	4	9.34	6	9.34
Total	14	17.77	76	226.51	90	244.28

JFPR = Japan Fund for Poverty Reduction.

Source: Office of Cofinancing Operations database.

Table A2.7: Number of Japan Fund for Poverty Reduction Grant Approvals, by Recipient Country (2000–2006)

Country	2000	2001	2002	2003	2004	2005	2006	Total	% Share
Afghanistan	0	0	3	3	1	0	2	9	10.0
Azerbaijan	0	0	1	0	0	1	1	3	3.3
Bangladesh	0	1	0	0	0	1	0	2	2.2
Bhutan	0	0	0	0	0	1	1	2	2.2
Cambodia	0	0	4	0	2	3	0	9	10.0
China, People's Republic of	0	1	0	0	0	0	0	1	1.1
India	0	0	2	0	0	0	1	3	3.3
Indonesia	1	0	1	0	1	5	1	9	10.0
Kyrgyz Republic	0	0	0	0	3	0	0	3	3.3
Lao PDR	0	1	0	2	0	1	1	5	5.6
Maldives	0	0	0	0	0	1	0	1	1.1
Mongolia	0	0	2	0	0	1	1	4	4.4
Nepal	0	1	0	1	0	0	1	3	3.3
Pakistan	0	0	0	1	0	1	2	4	4.4
Papua New Guinea	1	0	0	0	0	0	0	1	1.1
Philippines	3	0	2	0	1	0	2	8	8.9
Sri Lanka	0	0	1	0	1	2	0	4	4.4
Tajikistan	0	1	0	0	2	1	1	5	5.6
Uzbekistan	0	1	0	0	1	0	1	3	3.3
Viet Nam	0	0	0	1	2	1	3	7	7.8
Regional	0	2	0	1	1	0	0	4	4.4
Total	5	8	16	9	15	19	18	90	100.0

Lao PDR = Lao People's Democratic Republic.

Source: Office of Cofinancing Operations database.

Table A2.8: Amount of Japan Fund for Poverty Reduction Grant Approvals, by Recipient Country (2000–2006)

Country	2000	2001	2002	2003	2004	2005	2006	Total	% Share
Afghanistan	0.0	0.0	22.0	28.0	10.0	0.0	38.0	98.0	40.1
Azerbaijan	0.0	0.0	2.5	0.0	0.0	1.5	1.0	5.0	2.0
Bangladesh	0.0	0.9	0.0	0.0	0.0	0.8	0.0	1.7	0.7
Bhutan	0.0	0.0	0.0	0.0	0.0	0.5	1.0	1.5	0.6
Cambodia	0.0	0.0	7.6	0.0	4.1	4.7	0.0	16.3	6.7
China, People's Republic of	0.0	1.0	0.0	0.0	0.0	0.0	0.0	1.0	0.4
India	0.0	0.0	5.3	0.0	0.0	0.0	5.0	10.3	4.2
Indonesia	1.0	0.0	3.2	0.0	1.5	9.8	2.0	17.5	7.1
Kyrgyz Republic	0.0	0.0	0.0	0.0	3.0	0.0	0.0	3.0	1.2
Lao PDR	0.0	1.0	0.0	1.5	0.0	1.5	2.0	6.0	2.5
Maldives	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	0.4
Mongolia	0.0	0.0	3.2	0.0	0.0	1.0	1.0	5.2	2.1
Nepal	0.0	0.8	0.0	1.0	0.0	0.0	1.0	2.8	1.1

Country	2000	2001	2002	2003	2004	2005	2006	Total	% Share
Pakistan	0.0	0.0	0.0	3.4	0.0	1.0	7.0	11.4	4.7
Papua New Guinea	1.7	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.7
Philippines	4.8	0.0	4.6	0.0	1.5	0.0	3.9	14.8	6.1
Sri Lanka	0.0	0.0	0.9	0.0	1.5	4.0	0.0	6.4	2.6
Tajikistan	0.0	2.9	0.0	0.0	3.0	1.8	2.0	9.7	4.0
Uzbekistan	0.0	2.5	0.0	0.0	1.5	0.0	1.5	5.5	2.3
Viet Nam	0.0	0.0	0.0	0.6	1.8	0.9	4.5	7.8	3.2
Regional	0.0	14.9	0.0	0.8	2.0	0.0	0.0	17.6	7.2
Total	7.5	24.0	49.3	35.3	29.9	28.4	69.9	244.3	100.0

JFPR = Japan Fund for Poverty Reduction, Lao PDR = Lao People's Democratic Republic.

Source: Office of Cofinancing Operations database.

CAMBODIA COUNTRY REPORT

I. INTRODUCTION

A. JFPR in Cambodia

1. Nine Japan Fund for Poverty Reduction (JFPR) projects in Cambodia were approved in 2000–2006. Two regional projects including the country were also approved (Table A3).

Table A3: JFPR Program in Cambodia

Grant No.	Project Name	Year	JFPR Grant (\$ m)	Gov't of Japan Approval	ADB Approval	LOA Signing Date	Original Closing Date	Revised Closing Date
Cambodia Projects								
9017	Community-Based Livelihood Enhancement for the Rural Poor ^a	2002	1.80	Mar 02	Jul 02	Aug 02	Feb 05	Jun 07
9023	Income for the Poor through Community-Based Environmental Improvements in Phnom Penh ^a	2002	1.00	Jul 02	Sep 02	Oct 02	Aug 05	Nov 05
9027	Improving the Livelihood of Poor Farmers in Southern Cambodia	2002	1.80	Aug 02	Nov 02	Feb 03	Dec 07	Dec 07
9028	Targeted Assistance for Education of Poor Girls and Poor Children in Ethnic Minority Areas	2002	3.00	Aug 02	Nov 02	Dec 02	Oct 05	Dec 06
9048	Mainstreaming Labor-Based Road Maintenance to the National Roads Network	2004	2.20	Feb 04	Jun 04	Sep 04	Jun 07	Oct 08
9057	Health Care Financing for the Poor	2004	1.85	Feb 04	Nov 04	Feb 05	Dec 08	Dec 08
9061	Improving Primary School Access in Disadvantaged Communes	2005	1.87	Oct 04	Jan 05	Feb 05	Feb 08	Dec 08
9064	Improving the Access of Poor Floating Communities on the Tonle Sap to Social Infrastructure and Livelihood Activities ^a	2005	1.00	Oct 04	Feb 05	May 05	Feb 08	Feb 08
9081	Women's Development Centers	2005	1.80	Oct 05	Dec 05	Mar 06	Dec 09	Dec 09
Cambodian Regional Projects								
9006	Community Action for Preventing HIV/AIDS (CAM, LAO, VIE) ^a	2001	8.00	Oct 00	May 01	Jun 01	Dec 03	Jan 06
9036	Improving Poor Farmer's Livelihoods through Post Harvest Technology (CAM, VIE) ^a	2003	0.75	Nov 03	Dec 03	Mar 05	Dec 06	Dec 08

ADB = Asian Development Bank, CAM = Cambodia, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, JFPR = Japan Fund for Poverty Reduction, LAO = Lao People's Democratic Republic, LOA = letter of agreement, No. = number, VIE = Viet Nam.

^a These projects were evaluated in the field.

Source: Office of Cofinancing Operations database.

2. The JFPR program in Cambodia is varied, with supported subsectors that include education (two projects), health (two projects), livelihood enhancement, urban environment, social services, transport, women's development, and post-harvest technology. Of the nine projects, four were approved in 2002. In addition, a project relating to recovery from flood damage in 2000 was developed but was disapproved by the Government of Japan, as discussed in para. 18. One project—Capacity Building for the Tonle Sap Poverty Reduction Initiative—is in the 2007 pipeline.

B. Fieldwork Program

3. Four projects were selected for field evaluation in Cambodia, including two national and two regional projects. In addition, a field review of a recent project, JFPR 9064: TLS Floating Communities, was made to define its implementation processes and progress. Projects were selected on the basis of two criteria: (i) degree of completion (apart from JFPR 9064), and

(ii) ease of access for fieldwork. Thus, in addition to the Phnom Penh project (JFPR 9023: CB Environmental Improvement), four projects were visited in two field trips—JFPR 9017: CBLE and JFPR 9064 from Siem Reap, and JFPR 9006: HIV/AIDS and JFPR 9036: Post Harvest Technology in Prey Veng. While valuable lessons could probably be learned from other early projects such as JFPR 9027 and JFPR 9028,¹ the 2-week period in-country was too short to allow the evaluation of more projects in the field.

C. Program Factors

1. Relationship to National and ADB Strategies

4. The summary of the Cambodia Country Strategy and Program (CSP) (2005–2009) of the Asian Development Bank (ADB) states:

ADB's overarching goal in Cambodia is sustainable poverty reduction. In line with the priorities and strategies identified in the Government's Rectangular Strategy, the CSP will focus on three strategic pillars: (i) broad-based economic growth through investments in physical infrastructure, development of the financial sector, support for greater regional integration, sustainable development of small and medium-sized enterprises, and investments in agriculture and irrigation; (ii) inclusive social development through basic education, empowering vulnerable groups such as women and ethnic minorities, control of communicable diseases, provision of rural water supply and sanitation facilities, and community-based sustainable management and conservation of natural resources in the Tonle Sap basin; and (iii) good governance, through improvements in public financial management to enhance the development effectiveness of public expenditures, and decentralization and deconcentration initiatives to strengthen local participation in government, and improve public service delivery. Ensuring the development process is more broad-based and inclusive has also led to the inclusion of geographic (Tonle Sap basin) and subregional (Greater Mekong Subregion) focuses to support one of the poorest and most environmentally-sensitive regions of Cambodia, and to benefit from the broader opportunities provided by ADB's Greater Mekong Subregion program. Four crosscutting themes—governance, private sector development, gender, and the environment—are also proposed to support the poverty reduction objectives of the Rectangular Strategy [the Government's National Development strategy].

5. The JFPR program in Cambodia aligns well with ADB's current CSP, with all projects lying within the ambit of one or more of the CSP's three "strategic pillars." The regional projects—JFPR 9006: HIV/AIDS and JFPR 9036: Post Harvest Technology—are also highly relevant to the program.

2. Project Design

6. Generally, project design in the Cambodian JFPR program is adequate. However, perhaps because of their small size, several projects appear to lack clarity of design. The design of JFPR 9023: CB Environmental Improvement, for example, lacked a clear purpose, and did not consider the possibility of a commercial waste collection service competing with the community-based systems to be established. This problem ultimately undermined a key project

¹ ADB. 2002. *Proposed Grant Assistance to the Kingdom of Cambodia for Improving the Livelihood of Poor Farmers in Southern Cambodia (To be implemented in conjunction with the proposed Agriculture Sector Development Program)*. Manila; and ADB. 2002. *Proposed Grant Assistance to the Kingdom of Cambodia for the Targeted Assistance for Education of Poor Girls and Indigenous Children (To be implemented in conjunction with the Education Sector Development Program, Loans 1864-CAM and 1865 CAM)*. Manila.

component and limited sustainability. A number of the projects are complex, with more than a few components and each project often implemented by several nongovernment organizations (NGOs). Given the small size of the projects, complexity of design makes management more difficult, particularly for JFPR 9017: CBLE and JFPR 9064: TLS Floating Communities. It is acknowledged that most local Cambodian NGOs are small and would find it difficult to implement major components single-handedly. It is nonetheless important to keep the JFPR project designs simple, with relatively few components, outputs, and implementing NGOs. In the present program, complexity of design is a major contributor to implementation difficulties and delays.

3. Innovation

7. The Cambodian program scores high in relation to innovation. JFPR 9006: HIV/AIDS was instrumental in developing NGO involvement in the home-based care approach, which is now central to the national HIV/AIDS control program. JFPR 9023: CB Environmental Improvement established that communities, including the poor, are willing and able to contribute a significant amount to the development of infrastructure, such as water supply, drainage, and road improvement. JFPR 9017: CBLE pioneered the introduction of psychosocial support into rural development projects, with significant implications and potential for replication in other areas of the country, where psychological problems can prevent the full involvement of many villagers in the economic and social life of the village.

8. JFPR 9064: TLS Floating Communities has adopted an innovative approach to integrating social service provision and livelihood development, which, if successful, will underpin future ADB Tonle Sap projects. The regional project JFPR 9036: Post Harvest Technology is improving post-harvest agricultural production technology by applying innovative techniques and technology from the region based on the experience of the International Rice Research Institute.

4. Project Management

9. The project management performance of the Cambodian JFPR projects is variable. JFPR 9006: HIV/AIDS scores high in management because of the close interest taken by the Ministry of Health, and strong support from ADB and the project consultants. It accords well with national policy and addresses a critical issue in the health sector—how to contain and manage the HIV/AIDS epidemic. JFPR 9023: CB Environmental Improvement was driven successfully by the Municipality of Phnom Penh, but at some cost to its relationships with the NGO implementers, who were used to working in a more democratic environment. JFPR 9017: CBLE has succeeded largely because of the assignment of an international NGO (CARE Cambodia) as implementing agency and that NGO's ability to work around the inefficiencies of the bureaucratic systems of the Cambodian Government, for example, by financing short-term fund shortfalls from its own resources. JFPR 9064: TLS Floating Communities is faced with management problems that are primarily due to a complex structure and difficulties in managing the imprest account. Relationships between the NGOs and project management are, consequently, somewhat strained.

5. Disbursement

10. The disbursement performance of the projects varies from highly efficient (JFPR 9006: HIV/AIDS) to very poor. JFPR 9036: Post-Harvest and JFPR 9064: TLS Floating Communities are both less than 10% disbursed, despite having exceeded 100% and 60%, respectively, of

their planned project periods. Close attention is required for both projects to increase the disbursement rate.

6. Outputs

11. The planned outputs under several JFPR projects are ambitious. For instance, JFPR 9017: CBLE was expected to assist around 33% of the 180,000 people living in the project area. Only around 20,000 have so far been assisted with livelihood activities. But, despite this shortfall, the project is considered to have achieved adequate performance with the resources provided. The output targets may have been set without sufficient assessment of access constraints and available resources. JFPR 9006: HIV/AIDS met its training and condom distribution targets and helped contain the epidemic in Cambodia. Overall, the setting of output targets and verifiable indicators in the JFPR project designs in Cambodia is weak. A more detailed analysis of the beneficiary population and project targets would be desirable in project planning and management, and would set a basis for more objective evaluation.

7. Demand for Literacy Classes

12. Adult literacy classes under JFPR have been successful in raising adult literacy in Varin District and presumably in empowering the participants. However, the participants, when asked whether they would be prepared to contribute around KR200 a day (\$0.05—the same amount paid, unofficially, for children to attend primary school in Tonle Sap), gave a negative response. This is unfortunate, as it means that adult literacy training is unlikely to continue after the project. More research is needed to confirm or modify this finding, since it is based on a limited sample.

8. Financial Arrangements and Fund Flows

13. Almost all Cambodian projects have experienced fund flow problems in one form or another. JFPR 9006: HIV/AIDS made great efforts to maintain funds in its imprest account with effective support from the Ministry of Health. However, delays in developing and signing follow-on contracts with the implementing NGOs obliged the NGOs to meet expenses from their own resources for extended periods, and the staff to go without salary for more than 12 months. JFPR 9064: TLS Floating Communities is experiencing catastrophic delays in imprest account replenishment, because of inefficiencies at all levels, from the small NGOs that are often remiss in submitting timely and accurate statements of expenditure, to the project management unit, the Ministry of Agriculture, and the Ministry of Economy and Finance. Activities under the project have virtually ceased since October 2006, and urgent steps are needed to get the system working again. In JFPR 9017: CBLE, as mentioned in para. 9, the support of CARE Cambodia almost eliminated fund flow problems for the implementing NGOs. ADB has well-established processes and, provided correct documentation has been submitted, ADB can normally turn requests for payment around in less than 21 days.

14. Fund flow problems were also reported by NGOs working on JFPR 9023: CB Environmental Improvement. Delays in reimbursement of up to 3 months prompted one NGO to use funds from other funding sources, causing severe management problems and contributing to the closing of the NGO. The most experienced of the project NGOs mentioned a delay of 6 months in the release of funds for the salaries of waste pickers, and staff going unpaid for 3 months. The NGO also indicated that the reporting requirements were excessive and unnecessarily distracted management from project implementation. This NGO withdrew from the project after the first year. Other NGOs did not report any funding delays.

9. Links between Government and NGOs

15. While funding arrangements have posed problems, the program has also produced substantial benefits in improving the links between government and NGOs. Like other governments in the region, the Government of Cambodia has been and to some degree still is wary of the involvement of NGOs in its areas of responsibility. The JFPR program in the country has improved these relationships and demonstrated that government and NGO services can be complementary and synergistic. This has been particularly evident in JFPR 9006: HIV/AIDS, JFPR 9017: CBLE, JFPR 9023: CB Environmental Improvement, and JFPR 9064: TLS Floating Communities.

10. Replication

16. Replication in most of the JFPR projects reviewed in Cambodia is impressive. Much of the national HIV/AIDS home-care system is based on the experience of JFPR 9006: HIV/AIDS, which also laid the foundation for mutual trust and a generally excellent working relationship between NGOs and the Ministry of Health/National Center for HIV/AIDS, Dermatology, and Sexually Transmitted Diseases (NCHADS). JFPR 9006: HIV/AIDS was the basis for a current regional loan on communicable disease control with a \$30 million grant component.

17. JFPR 9023: CB Environmental Improvement laid the foundation for community contribution to infrastructure development, a key factor in improving the Phnom Penh urban environment, well beyond the limited areas served by the JFPR project. The approach is also reported to have been taken up in other urban centers. JFPR 9017: CBLE, on the other hand, has not been replicated far outside its own area, except into the districts covered by its parent project, the Northwestern Rural Development Project (NRDP). Nonetheless, the integrated psychosocial and rural development support approach appears to merit replication in other rural development projects. While in practice war trauma in the project area is limited, personal problems and domestic violence related to alcohol and gambling are prevalent, and are worth addressing in future ADB loan projects in the Tonle Sap basin.

11. Emergency Response

18. None of the projects reviewed is an emergency response. An emergency project proposed in 2000 to restore livelihoods in affected areas after the disastrous floods that year did not receive support at that time from the Government of Japan. More recently, JFPR funds have been used to support emergency responses in Indonesia, Pakistan, and Philippines. Japan's interpretation of the guidelines appears to have changed.

II. PERFORMANCE ASSESSMENT

19. The performance of the JFPR program in Cambodia is discussed below.

A. Relevance

20. All projects in the Cambodian program are rated relevant or highly relevant, with the two regional projects, JFPR 9006: HIV/AIDS and JFPR 9036: Post Harvest Technology, in the higher category. While both JFPR 9017: CBLE and JFPR 9023: CB Environmental Improvement appeared highly relevant at the time of design, both were to some degree overtaken by events. In the case of JFPR 9023, the takeover of all waste collection and management by a private contractor reduced the relevance of the community waste

management aspects of the project. Regarding JFPR 9017, the relatively low level of apparent war trauma made the counseling aspects of the project less relevant (though they remained relevant for other reasons).

B. Effectiveness

21. JFPR 9006: HIV/AIDS is considered highly effective in meeting or exceeding all of its planned outcomes. JFPR 9017: CBLE and JFPR 9023: CB Environmental Improvement are considered effective in this regard.

22. It is still too early to judge the results of JFPR 9036: Post Harvest Technology and JFPR 9064: TLS Floating Communities, but if these projects can overcome their ongoing management problems, they have the potential to be highly effective. JFPR 9036: Post Harvest Technology can make a major contribution to reducing post-harvest losses, ultimately on a national scale, while JFPR 9064: TLS Floating Communities can contribute greatly to the development of systems that can be applied in two major ADB loan projects in the Tonle Sap basin.

C. Efficiency

23. Process efficiency has been a major hurdle in several projects reviewed, as indicated in the discussion of project management in para. 9. JFPR 9023: CB Environmental Improvement, JFPR 9017: CBLE, and particularly JFPR 9064: TLS Floating Communities, have suffered delays in the replenishment of imprest accounts, and these delays have posed severe problems for the implementing NGOs. Even the highly successful JFPR 9006: HIV/AIDS experienced gaps between consultant contracts (para. 13). Projects implemented with the assistance of international NGOs (e.g., JFPR 9017: CBLE and JFPR 9036: Post Harvest Technology) tend to fare better, since these NGOs are more used to dealing with ADB and can often bridge temporary funding gaps from their own resources.

D. Sustainability

24. It is clear that the outcomes of JFPR 9006: HIV/AIDS are highly sustainable, at least in principle. However, the valuable home-based care program for HIV/AIDS sufferers is funded only up to the end of 2007. A major donor or group of donors should be tapped to support the program for a sufficient length of time since a major funding shortfall would jeopardize the substantial gains that Cambodia has made in preventing and managing the disease. The outcomes for the other completed projects appear sustainable, particularly those for JFPR 9023: CB Environmental Improvement, which has increased community awareness of the need for environmental management in the suburbs. However, the community-based waste management aspects of the project were overtaken by the award of a citywide contract for waste removal, which made all waste collectors employees of the contractor and no longer of the local government councils. The outcomes under JFPR 9017: CBLE is likely, but only because the NGOs are continuing to work in the project districts under the NRDP. Without this support, sustainability would have been imperiled, at least in Varin District, which was visited by the Operations Evaluation Mission (OEM), since the self-help groups and community-based organizations (CBOs) were formed too late in the project. The sustainability of JFPR 9036: Post Harvest Technology and JFPR 9064: TLS Floating Communities cannot yet be assessed at this time.

E. Socioeconomic Impact

25. Most of the Cambodian projects reviewed have demonstrated significant positive socioeconomic impact. Given the importance of early identification and appropriate responses to HIV/AIDS, JFPR 9006: HIV/AIDS has shown high economic returns by limiting the spread of the disease and reducing the need for hospital care, which is economically and socially disruptive to the family and the community. The social benefits of a well-supported home-based care program, supplemented by antiretroviral drugs where required, are extremely high when compared with the greater morbidity that would have prevailed in the provinces without the project. The extension of project techniques to other provinces has effectively magnified project benefits. JFPR 9023: CB Environmental Improvement also appears to demonstrate high socioeconomic benefits. The communities with which the infrastructure improvement program was discussed were all satisfied with the resulting improvement of the urban environment. According to the poverty impact study on the project, the average income of about 6,000 families increased by around 30%, to \$79 per month, over 12 months in 2004/05. The 428 families involved in waste picking increased their incomes by a similar percentage, to around \$156 per month.

26. JFPR 9017: CBLE has had moderate socioeconomic benefits at this stage, though if the CBO and other self-help group systems established late in the project can be supported and become institutionalized, the benefits will be significant. As mentioned above, the combination of livelihood and psychosocial support is innovative and valuable. JFPR 9036: Post Harvest Technology has the potential to make an immense contribution to livelihood development in rural Cambodia, but must first resolve its management problems and address issues relating to mechanisms for extending successful project technologies to other villages and provinces. Similarly, JFPR 9064: TLS Floating Communities, which addresses fundamental issues of economic survival and access to health and education services, can make a positive contribution to many villages residing and relying on Tonle Sap if it can overcome its immediate management and funding problems.

III. OVERALL ASSESSMENT, ISSUES, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment

27. The JFPR program in Cambodia is a success. All the completed or nearly completed projects are either highly successful (JFPR 9006: HIV/AIDS) or successful. Only the recently implemented JFPR 9064: TLS Floating Communities is at risk, but it is hoped that project management can resolve the fund flow issues confronting the project in 2007. Individual projects and the program are considered appropriate for JFPR funding and have made significant contributions to development, national policy, and the ability of government to work with NGOs, particularly in the case of the Ministry of Health, but also for the Ministries of Rural Development and Agriculture and the Municipality of Phnom Penh. However, the program has faced a number of significant issues as discussed below.

B. Issues

28. The review of projects brought out the following issues.

1. Implementation by NGOs

29. NGOs have been integral to almost all Cambodian projects, partly reflecting the weakness and unreliability of government institutions. However, they may face a number of problems:

- (i) Local Cambodian NGOs are often small and with limited experience, though mainly highly motivated and committed. They often rely on project funding for operation; thus, a delay in payment can cause operational difficulties.
- (ii) Because of the small size of most local Cambodian NGOs, it is often necessary to recruit several NGOs to undertake a single project. Six or seven were required in each case for JFPR 9017: CBLE, JFPR 9023: CB Environmental Improvement, and JFPR 9064: TLS Floating Communities. In some ways this is a positive development, as it has assisted a large number of NGOs in improving their skills and implementation capacity. But it also complicates management and increases the risk of failure of one or more NGO partners. Under JFPR 9023: CB Environmental Improvement, selection procedures were not fully adequate. In general, selection procedures should be sound, and include prequalification. Where possible, larger and better established NGOs should be selected, and given wider geographic responsibility. Excessive division of responsibilities can limit the extent of cross-fertilization of ideas and implementation systems.
- (iii) Perhaps because of a lack of confidence in NGO capacity, NGO contracts are often short (e.g., in the case of JFPR 9006: HIV/AIDS, JFPR 9023: CB Environmental Improvement, and JFPR 9064: TLS Floating Communities, where initial contracts were for 12 months or less). The short duration of the contracts has had negative results in each project, causing uncertainty and a gap between contracts, when NGO workers had to work without salary. In the future, alternative approaches, including phased contracts with optional follow-on phases, should be used. Where this alternative is not feasible, it is important to start negotiating the second phase well before the end of the first phase so that the transition can be made without interruption.
- (iv) Reporting requirements are often unduly onerous, given the length of the contracts. Thus, in the future midterm reports should not be required for contracts of less than 2 or 3 years. Monthly and quarterly reports should be written in the vernacular, and where appropriate, should comprise exception reporting, where only exceptions from the approved program are reported, together with any particular issues or problems that must be addressed by the project monitoring office (PMO), the implementing agency (IA), or ADB. The PMO or project coordination office can then prepare the quarterly reports required for supervision by ADB and the 6-monthly reports required as a basis for the preparation of the grant status reports.
- (v) NGOs are often not familiar with the requirements imposed by ADB for project implementation and monitoring. Thus, particularly in JFPR 9023: CB Environmental Improvement and in JFPR 9064: TLS Floating Communities, the NGO partners have found it difficult to meet the projects' accounting and reporting requirements. Given the small size of the projects and contracts, procedures should be simple and clear, set out in the grant implementation manual early in the project period, and as far as possible left unchanged. The introduction of computerized accounting systems midway through JFPR 9064: TLS Floating Communities is causing considerable concern among some NGO partners.

- (vi) JFPR projects are often slow to respond to needs or follow up on promises, as in the case of JFPR 9064: TLS Floating Communities. This factor is particularly important in JFPR-type projects, where delays can damage the trust that has been established between the NGO and the community.
- (vii) In a project with several NGOs, the role of the PMO becomes critical. In the case of JFPR 9017: CBLE, the managing NGO has provided strong support to the project NGOs, ensuring smooth implementation. In JFPR 9064: TLS Floating Communities, the PMO has so far not provided the level of support needed by the NGOs, which have therefore found difficulty in meeting the project's reporting requirements.
- (viii) NGOs usually lack the resources to carry out project activities for a significant period without fund top-up. In this situation, and where imprest account replenishment is slow (as in JFPR 9064: TLS Floating Communities), expenditure claims must be prepared and processed regularly. For JFPR 9064, the low imprest account limit (\$100,000, given ADB's rule that the amount should not exceed 10% of project value) can cause severe implementation delays. Exceptions to this rule should be examined, with perhaps a maximum imprest of up to 20% of the loan amount in appropriate circumstances. The number of signatures required to approve imprest account reimbursement should be the minimum needed for adequate financial control.
- (ix) NGOs are required to have their accounts audited. This is reasonable as the audits generate confidence that financial management is sound and allow improvements to be recommended. However, auditing can be expensive in relation to the value of the contract or annual expenditure. For example, NGOs that disbursed an average of \$10,000 in 2006 under JFPR 9006: TLS Floating Communities are required to spend around \$5,000 of limited project funds on an audit.² Not surprisingly, they see this to be a disproportionate use of funds needed for work in the communities. In this case, it may be worthwhile to consider deferring the audit until the end of 2007, when a 2-year audit could be conducted. All things considered, the cost of auditing should be minimized, through: (a) a full audit of the PMO only, and necessary spot audits of transactions for the implementing NGOs; (b) a collective audit of all NGOs in the same project as in JFPR 9017: CBLE, if individual audits of NGO are considered necessary; (c) acceptance of existing audits of the NGO's overall operation; or (d) adoption of lower-cost (but still effective) auditing options compared with the recruitment of one of the Big Five accounting firms. Offering one audit company a contract for all JFPR projects could also lead to substantial cost savings.

2. Relationship with Government

30. The relationship between government and other stakeholders can be a key factor determining project implementation performance. In the case of a loan project, it is clear that government needs to be integrally involved in implementation, since it is responsible for repaying the loan. However, it has been considered that in small grant projects like those funded by JFPR or bilateral agencies, improved service delivery to communities is likely to result from bypassing government agencies and implementing projects through NGOs. Many projects are still required to use government institutions as executing agencies, and in general

² ADB's Office of the Auditor General has commented that, in a project where the first-year expenditures have been minimal, the full audit may be deferred to the second year, and should cover the first 2 years of project implementation.

to receive funding through the Ministry of Economy and Finance. But if government can be bypassed, as in the case of JFPR 9017: CBLE (with a direct contract between ADB and CARE Cambodia), financial problems are generally limited. In other cases, as in JFPR 9006: HIV/AIDS, both the Ministry of Health and the implementing agency, NCHADS, are highly motivated to address the HIV/AIDS epidemic and have worked well to ensure adequate funding for the implementing NGOs and provinces, demonstrating that in the right circumstances, implementation by government agencies can also be effective.

31. Problems can arise where a government agency is required to play an active role in the project, as in the case of JFPR 9036: Post Harvest, where the Cambodian Agricultural Research and Development Institute has not been effective in its role. In JFPR 9064: TLS Floating Communities, the complex relationships between the NGOs, the PMO, the Ministry of Agriculture and Fisheries, and the Ministry of Economy and Finance have led to severe funding problems. Governments are increasingly demanding a say in project implementation. The issue is how to tap their skills and resources without allowing them to take over the project and possibly limit the positive impact on communities. Given the variety of approaches and levels of success achieved in Cambodia so far, there is clearly no single optimal solution: the approach will have to vary with the project and the agency. Adequate institutional analysis, in which the experience, capacity, and motivation of the relevant government agencies are taken into account when defining the optimal institutional arrangements, is essential. Even where the prior experience of the institution is satisfactory, projects can still run into difficulties if an incompetent, or excessively bureaucratic, project manager is appointed, or where antagonism develops between project management and the IA or executing agency (EA).

3. Communication

32. Some EAs and IAs feel that they do not receive enough information from their projects. If government institutions must be included as EAs or IAs, they should receive regular reports on project activities. Otherwise, antagonism can develop between the institutions and the project. At the same time, it is recognized that most Cambodian government institutions remain short of resources. Thus, their potential for extracting rent from project stakeholders should be limited as far as possible, but not at the expense of providing them with adequate information on project implementation.

33. A number of EAs and IAs have commented negatively on the fact that most documentation in JFPR's Cambodian projects is in English, an ADB requirement in their view. This is particularly true of JFPR 9017: CBLE and JFPR 9023: CB Environmental Improvement. The lack of reports in Khmer is ineffective on two counts: (i) most local NGOs find it difficult to prepare or understand reports in English, and (ii) the reports are much less relevant to project coordinators and government agencies. Since relatively few project reports are forwarded to ADB, most of them should be written in Khmer, and only those reports that are sent to ADB (Manila and probably Phnom Penh) should be translated into English.

C. Lessons

34. A number of lessons can be derived from the JFPR program in Cambodia:

- (i) Where projects closely align with national policy, success is likely, as in the case of JFPR 9006: HIV/AIDS.
- (ii) NGOs are appropriate partners for JFPR. Their ability to respond to local needs is particularly valuable. However, they must know that they will have to follow

- project procedures in relation to reporting and financial control. NGO experience and capacity must be given more weight in selection.
- (iii) Good understanding of the project is required of NGO partners (and other stakeholders) at the start. Project procedures should be clear and included in the grant implementation manual at the start of the project so that all partners have a good understanding of project processes. Adequate training is needed, to enable the NGO partners to implement project procedures effectively. If possible, complex new systems should not be introduced midway through project implementation.
 - (iv) Small NGOs need strong support from project management in establishing the required systems.
 - (vi) A multiplicity of components, geographic areas, or IAs complicates design for relatively small projects (e.g., JFPR 9017: CBLE and JFPR 9064: TLS Floating Communities). Simplicity of design is desirable, given the small scale and short planned duration of most projects.
 - (vii) Designs should include adequate information on outputs, performance indicators, and beneficiary analysis. Perhaps because of the generally small size of JFPR projects, the project frameworks are often weak, such that project planning and management is constrained, and objective evaluation difficult.
 - (vii) Reporting should be simplified to ensure that the main output of the project is the delivery of services to poor communities and not the preparation of mountains of paper that are of limited assistance to management.
 - (ix) Simplified funding mechanisms, preferably direct contracts between ADB and the implementing agencies that do not involve regular Ministry of Economy and Finance channels, are desirable. This approach is used effectively by some bilateral donors, and similar mechanisms can be developed for projects funded with grants from multilateral donors (e.g., JFPR 9017: CBLE and JFPR 9036: Post Harvest). If normal government channels have to be followed in a particular case, they should be as streamlined as possible.
 - (x) CBOs should be formed early in the project period. In JFPR 9017: CBLE, CBOs and self-help groups were formed within 6 months of the project's completion, not allowing enough time to ensure their solid establishment before the project ended.
 - (xi) It is difficult to reach the poorest of poor (as in the case of JFPR 9017: CBLE) as the very poor may be more preoccupied with surviving to participate in project activities. Further, they may lack land or other basic means of production. Therefore, rural development project proponents must find other ways to assist them.

D. Recommendations

35. A number of general recommendations can be made for JFPR operations.
- (i) Minimize the steps in financial transactions between the IA and ADB.
 - (ii) Establish simplified financial procedures at the start of the project.
 - (iii) Ensure timely flow of funds, and continuity of contracts.
 - (iv) Simplify projects.
 - (v) Consider integrating the NGOs and the private sector with the PMO (as in JFPR 9017: CBLE).

- (vi) Streamline reporting requirements and promote reporting in the local language to improve communication, particularly with government agencies. Midterm reports should seldom be required from implementing NGOs.
- (vii) Consider having one auditing contract for all JFPR projects (or at least all new ones).
- (viii) Take steps to expand successful project technology or approaches to other areas.

INDONESIA COUNTRY REPORT

I. INTRODUCTION

A. JFPR in Indonesia

1. Nine Japan Fund for Poverty Reduction (JFPR) projects have been approved in Indonesia from 2000 to 2006; of these, one—JFPR 9084—was canceled (see table). The operations evaluation mission (OEM) discussed three projects (Table A4) with project staff and consultants to assess the progress of implementation.

Table A4: JFPR Program in Indonesia

Grant No.	Project Name	Year	JFPR Grant (\$ m)	Gov't of Japan Approval	ADB Approval	LOA Signing Date	Orig. Closing Date	Revised Closing Date
9000	Assisting Girl Street Children at Risk of Sexual Abuse ^a	2000	1.00	Aug 00	Oct 00	Nov 00	Mar 02	Apr 06
9016	Supporting the Community-Based Basic Education for the Poor ^a	2002	3.20	Dec 01	May 02	Jul 02	Dec 05	Jun 06
9049	Sustainable Livelihood Development for Poor Coastal and Small Island Communities	2004	1.50	Feb 04	Jun 04	Oct 04	Dec 07	Dec 07
9065	Enriching Lives of the Urban Poor through Food Fortification ^a	2005	1.75	Dec 04	Mar 05	Jun 05	Feb 08	
9072	Sustainable Livelihood Development for Coastal Communities in NAD	2005	2.50	Jul 05	Sep 05	Dec 05	Aug 07	Feb 09
9073	Rehabilitation of Coral Reef and Mangrove Resources in NAD	2005	1.50	Jul 05	Sep 05	Dec 05	Aug 07	Feb 09
9074	Seismically Upgraded Housing in NAD and North Sumatera	2005	2.00	Jul 05	Sep 05	Dec 05	Aug 07	
9079	Assistance for the Restoration of Microenterprise and Microfinance in Aceh	2005	2.00	Oct 05	Nov 05	May 06	May 08	
9084	Supporting Community Health Care Initiatives in NAD (CANCELED)	2006	2.00	Oct 05	Jan 06	Sep 06	Jun 07	Canceled (Dec 06)

ADB = Asian Development Bank, JFPR = Japan Fund for Poverty Reduction, LOA = letter of agreement, NAD = Special Province of Nanggroe Aceh Darussalam, No. = number.

^a These projects were selected for field evaluation.

Source: Office of Cofinancing Operations database.

2. The program includes the first JFPR project approved (JFPR 9000: Street Children). Started in November 2000, it had a rather ambitious project period of 2 years, which was extended several times before completion in April 2006, or nearly 5.5 years after the start of the project.

3. Most of the projects in Indonesia relate to recovery from the December 2004 tsunami, which killed 170,000 people in the province of Nanggroe Aceh Darussalam (NAD), and the March 2005 earthquake, which severely affected Nias island in North Sumatra and island communities in Aceh. Nine projects have been approved; one of these (JFPR 9084) was canceled within 3 months of the signing of the letter of agreement (LOA). Another project¹ took effect in October 2004, 2 months before the tsunami, and was focused on recovery from the March 2005 earthquake.

¹ ADB. 2004. *Proposed Grant Assistance to the Republic of Indonesia for the Sustainable Livelihood Development for Poor Coastal and Small Island Communities*. Manila (JFPR 9049-INO, approved in June 2004).

4. Only one project is in the pipeline for Indonesia—Rice Fortification, which is scheduled for approval in October 2007. While Indonesia is progressively reducing its poverty incidence, there are likely to be opportunities for further JFPR activities in the future, particularly in the island regions.

B. Fieldwork Program

5. The OEM decided not to include the tsunami projects in its field evaluation, primarily because the program has been substantially delayed and there has been little project activity. However, JFPR 9049: Coastal Livelihood Development (footnote 1), which was approved before the tsunami but operates in tsunami-affected areas, has made good progress with its initial assessments. In addition, the tsunami program could be the subject of a cluster evaluation in the future. This left the OEM with three projects—JFPR 9000: Street Children, JFPR 9016: Basic Education, and JFPR 9065: Food Fortification. The selection of the first two was almost automatic, as both had been completed and implementation completion memorandums had been prepared. Project outcomes could thus be reasonably assessed. JFPR 9065, on the other hand, had just recently begun implementation (20 months after the signing of the LOA) but was included in the field evaluation to allow an assessment of the more recent grant design and early implementation processes.

6. Fieldwork focused on JFPR 9000: Street Children and JFPR 9016: Basic Education. The JFPR 9000 project site in Yogyakarta and the JRPR site in Lombok were visited. JFPR 9065: Food Fortification and the tsunami projects were assessed through interviews with stakeholders in Jakarta and project officers in Manila and Aceh.

C. Program Factors

1. Relationship to National and ADB Strategies

7. As stated in ADB's draft Country Strategy and Program (CSP) 2006–2009, the Government's Medium-Term Development Plan (RPJM 25) for 2005–2009 focuses on reducing poverty by increasing growth, creating jobs, ensuring environmental sustainability, and carrying out activities and investments to achieve the planned Millennium Development Goals. The five priority areas in achieving these goals are: (i) job creation and poverty reduction; (ii) macroeconomic stability with stable prices, fiscal sustainability, and financial sector reforms; (iii) acceleration of investments, exports, and tourism through reforms for a healthy business climate and flexible markets; (iv) improved access to better-quality education and health services; and (v) infrastructure development through more efficient services and greater private sector participation. Poverty reduction strategies are becoming increasingly localized as local governments are encouraged to set up poverty reduction committees and develop their own strategies. Most recently, the Government has announced that the community-driven development and conditional cash transfer programs would become the cornerstone of poverty reduction.

8. ADB's 2001 country operational strategy² includes five focal points that follow closely the lessons of poverty assessment, the Government's development priorities, and the emerging programs of other international funding agencies, as follows: (i) creating and strengthening basic institutions by improving the many relevant dimensions of governance; (ii) supporting sustainable recovery and pro-poor growth by enabling and encouraging private sector

² ADB. 2001. *Country Operational Strategy: Indonesia*. Manila.

development; (iii) improving regional equity through balanced regional development, especially in the rural areas and less-developed islands, by (a) supporting decentralization, (b) enhancing rural and urban sector development, and (c) expanding transport systems; (iv) investing in human and social development by improving access to better-quality basic social services such as education, health and nutrition, safe drinking water, and sanitation, especially for the poor, and enhancing the role of women; and (v) strengthening environment management to ensure the sustainable use of natural resources and prevent adverse effects on the environment. JFPR 9000: Street Children, JFPR 9016: Basic Education, and JFPR 9065: Food Fortification deal directly with focal point (iv), while the tsunami projects address several other focal points.

2. Project Design

9. The JFPR projects vary greatly in the quality of their design. JFPR 9000: Street Children had a rather weak design and a design and monitoring framework (DMF) that was of little use in implementation and monitoring and may have been partly responsible for the relative weakness of the monitoring activity—a significant problem for a project intended as a pilot. JFPR 9016: Basic Education, on the other hand, had a strong DMF, though its goal of poverty reduction was ambitious and long-term. However, its design was also ambitious for a pilot project, covering three widely separated subdistricts and five consulting packages.

3. Innovation

10. Significant innovation was demonstrated by JFPR 9000: Street Children, particularly through the networking of nongovernment organizations (NGOs) providing different services to girl street children and cross-referrals among them. JFPR 9016: Basic Education attempted a number of innovations including the development of community education forums, cluster-based two-person rehabilitation advisory teams, and clusters of schools of multiple levels and types.³ All of these concepts are considered sound and helpful in project implementation. However, none was institutionalized, and all related activities ended soon after the project. The project approaches overall were nonetheless in line with national policies and programs, which have been evolving and are leading to a far more relevant and sustainable education system.

4. Project Management

11. The management of JFPR 9000: Street Children appears to have worked well, with adequate links between the project management office (PMO) in Jakarta and the project implementation unit (PIU) in the Yogyakarta institution responsible for coordinating all local NGOs (the provincial body for social welfare activities). The project was under-disbursed by around 15%, partly because of the NGOs' lack of capacity. This was unfortunate, given the substantial needs of a number of NGOs for financial support for capacity and service improvements. In JFPR 9016: Basic Education, insufficient links between the consultants and national and provincial project management are believed to have been at least partly responsible for under-spending of around 12%, thereby squandering the opportunity to use funds that were greatly needed by project-supported schools in poor subdistricts of Lombok and Sumbawa. The inability of management (or ADB) to identify problems with monitoring systems until it was too late was a weakness of both projects.

³ Clusters in the national education system are all of one type (e.g., SDN, or government primary schools). Under JFPR 9016, a cluster could include government and madrasah primary and secondary schools.

5. Outputs

12. JFPR 9000: Street Children and JFPR 9016: Basic Education significantly exceeded their output targets in terms of the number of girl street children assisted and the number of schools upgraded.

6. Financial Arrangements and Fund Flows

13. Delayed fund flow has been a problem on all projects except JFPR 9016: Basic Education. Receipt of funds by the project implementers can be delayed for several reasons: (i) late or inaccurate requests for payment, (ii) slow approval by the projects' executing agency, or (iii) delayed approval or processing by ADB. The implementation of JFPR 9000: Street Children caused problems for the NGOs, which in some cases were obliged to lay off project staff temporarily. In JFPR 9049: Sustainable Livelihood Development for Small Coastal and Island Communities, the implementation consultants have run out of money. As a result, project activities being implemented through local NGOs in the districts have stopped, inevitably causing hardship for the NGOs and their clients. On the other hand, the private NGO assisting in the implementation of JFPR 9065: Food Fortification has been required to raise \$6,000 from its own resources as a deposit to secure the "comfort letter" sought by ADB. In these and other projects, NGOs should not be burdened with commitments that make them less effective as institutions, and fund flows should be sufficient to allow smooth implementation.

7. Japanese Profile

14. The Japanese profile was adequate in the two JFPR projects that were evaluated in the field. All stakeholders were familiar with the source of funding (Japan), and JFPR 9016: Basic Education subprojects were reported to have been adequately "flagged" during construction. Books and desks provided under the project were marked "JFPR 9016 INO." One school visited had recognition of ADB and JFPR painted on its entrance gate.

8. ADB Attitudes

15. The JFPR program in Indonesia is considered to be of value by the country director and staff as these showcase ADB's concern about eradicating poverty and addressing grassroots problems. JFPR 9000: Street Children in particular generated much goodwill.

9. Replication

16. Both JFPR 9000: Street Children and JFPR 9016: Basic Education were intended as pilot projects, but neither was effective in this role. By the time JFPR 9000 was completed, the problem of girl street children had declined significantly and was therefore no longer considered a major issue by NGOs or the Government. The networking and referral principles developed by the project could have been—but were not—extended to other subsectors (such as general poverty, malnutrition, disability, or drug abuse) because of inadequate project monitoring and reporting. More could still be done by the NGO partners and the Government to promote replication of the approach in other major cities. JFPR 9016 was intended to develop systems to be implemented under the Decentralized Basic Education Project. However, in practice, the two projects were implemented in parallel and the pilot function of JFPR 9016 was therefore not relevant. More care is required in the design and monitoring of pilot projects to ensure that the pilot function is appropriately timed and that lessons learned are properly analyzed, written up, and extended.

10. Emergency Response

17. The JFPR program in Indonesia includes a substantial proposed contribution for tsunami relief and reconstruction. Five projects with a total value of \$10 million were launched in March 2005, in parallel with the \$300 million grant for the Earthquake and Tsunami Emergency Support Project. All five have experienced significant delays—JFPR 9072: Coastal Communities⁴ and JFPR 9073: Reef and Mangrove Resources⁵ in the fisheries sector are yet to begin, 26 months after the tsunami. The factors that have delayed the projects can be summarized as follows:

- (i) slow processing by the Government of Japan (in some cases), which has been intent on ensuring that interventions do not duplicate other Japanese support;
- (ii) changes in project officers for several projects, causing loss of implementation momentum;
- (iii) lack of staff time, particularly to follow up project activities in Aceh and define needed interventions in a rapidly changing environment;
- (iv) reorganization in the ministries in Jakarta and in the implementation arrangements in Aceh; and
- (v) the small size of the grants compared with the large resources and limited implementation capacity available in Aceh.

18. The use of JFPR funds for emergency response thus requires rapid approvals by both ADB and the Government of Japan, continuity of project officers, regular follow-up in the field, and enough flexibility to respond to evolving needs and the programs of other donors. The present administrative arrangements leave in doubt the ability of JFPR to meet these criteria and its relevance to emergency response. This is unfortunate, as grant funding is appropriate and JFPR could have a useful role to play, particularly in smaller emergencies, such as the tsunami in Pangandaran, West Java, or the earthquake in Yogyakarta Province. Ways to accelerate design and implementation are therefore desirable in general, and particularly for emergency response projects.

II. PERFORMANCE ASSESSMENT

19. The performance of the JFPR program in Indonesia is discussed in this section.

A. Relevance

20. JFPR 9000: Street Children would have been more relevant if its pilot function had been capitalized on and its systems extended to other cities and subsectors. However, the problem of girl street children has declined substantially in most cities and is no longer considered a major issue by NGOs and government (though still worthy of attention). Thus, while the project was highly relevant at the start, overall it was only partly relevant because of this change in need. JFPR 9016: Basic Education was highly relevant to government policy at the design stage and remains relevant, but delays in implementation limited its relevance as a pilot project for the Decentralized Basic Education Project; it is rated relevant overall. JFPR 9052: Food Fortification is considered highly relevant, in terms of its potential to develop low-cost nutritional

⁴ ADB. 2005. *Proposed Grant Assistance to the Republic of Indonesia for the Sustainable Livelihood Development for Coastal Communities in the Special Province of Nanggroe Aceh Darussalam Project*. Manila.

⁵ ADB. 2005. *Proposed Grant Assistance to the Republic of Indonesia for the Rehabilitation of Coral Reef and Mangrove Resources in the Special Province of Nanggroe Aceh Darussalam Project*. Manila.

supplements for children under 2 years old and improve their overall health and development. The tsunami projects and JFPR 9049: Coastal Livelihood Development (footnote 1) were relevant at the time of design but were overtaken by events and other programs because of their slow pace of implementation. Thus, their relevance in 2007 is rather limited. Overall, however, the JFPR program in Indonesia remains relevant.

B. Effectiveness

21. The two completed projects were both effective. The problem of girl street children has declined significantly in Yogyakarta, partly as a result of the project. Effective systems of networking and cross-referral were developed for welfare NGOs, but the lack of effective monitoring, reporting, and extension precludes a rating of highly effective. JFPR 9016: Basic Education was effective in improving education quality in three subdistricts. But its pilot-testing and demonstration objective was not realized, as discussed above. It is too early to judge the effectiveness of the remaining JFPR projects in Indonesia. It is hoped, however, that the implementation of the projects in Aceh by international and local NGOs will prove effective. Comparisons of effectiveness with the parallel Earthquake and Tsunami Emergency Sector Project implemented by government agencies will be of interest in the future.

C. Efficiency

22. The two completed projects are considered to have been efficient, but serious implementation delays limited the efficiency of process. Cost-effectiveness was adequate in both instances, and particularly for JFPR 9000: Street Children. JFPR 9016: Basic Education was highly cost-effective, with community-based school development costing only around 50% of traditional public sector development. However, the administration and consulting service costs, amounting to around 25% of the project budget, suggest rather high overhead.

D. Sustainability

23. Sustainability is considered likely for JFPR 9000: Street Children and most likely for JFPR 9016: Basic Education. At the micro level, the referral and networking systems established between NGOs in Yogyakarta are expected to continue, though perhaps at a lower level than during the project. Many of the processes established or promoted under JFPR 9016: Basic Education are integral parts of current government policy and are therefore highly sustainable. But schools renovated under the project are not being adequately maintained. Government, schools, and communities must pay greater attention to this issue.

E. Socioeconomic Impact

24. The socioeconomic impact of JFPR 9016: Basic Education is expected to be high. Project activities combined with improved education systems being introduced nationally and supported under the project will allow more primary-school leavers to graduate to junior and ultimately senior high school and realize improved economic performance over their working lives. From being assets purely under the responsibility of government, the schools are increasing civic pride and faith in the education system, thanks in part to the close involvement of communities in their development and (to some degree) management. The long-term impact of the project, together with ongoing government programs, is expected to be highly positive. JFPR 9000: Street Children has resulted in substantial benefits to the 900 girls assisted under the project, though external impact has been limited.

III. OVERALL ASSESSMENT, ISSUES, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment

25. Overall, the JFPR program in Indonesia has been successful. While lack of success in their pilot functions resulted in a lower rating for both completed projects, these projects were highly successful in their geographic areas and subsectors. The ongoing projects are still too new to be evaluated. However, all have the potential to succeed, provided early attention is given to implementation processes and funding mechanisms.

B. Issues

26. A number of issues emerged from the review of JFPR projects.

27. **Difficulty of Establishing Appropriate Implementation and Funding Arrangements.** Difficulty in establishing or maintaining fund flows is limiting the implementation efficiency of several projects. It is clear that the mechanism established under JFPR 9049: Coastal Livelihood Development (footnote 1), which requires signatures from five levels of authority in an essentially unrelated project office, is not suitable. In Indonesia, signatures are often difficult to obtain. Officers are loath to sign anything that they have no control over, for fear of being tarnished by failure. NGOs face particular problems (e.g., in JFPR 9049 and JFPR 9065: Food Fortification, and to a lesser degree in JFPR 9000: Street Children). They need to be set up with imprest accounts similar to those established for government project management offices. Mechanisms that do not require NGOs to use their limited resources as security deposits or to cross-subsidize the JFPR project are also desirable.

28. **Effective Mechanisms for Involving and Motivating Government.** The involvement in and performance of government agencies in the JFPR projects has been mixed. Several projects have attempted to minimize the involvement of government, by giving it minimal control over the project, often while still controlling project funding. Despite receiving relatively little direct funding, three of the agencies—the Ministries of Social Affairs, Health, and Education—have strongly attempted to assist in the implementation of their projects. This is taken to show the positive views of social sector ministries toward JFPR and its approaches. However, there are issues related to: (i) inadequate provision of information by consultants to the executing agency (EA) (JFPR 9016: Basic Education), (ii) failure to form an adequate steering committee (JFPR 9016), (iii) project delays caused by overly complex disbursement approval processes (JFPR 9049: Coastal Livelihood Development), and (iv) inadequate coverage of ministry overhead (JFPR 9072: Coastal Communities [footnote 4] and JFPR 9073: Reef and Mangrove Resources [footnote 5], before the change in executing agency). Institutional change, involving the takeover of implementation responsibility for the tsunami-related projects, has had a major impact on all the projects and led directly to the cancellation of JFPR 9084: Supporting Community Health Care Initiatives.⁶

29. **Appropriateness of JFPR for Emergency Response.** Superficially, JFPR would appear to be an appropriate vehicle for responding rapidly to emergencies. As grant and in principle with reasonably simple approval processes, JFPR can fund grassroots emergency relief and reconstruction projects. However, the Indonesian experience (as well as the

⁶ ADB. 2006. *Proposed Grant Assistance to the Republic of Indonesia: Supporting Community Health Care Initiatives in Nanggroe Aceh Darussalam*. Manila.

experience in Cambodia and Pakistan) suggests that JFPR as currently conceived faces major difficulties in designing and implementing appropriate and timely emergency responses.

30. **Development of Pilot Initiatives under JFPR.** The two JFPR projects completed so far in Indonesia were both intended as pilot projects. In both cases the pilot objective was not achieved, but for different reasons. In JFPR 9000: Street Children, (i) the problem of girl street children had declined by the time the project was completed, (ii) governments and NGOs had other priorities, and (iii) monitoring and reporting were inadequate. In JFPR 9016: Basic Education, the project was implemented in parallel with the main project (DBEP) and the opportunity for pilot-testing was thus lost. But despite these problems, JFPR remains a highly appropriate vehicle for pilot-testing. For pilot objectives to be realized, however, it is important to (i) start the project in good time, to allow outcomes to be built into the design of the proposed loan project, (ii) ensure that monitoring and evaluation is done professionally, (iii) provide strong supervision, (iv) promote flexibility in implementation to capitalize on successful initiatives, and (v) provide funding to extend the results to other regions.

31. **Complexity of Design.** Some JFPRs incorporate complex designs. JFPR 9016: Basic Education, for example, involved three PIUs and five consulting packages—a degree of complexity similar to that of the main project (DBEP). Given their small scale, JFPR projects should be designed simply.

32. **Links with Government.** It is recognized that there are a number of issues related to the implementation of projects through government agencies in Indonesia, including effectiveness and governance. Some JFPR projects have attempted to bypass government to minimize these problems. However, government remains a key stakeholder in the provision of social and welfare services, and government agencies should at least be kept informed of project activities and progress. In JFPR 9016: Basic Education, the consultants were recruited by and reported to ADB, leading to weak information flows to the EA and the implementing agency (IA).

C. Lessons

33. A number of lessons can be drawn from the JFPR program in Indonesia:

- (i) **Need for effective funding of NGOs.** As discussed, JFPR projects have sometimes placed quite severe financial burdens on NGOs. Examples are evident in JFPR 9000: Street Children, JFPR 9065: Food Fortification, and JFPR 9049: Coastal Livelihood Development (footnote 1), in each of which NGO activities have been curtailed for shorter or longer periods. Effective funding mechanisms are essential for all projects but particularly for those involving NGOs that have limited financial resources and cannot afford to fund project activities from their own resources.
- (ii) **Under-spending and how to prevent it.** It is quite unfortunate that some JFPR projects have under-spent their allocated funds since the poor and the institutions supporting them can often use the additional funds more effectively. Care is required to monitor fund flows carefully and prevent under-spending at an early stage of the project, and if necessary introduce variations to allow most of the grant amount to be used at project completion.
- (iii) **Improved performance under local supervision.** Institutional reorganizations in ADB (and in Indonesia) have had significant negative impact on JFPR project implementation. Frequent changes in project officers in ADB have sometimes

transferred project responsibilities to officers who lack the motivation of their predecessors. Closer attention to implementation problems was evident when responsibility for implementation was passed to the resident mission and is expected to occur in several of the tsunami-related projects when management responsibility is passed to ADB's Extended Mission in Sumatra.

- (iv) **Need to select a suitable monitoring and evaluation agency.** For all projects, but particularly for pilot projects, where it is desirable to extend the results, adequate monitoring and evaluation is essential. More care is thus required in the selection of monitoring agencies (to ensure that they have the capacity and capability required), and in their supervision. Where monitoring reports are inadequate, early review and feedback will assist in the establishment of adequate systems. If the monitoring agency cannot improve its performance, it should be replaced at an early stage.
- (v) **Links between JFPR and the main project.** Where a JFPR project is similar in nature to a larger project there can be advantages in defining the same project management structure. This should promote efficiency in management and financial control. However, enough resources must be allocated to the PMO to allow it to operate effectively, and systems that do not lead to severe delay established (as in JFPR 9049: Coastal Livelihood Development).
- (vi) **Design.** The relatively small size of JFPR projects does not mean that shortcuts can be taken in design. Thus, all normal design systems need to be adopted, including beneficiary participation, problem analysis, and the use of DMFs to assist in design as well as in implementation and monitoring.

D. Recommendations

34. A number of recommendations for JFPR projects are enumerated below:

- (i) Simplify the project design.
- (ii) JFPR as currently implemented is not a suitable avenue of support for emergency relief projects.
- (iii) Implement pilot projects within a sufficient timeframe, to allow their systems to be replicated or adjusted.
- (iv) Analyze pilot project outcomes in detail and write these up so that their positive and negative lessons can be disseminated.

MONGOLIA COUNTRY REPORT

I. INTRODUCTION

A. JFPR in Mongolia

1. Program

1. Four Japan Fund for Poverty Reduction (JFPR) projects in Mongolia were approved in 2000–2006. Two regional JFPR projects also cover the country (Table A5).

Table A5: JFPR Program in Mongolia

Grant No.	Project Name	Year	JFPR Grant (\$ m)	Gov't of Japan Approval	ADB Approval	LOA Signing Date	Original Closing Date	Revised Closing Date
Mongolia Projects								
9014	Expanding Employment Opportunities for Poor Disabled Persons ^a	2002	1.0	Dec 01	Apr 02	May 02	Mar 05	Mar 06
9015	Improving the Living Environment of the Poor in Ger Areas of Mongolia's Cities ^a	2002	2.2	Dec 01	May 02	May 03	May 05	May 07
9063	Maternal Mortality Reduction	2005	1.0	Dec 04	Feb 05	Mar 05	Feb 08	Feb 08
9085	Non-Formal Skills Training for Unemployed Youth and Adults	2006	1.0	Dec 05	Feb 06	Mar 06	Feb 09	Feb 09
Mongolia Regional Projects								
9005	Improving Nutrition for Poor Mothers and Children (AZE, KAZ, KGZ, MON, TAJ, UZB) ^a	2001	2.00	Oct 00	Apr 01	Oct 01	Aug 02	Mar 07
9052	Sustainable Food Fortification in Central Asia and Mongolia (MON, KAZ, KGZ, TAJ, UZB) ^a	2004	6.85	Mar 04	Jul 04	Nov 04	Aug 06	May 07

ADB = Asian Development Bank, AZE = Azerbaijan, JFPR = Japan Fund for Poverty Reduction, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, LOA = letter of agreement, MON = Mongolia, No. = number, TAJ = Tajikistan, UZB = Uzbekistan.

^a These projects were selected for evaluation in the field.

Source: Office of Cofinancing Operations database.

2. The JFPR projects in Mongolia have been in the education, health, livelihood enhancement, and nutrition subsectors.

2. Pipeline Projects

3. Seven projects are planned for Mongolia in 2007, the most for any developing member country (DMC):

- (i) Increasing the Role, Participation, and Fair Treatment of Women in the Agriculture Supply Chains;
- (ii) Community-Based Natural Resource Management in Mongolia;
- (iii) Community-Based Heating Supply in Remote Rural Areas;
- (iv) Microfinance in Underserved Communities;
- (v) Reproductive Health Services for Poor Mothers in Rural Areas;
- (vi) Community-Based Local Road Upgrading and Maintenance in the Western Region of Mongolia; and
- (vii) Integrating Disabled Children in Basic Education.

B. Fieldwork Program

4. Two projects—JFPR 9014: Employment for Disabled and JFPR 9015: Environment in Ger¹ Areas—were selected for field evaluation in Mongolia. Some secondary data on the two regional nutrition projects were also collected to complement the fieldwork. Two criteria were used in the selection of projects: degree of completion and ease of access for fieldwork. Activities under JFPR 9015 were visited in Zuunmod aimag,² one of the 11 aimags assisted under the project. JFPR 9014 was evaluated in the vicinity of Ulaanbaatar. The two regional nutrition projects were discussed with the Mongolia country project manager.

C. Program Factors

1. Relationship to National and ADB Strategies

5. At the time of approval of JFPR 9014 and JFPR 9015 in 2002, ADB's assistance was directed to six strategically selected sectors: agriculture, finance, public sector reform, social (education, health, and social security), urban development, and roads. The Mongolian projects were in the social security sector and also partly in urban development, and thus conformed reasonably well to the country partnership strategy (CPS) framework, though JFPR 9014: Employment for Disabled was outside ADB's subsector experience. The regional nutrition projects were in the health sector and were also adequately covered by the CPS. ADB's Mongolia CPS (2005–2009) indicates that assistance will move toward supporting the Millennium Development Goals in Mongolia but provides little information on Mongolia's own planning priorities.

6. The two national projects evaluated were entirely in line with Mongolia's development priorities. For example, the National Poverty Alleviation Program from 1993 has included the objective of providing technical training for adult disabled people by involving them in income-generating activities. The Economic Growth and Poverty Reduction Strategy paper (2003) indicates that almost half of Mongolia's 540,000 households live in gers. A quote from the paper underscores the relevance of JFPR 9015: Environment in Ger Areas to national planning priorities:

...Massive settlement of population and increased density have an adverse impact on the health of city residents and lead to distortion of a healthy and safe environment for human living, especially in ger districts of the capital city. Therefore, [the] priority objective for the city's ger districts is to define and implement the policy of restructuring gers, traditional housing reflecting the distinctive feature of Mongolia from other capital cities in the world, into comfortable housing blocks with welcome living conditions within the urban development strategy.... Of the total ger households 57 percent have no access to electricity and 70 percent have no telephone. In rural areas these percentages are higher; 75 percent lack electricity and 99 percent have no telephone.... The overwhelming majority of the poor live in gers, with 27-30 percent using water from unprotected wells for daily consumption.

¹ A ger is the traditional circular felt tent of Mongolian nomads. Informal urban settlements, characterized by a variety of shelter types, predominantly ger tents, are referred to as ger housing areas. The majority of the rural and even 60% of the urban population still live in gers.

² An aimag is a province in Mongolia.

2. Project Design

7. The design of JFPR 9014: Employment for Disabled was quite complex for a small (\$1 million) project, with five components and 23 nongovernment organizations (NGOs) involved in implementation. The project's design and monitoring framework (DMF) was basic but included adequate output indicators. The goal was virtually the same as the purpose, which was "increased and diversified incomes of disabled persons through employment." Risks were adequately described but mainly did not relate directly to the framework.

8. JFPR 9015: Environment in Ger Areas was designed to have fewer components. However, while the components were all in principle "desirable" and would to some degree address poverty, there were few links between them. By far the greatest proportion of grant funds related to housing finance, which was intended to be sustainable. However, the design gave little attention to how sustainability or growth would be achieved. A range of risks faced the project, but the major (and largely irrelevant) assumption in the framework was that "public commitment to the project remain[ed] strong." It also questioned whether capable NGOs could be found in the project areas—a question that had to be resolved at the time of design.

3. Innovation

9. The Mongolia program is highly innovative. The activities designed to improve employment opportunities under JFPR 9014: Employment for the Disabled had not been attempted before in Mongolia, while the three main components of JFPR 9015: Environment in Ger Areas were all innovative: (i) housing finance for the poor, (ii) bathhouse upgrading, and (iii) reduction of living costs (e.g., through coal or dung briquette making). The regional nutrition projects JFPR 9005-REG: Improving Nutrition and JFPR 9052-REG: Food Fortification were also highly innovative in a Mongolian as well as a regional context.

4. Project Management

10. The project management performance of the JFPR projects in Mongolia has generally been sound. JFPR 9014: Employment for Disabled, in particular, showed strong management, and OEM ascribes the high success rating of quite a difficult project almost entirely to the energy and capability of the project coordinator. Also important in the successful implementation of the Mongolian projects is the management of the projects through the resident mission. This is considered important by the country director in providing closer supervision, and also in giving national officers the opportunity to take responsibility for project design and implementation.

11. The management of the two regional nutrition projects, however, has not been as strong. The operations evaluation mission found it difficult to obtain information about the projects because of the absence of the JFPR 9052-REG: Food Fortification project coordinator. Part of the problem is that these projects are being run from Manila through a coordination office in Kazakhstan and little information is given to the resident mission in Ulaanbaatar.

5. Disbursement

12. JFPR 9014: Employment for Disabled closed with 6.5% still under-disbursed. This is unfortunate, given the mounting needs of the disabled in Mongolia. At the end of 2006, only 70% of JFPR 9015: Environment in Ger Areas had been drawn down, suggesting that there would be difficulties in using all of the grant by the planned closing date of 31 May 2007. JFPR 9052: Food Fortification in Mongolia is only around 55% disbursed, with an already

extended closing date of May 2007, though a further extension to the end of 2007 has been recommended but not yet approved.

6. Output

13. JFPR 9015: Environment in Ger Areas has substantially exceeded its target number of microfinance beneficiaries, with around 1,350 loans made, compared with a target of 300, though the loan amounts are smaller than envisaged. Similarly, the targets set for assisting disabled people within or entering the workforce was greatly exceeded under JFPR 9014: Employment for Disabled, in all cases by 100% or more. JFPR 9005-REG: Improving Nutrition achieved much in installing fortification equipment in Mongolia, with 21 salt and 26 flour factories provided with the necessary equipment. Unlike the situation in Tajikistan, where two out of three salt dosing units are defunct, all salt dosing machines in Mongolia are reported to be working.

7. Links between Government and NGOs

14. Under JFPR 9014: Employment for Disabled, the sector's lead NGO had an excellent relationship with the Government and contributed to the development of the legislative framework. The project provided a mechanism through which NGOs and the Government could collaborate and also supported the links between the lead NGO and the other implementing NGOs, particularly in changing the overall culture from one of competition to one of collaboration and synergy. The two nutrition projects have established good relationships between the private sector and the Government, for instance, in the development of a legislative framework.

8. Replication

15. The replication of the experience of implementing JFPR 9014: Employment for the Disabled has been strong, with many agencies adopting some of the disabled-friendly technologies promoted by the project. Project activities have assisted in improving the attitudes of both employers and the public to the hiring of the disabled. But replication (and extension) of housing finance under JFPR 9015: Environment in Ger Areas, while badly needed, has been difficult to achieve under the heavily subsidized interest rates adopted by the project.

II. PERFORMANCE ASSESSMENT

16. The performance of the JFPR program in Mongolia is discussed in this section.

A. Relevance

17. All Mongolian projects are highly relevant, particularly in addressing the needs of Mongolia and in improving its policy framework. The disabled have received little attention under government programs in most of the transition countries, including Mongolia. A project that increases the productivity and welfare of the disabled is therefore valuable. JFPR 9014: Employment for Disabled was relevant to ADB's country program, though ADB has little or no expertise in providing services to the disabled through its loan projects. The objectives of JFPR 9015: Environment in Ger Areas were also highly relevant since inadequate housing conditions and heating are major contributors to the meager way of life of the urban poor. The project could have been more relevant, however, if more focus during design and implementation had been placed on making housing finance affordable to the poor on a

sustainable basis. Food fortification is highly relevant to the reduction of nutrient-related morbidity in Mongolia and in other countries in the region.

B. Effectiveness

18. JFPR 9014: Employment for Disabled was highly effective and exceeded all of its output and outcome targets. A highly committed project unit is continuing the work on a volunteer basis. The project produced excellent synergies in job placements and had a major impact in raising the awareness of government and the population at large of the predicament of the disabled and the material contribution they can make to society. Trade fairs also promoted the value of putting the disabled to work and helping them run small-scale businesses. But while the housing finance component, greenhouses, and briquette-making subcomponents of JFPR 9015: Environment in Ger Areas were highly effective, the bathhouses and community centers were less so. These were relatively small subcomponents, however, and overall the project merits a highly effective rating. Salt fortification has been highly effective, with about 75% of salt consumption and almost 100% of locally produced salt now iodized. On the other hand, since Mongolia's wheat production meets only around one third of domestic needs, and the fortification of imported flour is difficult, the effectiveness of flour fortification is relatively low.

C. Efficiency

19. The economic efficiency of all projects should be high, though economic returns are difficult to assess for the housing finance component of JFPR 9015: Environment in Ger Areas. Greenhouses and briquette manufacturing appear to be financially viable, but care will be required to ensure financial management that supports adequate repair and maintenance. The economic performance of the bathhouse component may be limited. Because the bathhouses were built and allocated free to community organizations, their overhead costs are lower than those of private bathhouses, making it hard for the latter to compete. Further assessment of this issue is required, since the closure of some private bathhouses due to competition would result in low or negative net project benefits.

20. The economic efficiency of JFPR 9014: Employment for Disabled is assessed as high, because of the productivity gains from direct project interventions and the induced improvements made by other service providers such as improved access to businesses and street-crossing aids. Since the process efficiency of both projects is satisfactory, the overall program is rated highly efficient. Reduction of morbidity through food fortification should also have substantial benefits, both economically and socially.

D. Sustainability

21. The sustainability of JFPR 9014: Employment for Disabled is assessed as high. The National Federation of Disabled Persons is expanding its coordinating role and keeping organizations and people informed of developments through a monthly newsletter. The federation is also running capacity-building programs funded by the Italian NGO Associazione Italiana Amici di Raoul Follereau (AIFO), for NGOs involved with the disabled. Held in a training room equipped by the project, the programs are focused on management, lobbying, and advocacy skills. The influence of the federation in the drafting of laws for the disabled has increased the confidence of NGO staff working in the area and convinced them that they can influence the future of their constituency through their own actions.

22. The sustainability of JFPR 9015: Environment in Ger Areas cannot yet be assessed at this stage. But the greenhouses and briquette manufacturing facilities should be sustainable if financial management and the maintenance of the equipment are effective. Subsidized lending rates make the sustainability of housing finance doubtful, though the use of land as collateral is sustainable and a major innovation that is likely to affect the whole housing and small business finance area. Getting land accepted as collateral for loans represents a major innovation in the lending market. While a 6% interest rate is almost certainly not enough to cover fund management and risk in the Mongolian context, there remains a need for a financial product that will allow the poor to invest in housing to improve their lives, reduce disease, and save on heating costs. The revolving fund could become sustainable if the five participating nonbank financial institutions (NBFIs) were allowed continued access to this “bargain basement” source of funds for marketing their other financial products. The amount of money available is small and ideal for small operations like single-aimag NBFIs. Such a package needs further development and could be considered during the preparation of the project’s implementation completion memorandum (ICM).

23. JFPR 9052: Food Fortification appears to be sustainable. The high price of potassium iodate may have some negative impact when free supplies run out by the end of 2008; thus, the producers’ association needs to examine options for the continued importation of iodate and for government support. Ways to require the fortification of flour imports are also required. Overall, the JFPR program in Mongolia is rated sustainable.

E. Socioeconomic Impact

24. The projects’ socioeconomic impact is considered high, particularly for JFPR 9014: Employment for Disabled. The direct benefits to disabled project participants have been significant, while the community awareness and replication aspects of the projects have widened the project impact, though quantitative data to support this conclusion are not available. Of even more long-term significance are the contributions made to the legislative framework, and particularly to the Law on Social Welfare. Housing loans have benefited nearly 2,000 homeowners, but since there are around 250,000 gers in Mongolia, an appropriate financial product must be developed if microfinance is to reach a significant proportion of homeowners. Further support and extension of cost-effective and seasonally specific briquettes for heating and cooking will be needed to maximize the economic impact of JFPR 9015: Environment in Ger Areas. In the future, the introduction of low-cost fuel-efficient stoves and heaters (such as the Rocket or Justa stove) needs to be considered for gers. These would have a major impact on reducing costs and pollution—a major advantage in the polluted winter environment of Ulaanbaatar in particular. As mentioned above, the reduction in morbidity from thyroid problems is a significant social and economic result of the regional food fortification projects.

III. OVERALL ASSESSMENT, ISSUES, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment

25. The JFPR program in Mongolia is highly successful. The individual projects are just as successful, though there are some doubts about the sustainability of the housing finance component of JFPR 9015: Environment in Ger Areas, given the subsidized rate of interest. JFPR 9052-REG: Food Fortification must be extended to provide the assistance needed in preparing amendments to the Law on Food, to be passed in 2007. A consultant has already been hired to do this work.

B. Issues

26. The review brought out a number of issues in the JFPR projects in Mongolia.

1. Project Selection and ADB's CPS

27. There is no doubt that JFPR 9014: Employment for Disabled was and remains highly relevant given the enormity of the problem in Mongolia, with an estimated disabled population of around 115,000. However, the project has little connection to any of ADB's core business strengths and it may therefore be asked why ADB should get involved in the disabled sector. Neither the grant paper nor the ICM addressed this issue. While the project did have links to the Social Security Sector Development Program (Loans 1836/1837-MON), the loans treated the social welfare of the disabled within the overall context of welfare and had few activities that specifically assisted the disabled apart from upgrading the National Centre for Rehabilitation of the Disabled.

28. While the project may have little relationship to ADB's core expertise, however, it has achieved much and could represent a useful base to build on. Consideration could thus be given to a larger grant (or possibly a loan project), which may merit discussion at the next country roundtable. It is also noteworthy that the project catered primarily to the physically disabled (including blind and deaf) but did not address the challenging area of mental disability. Any future grant or loan project should also consider this aspect.

2. Financial Product Sustainability

29. JFPR 9015: Environment in Ger Areas developed a financial package through six financial institutions, which offered housing finance in 11 aimags. Individual packages were smaller than planned but appear to have been appropriate to the financial capacity of the borrowers. The full name of the component was Sustainable Housing Finance for the Poor. But it is difficult to see how a package can be sustainable at an interest rate of 6% per year, which is probably only just enough to cover administration costs and perhaps bad debts. For a financial institution, a certain size in terms of number of borrowers and portfolio value is necessary to justify the management and development of the fund. An average portfolio size of around \$120,000 per institution is unlikely to be viable. There is certainly a large demand for medium-term (i.e., 2–4 years) housing finance, at an interest rate of up to about 9% per year. Thus, there is a need to work with the institutions to define ways to promote sustainability and development. It may be preferable to promote viability for the existing project financial institutions, rather than folding the revolving funds into the Department of Construction's housing fund.

3. Poverty Factors

30. The experience in Mongolia, as in other JFPR DMCs, underscores the difficulty in reaching the poorest—one of the aims specified in the JFPR guidelines. In practice, the very poor cannot be easily assisted through medium-term credit since they are more concerned with their immediate needs than with debts to be repaid in the future or cost savings in the next winter. However, some microfinance activities can assist the very poor, for example, credit or savings and loan groups with initial packages of around \$50–\$100 per borrower at reasonable interest rates for up to, say, 6 months. The coal or dung briquettes could substantially benefit the poor by increasing the efficiency or reducing the cost of heating, which is a major burden for the poor over the winter period.

4. Replication

31. The Mongolian projects have developed and proved the usefulness of some approaches. The replication of developments under JFPR 9014: Employment for Disabled is being promoted through the lead institution for the disabled, the National Federation of Disabled Person Organizations. JFPR 9015: Environment in Ger Areas has succeeded in extending project technologies. A local manufacturer, for example, was assisted in reviving a small factory of briquette presses as well as some greenhouses. This was replicated in a number of aimags (but by those who could afford them, and not by the poor). Viable technologies developed under the project must continue to be promoted, to assist the poor in other areas and maximize project impact.

5. Project Extension

32. JFPR 9052-REG: Food Fortification is significantly under-disbursed in Mongolia and in other countries in the region. The Ministry of Health is keen to extend the project for at least 1 year to allow it to assist in the approval of the amendments to the Law on Food, which will help stabilize the production of fortified flour. A legal expert has already been hired to assist in developing the necessary amendments. With this support, it is expected that the amendments will be discussed in Parliament in November or December 2007—a considerable time saving compared with the normal processing period of 2–3 years. The extension would also lead to improved knowledge and implementation.

C. Lessons

33. A number of lessons can be derived from the JFPR program in Mongolia:

- (i) Collaboration between government and NGOs is an effective way to initiate change. The support for a lead NGO was an important strategic choice of the project once the corruption within the producers' association had been addressed.
- (ii) The demonstration of disabled-friendly approaches is particularly effective. Lavatories, portable lifts, ramps, blind-friendly traffic lights, and so on have been installed in many public and private places, particularly hotels, with signs strategically placed by the project.
- (iii) Information and communication technology (ICT) has enabled NGOs to develop international networks to assist them in determining how issues are addressed elsewhere and in getting additional support, particularly from the Republic of Korea and Shanghai (People's Republic of China). ICT has also provided a means of promoting important events locally so that persons from distant aimags can participate. ICT capacity needs further development through a web page to assist disabled entrepreneurs in advertising their Mongolian products overseas, particularly in areas like felt manufacturing.
- (iv) Community work areas and other community facilities provide the disabled with places to meet. ICT adds to their ability to extend their contacts through networking.

D. Recommendation

34. Sustainable microfinance schemes should not include heavily subsidized interest rates. Interest rates should cover operating costs and make at least a marginal contribution to fixed overhead costs. They should preferably include a reasonable margin to allow expansion of the fund over time. For the very poor, a grant element could be considered, but eligibility criteria and targeting would require a certain degree of accuracy.

PHILIPPINES COUNTRY REPORT

I. INTRODUCTION

A. JFPR in the Philippines

1. Eight Japan Fund for Poverty Reduction (JFPR) projects were approved in the Philippines from 2000 to 2006 (Table A6). The projects were in slum upgrading (three projects), livelihood enhancement, social protection, renewable energy, finance, and disaster assistance.

Table A6: JFPR Program in the Philippines

Grant No.	Project Name	Year	JFPR Grant (\$ m)	Gov't of Japan Approval	ADB Approval	LOA Signing Date	Original Closing Date	Revised Closing Date
9001	Supporting the Sustainable Livelihood for the Poor in Southern Philippines ^a	2000	2.8	Sep 00	Oct 00	Oct 01	Dec 03	Dec 07
9003	On-Site Urban Upgrading for Vulnerable Slum Communities of Payatas ^a	2000	1.0	Sep 00	Dec 00	Jul 01	Dec 02	Feb 04
9004	Off-Site and Off-City Relocation of Vulnerable Slum Communities of Muntinlupa City ^a	2001	1.0	Sep 00	Dec 00	Aug 01	Aug 03	Dec 04
9018	Social Protection for Poor Women Vendors in Mindanao Cities	2002	1.0	Mar 02	Aug 02	Jan 03	Jan 06	Jun 07
9022	Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila ^a	2002	3.6	Jul 02	Sep 02	Nov 02	Oct 05	Jan 07
9042	Renewable Energy and Livelihood Development for the Poor in Negros Occidental ^a	2004	1.5	Nov 03	Jan 04	Aug 04	Dec 07	Jul 08
9088	Developing Financial Cooperatives	2006	0.9	Dec 05	Mar 06	May 06	Sep 09	Sep 09
9102	Southern Leyte Landslide Disaster Assistance Project	2006	3.0	Nov 06	Dec 06		Jul 09	Jul 09

ADB = Asian Development Bank, JFPR = Japan Fund for Poverty Reduction, LOA = letter of agreement, No. = number.

^a These projects were selected for evaluation in the field.

Source: Office of Cofinancing Operations database.

2. Two JFPR projects are planned for the Philippines in 2007:

- (i) Supporting Livelihood and Development for Poor Coastal Communities, and
- (ii) Developing Microinsurance Systems.

B. Fieldwork Program

3. Four projects were initially selected for field evaluation in the Philippines mainly on the basis of their degree of completion. The selection of the two slum-related projects was based on their high profile and frequent discussion in the press. JFPR 9001: Sustainable Livelihood, JFPR 9003: Payatas Slum Communities, and JFPR 9004: Muntinlupa Slum Communities were assessed through evaluation missions. The field evaluation of JFPR 9042: Renewable Energy was undertaken in association with a scheduled review mission of the Asian Development Bank (ADB) to Negros Occidental, to simplify logistics and minimize the disruption of communities.

4. Another slum-related project, JFPR 9022: Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila, was discussed with the project officer and its project reports were reviewed. Visits were made to three sites in two of the communities (Taguig and Muntinlupa). These visits, combined with a recent implementation completion memorandum (ICM), allowed the project to be included in the overall country assessment.

C. Program Factors

1. Relationship to National and ADB Strategies

5. JFPR 9001: Sustainable Livelihood was relevant at the time of design in 2000 and consistent with the Philippines' Country Strategy and Program (CSP) (2005–2007), which identified poverty reduction as a major constraint on development under the Government's Medium-Term Philippine Development Plan (MTPDP 2004–2010). Poverty reduction is also the main pillar of ADB's development partnership with the Philippines. The two slum-related projects had significant poverty reduction objectives and were consistent as well with the MTPDP 1999–2004, which focused on the delivery of basic social services and a program of urban sector policy reforms. The integration of private partnerships with resettlement under JFPR 9022: STEP UP leads to a highly relevant rating. While rural electrification was highly relevant at the time of design, JFPR 9042: Renewable Energy was to some degree overtaken by the expansion of the rural grid, which reduced demand for off-grid electrification. Overall, the JFPR program in the Philippines is relevant to national and ADB strategies.

2. Project Design

6. The quality of project design is variable for the Philippine program. JFPR 9042: Renewable Energy had a sound design and monitoring framework (DMF), and was one of the best-prepared of the JFPR projects that were evaluated in the field. However, it was overtaken by the national Barangay Electrification Program, which made micro-hydropower development unviable in six of the eight project sites. The original design of JFPR 9001: Sustainable Livelihood was difficult to implement. The funds were to be released directly to the beneficiaries, who, being extremely poor, could not afford to open bank accounts and might sell the livelihood activity assets and capital to meet their daily needs. Individual livelihood activities identified were often also not profitable enough to generate incremental and sustainable income for the beneficiaries.

7. The slum-related projects did not adequately identify the major risks associated with such programs because of the complexities of implementing a pilot project through an integrated approach. All three slum projects were complicated, and even JFPR 9022: STEP UP, which implemented a mainly successful relocation program, might have been more successful with fewer peripheral components. The DMF for the project was weak and inadequately linked to the grant proposal.

3. Innovation

8. The Philippine program is innovative. The slum community projects provided for detailed consultation with the communities in their design and attempted an integrated approach to slum upgrading or relocation. Despite the participatory approach, however, the communities did not respond well to the opportunities provided by the first two slum projects, and, hence, not all intended outcomes were achieved. JFPR 9022: STEP UP was innovative in applying public-private partnerships to slum upgrading. JFPR 9042: Renewable Energy was innovative in attempting to integrate electrification (and later non-generation renewable resource use) with community organization and livelihood development.

4. Project Management

9. Project management performance of JFPR projects in the Philippines has been varied but generally adequate. JFPR 9042: Renewable Energy suffered from frequent changes in project director and manager over the first 2 years of implementation, but now appears well managed. The performance of management under the slum projects was adequate, given the various demands of implementing an integrated project. The need to extend JFPR 9022: STEP UP by around 18 months increased project management costs by 20%. Though there were challenges in the implementation of livelihood projects under JFPR 9001: Sustainable Livelihood, attributed mainly to the lack of project staff, the management has responded positively to improve the situation.

5. Disbursement

10. JFPR 9003: Payatas Slum Communities was completed in 30 months.¹ The implementation of JFPR 9004: Muntinlupa Slum Communities was, however, substantially delayed mainly by the slow release of the counterpart funds² for land acquisition and of the loan funds to project beneficiaries. All three slum projects were fully disbursed. The implementation of JFPR 9001: Sustainable Livelihood was hampered by the slow release of livelihood funds, which was, in turn, caused by delay in: (i) fund replenishment from ADB in the early part of the project, (ii) compliance by both nongovernment organizations (NGOs) and beneficiaries with the livelihood assistance requirements, and (iii) fund release from the NGOs to the beneficiaries. Overall, only 69% of the funds under JFPR 9001 were disbursed by December 2006. The 4-year JFPR 9042: Renewable Energy was only 11% disbursed after 2.5 years because of: (i) the cancellation of project sites, (ii) the need to identify replacement sites, and (iii) slow approval processes in the Department of Energy.

6. Outputs

11. The intended outputs were generally achieved. In JFPR 9001: Sustainable Livelihood, two major NGO networks trained several local NGOs and contributed to building the capacity and confidence of local communities by giving them the chance to organize themselves, be more creative in formulating guidelines to sustain project benefits, and meet the demands of the projects. In the slum projects, public facilities and infrastructure were improved as houses were built with better construction materials, water and electricity systems as well as sanitation and drainage systems were installed, and community participation was enhanced. In JFPR 9042: Renewable Energy, the initial outputs showed the potential for tapping renewable energy to generate power for the communities. For instance, drinking and irrigation water was supplied to upland communities with the help of ram-pump technology.

7. Financial Arrangements and Fund Flows

12. Financial arrangements and fund flows for the evaluated projects were relatively smooth as ADB provided funds directly to NGOs through imprest accounts. Interviews with the implementing agencies indicated that no major issues hampered the transfer of funds from ADB to the recipient organizations. ADB has been flexible in responding to the needs of the implementing agencies and the requirements for disbursement. However, in JFPR 9001: Sustainable Livelihood, the transfer of funds from the assisting NGOs to beneficiaries was held

¹ A delay of 14 months compared with the over-optimistic 16-month implementation period planned.

² This was not included in the 2002 budget of the Muntinlupa local government.

back by financial bottlenecks. Delays in the replenishment of the imprest account for JFPR 9022: STEP UP affected the cash flow of the implementing agency. The fluctuating exchange rate of the dollar to the peso greatly affected the program funds, especially in the latter part of the extension year, when the peso strengthened against the dollar.

8. Links between Government and NGOs

13. There was a strong link between local government units (LGUs) and NGOs in the JFPR projects in the Philippines. For instance, LGUs participated in NGO selection for JFPR 9001: Sustainable Livelihood as previous work with NGOs had made the LGUs familiar with their capabilities. The NGOs were also instrumental in linking the current project to LGU plans and programs to sustain project benefits. In the slum projects, the participation of LGUs helped enhance implementation progress through resources and other forms of assistance contributed. In JFPR 9022: STEP UP, the strength of the LGU-NGO links varied between cities. Some LGUs gave substantial material donations, mostly landfill materials, or technical expertise. In other cases, partnership building with LGUs was not very effective. It may have been useful to attempt to develop memorandums of understanding with all LGUs at the start of the project.

9. Replication

14. JFPR 9022: STEP UP has great potential for replication, and its livelihood activities, being part of the normal program of the implementing agency, the Philippine Business for Social Progress, are expected to continue. The two earlier slum-related projects were intended as pilot projects, which would develop approaches for replication in other slum resettlement or upgrading projects. While some of the approaches have doubtlessly been adopted elsewhere, no specific instances of replication have been identified. For both projects, but particularly for JFPR 9004: Muntinlupa Slum Communities, the project processes and outcomes should be written up in a form that is easily accessible and useful to other projects. A similar need exists for JFPR 9001: Sustainable Livelihood, where the project framework envisaged an end-of-project report in which project processes would be documented, lessons drawn, and recommendations made.

II. PERFORMANCE ASSESSMENT

15. This section discusses the performance of the JFPR program in the Philippines.

A. Relevance

16. The slum projects are rated relevant to the national and socioeconomic goal of poverty reduction at the time of approval. They were pilot projects for integrated on-site and relocation development programs to reduce urban poverty in vulnerable communities. They were also consistent with the Medium-Term Philippine Development Plan (MTPDP) (1999–2004), which focused on the delivery of basic social services and a program of urban sector policy reforms, and with the ADB Country Assistance Plan (2001–2003), which provided for support and environmental upgrading assistance to urban poor communities to give them better access to municipal services, housing, and land tenure. The projects are relevant as well to the current ADB CSP and to MTPDP 2004–2010, which looks at rapid urbanization and congestion, especially in Metro Manila, as a major challenge. JFPR 9022: STEP UP is rated highly relevant, because of its component that links businesses to relocation and livelihood development.

B. Effectiveness

17. The two earlier slum-related projects were less effective in meeting their objectives. Loan repayment performance in the livelihood component of JFPR 9003: Payatas Slum Communities was weak and is currently about 37%. Few repayments are currently being collected under the community mortgage program, as sub-borrowers believe that grants were provided and do not have to be repaid. Several livelihood activities, particularly convenience stores, have failed, partly because easier access to the area has brought in outside competition (e.g., wholesalers of basic household goods). The effectiveness of JFPR 9004: Muntinlupa Slum Communities was also low: 427 households were built (75% of target), but they had an occupancy rate of only 50%. The repayment rate for loans to cover services declined over time to around 10%–30% on the average. Employment in the settlement area was limited, while the settlers' original slum houses were quickly reoccupied by relatives or others. In JFPR 9022: STEP UP there has been around 95% on-time repayment of housing loans, though the number of beneficiaries is only 50% of the target. For the smaller livelihood revolving fund, repayment has been 70%, a less-than-acceptable rate. Delinquency is mainly due to default by three homeowners' associations (out of the 22 supported by the project). Project effectiveness has also been reduced by the failure to install electricity and water connections in at least one housing project (in Muntinlupa), so that only 35 out of 106 dwellings were occupied.

18. JFPR 9001: Sustainable Livelihood is rated effective and has achieved most of its targets. Many NGOs were involved in the project and assisted with training. Although the scope of JFPR 9042: Renewable Energy changed greatly after design, the project should be able to meet its revised construction targets by its scheduled closing in August 2008. Community-based organizations (CBOs) have been formed in many of the project villages and are expected to establish more or less viable production or processing activities, using generated power, or water supplied from ram pumps. The microfinance NGO is only now beginning its work, but its experience in an ADB project in Palawan gives grounds for optimism about its potential for effectiveness in Negros Occidental.

C. Efficiency

19. Four of the five projects evaluated are rated inefficient, mainly because of the low process efficiency of JFPR 9001: Sustainable Livelihood and JFPR 9042: Renewable Energy. The former has suffered severe implementation delays, with a disbursement of 69% despite a 4-year project extension. JFPR 9042 is only now gathering momentum, nearly 3 years into a 4-year project, because of the delayed approval of project sites by the Department of Energy, and the need to replace five of the original eight sites after the unexpected expansion of the provincial electrification program. The project has also experienced several management changes, which have slowed down implementation and reporting.

20. JFPR 9003: Payatas Slum Communities was implemented more quickly but also suffered from problems in its livelihood activities, with some loans being used for consumption expenditure, and from poor repayment performance. The implementation period for JFPR 9004: Muntinlupa Slum Communities was more than twice the 18-month target. Its livelihood activities, such as jeepney operations, had to contend with outside competition as a result of improved access, and were not highly successful. Despite the delay of 1.5 years in the completion of JFPR 9022: STEP UP, overall it is considered to have been efficient, particularly in relation to its housing loan program, support for homeowners' associations, and volunteering by business partners. The delays in implementation, problems with imprest account management, and the delayed occupation of dwellings, however, preclude a highly efficient rating for the project.

D. Sustainability

21. The sustainability of the two earlier slum projects is rated less likely because JFPR 9004: Muntinlupa Slum Communities did not remove the original slums and microfinance was unviable in both projects. Nonetheless, lessons from both projects can serve the needs of similar undertakings in the future. JFPR 9022: STEP UP appears to be sustainable, with reasonably well established homeowners' associations, and an adequately performing home loan scheme. The decision to allow the homeowners' associations and community lending committees more than 12 months to repay the principal of the livelihood loans to the implementing agency, combined with low repayment rates, renders many of the revolving funds unlikely to be sustainable. JFPR 9001: Sustainable Livelihood and JFPR 9042: Renewable Energy are both rated sustainable because of the strength of the CBOs under JFPR 9042 and the viable livelihood activities under JFPR 9001. However, the ratings in both cases are tentative, since further action is required before project completion to underwrite project sustainability.

E. Socioeconomic Impact

22. Socioeconomic impact has been positive for all projects, but, in the case of the two earlier slum projects, substantially less than planned. The limited impact highlights the problems of integrated urban development projects, an experience similar to that in the rural sector, where integrated projects have almost always been problematic in Asia. JFPR 9022: STEP UP demonstrated improved performance, particularly in the repayment rate for housing loans and, to a lesser degree, livelihood loans. For JFPR 9042: Renewable Energy, the benefits are likely to be limited compared with the rather high cost of micro-hydropower development and the limited ability of the communities to pay for electricity in the early years. A major benefit to future socioeconomic performance is the emergence of apparently quite strong CBOs, which, if they succeed, could contribute greatly to village development. A concern, however, is that implementation has only around 14 more months to go, suggesting that CBOs yet to be formed may have some problems getting well established before the end of the project. Project extension or other methods of providing at least some support to the CBOs may be required.

III. OVERALL ASSESSMENT, ISSUES, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment

23. The JFPR program in the Philippines is close to the border line between *successful* and *partly successful*. The two earlier slum-related projects are rated partly successful, with significant problems in sustainability. JFPR 9022: STEP UP and JFPR 9001: Sustainable Livelihood are rated successful, while JFPR 9042: Renewable Energy has a tentative rating of successful, contingent on the satisfactory installation of the micro-hydro schemes in the next few months and the performance of the CBOs and the microfinance program. Though not strictly amenable to mathematical aggregation, the five JFPR projects in the Philippines have an average score of 1.6. The divide between successful and partly successful in the Operations Evaluation Department's rating system is 1.7.

B. Issues

24. A number of issues emerged from the review of the projects.

1. Project Design

25. As in other JFPR countries, several of the projects evaluated in the Philippines had weak designs. A notable exception was JFPR 9042: Renewable Energy, which had a well-designed DMF and risk analysis, but did not take the provincial electrification program sufficiently into account. Other designs lacked adequate stakeholder or problem analysis, and did not use the frameworks as effective design and monitoring tools. At least in the Philippines, there were foreseen advantages in undertaking the DMF separately from government to minimize pressures on designers. But at the same time designers need to have a good understanding of the country policy and legal framework to avoid major bottlenecks during actual implementation. Several projects had complicated designs—for example, JFPR 9022: STEP UP, which had six components. Some components and activities consequently received less attention than others. For instance, it is not clear that the risk reduction management component was necessary to achieve the project's key objectives.

2. Involvement of LGUs

26. Though there are advantages in not including LGUs in the design process, LGUs can play an important role in project implementation, and may be critical to sustainability. Initially, LGUs should also be consulted to gain an understanding of local provisions that may affect project implementation. Moreover, to make the project more relevant to the actual needs of the target community, and promote sustainability, the project must be harmonized with existing LGU programs. For instance, the livestock dispersal programs under JFPR can benefit from the agricultural and animal extension services provided by LGUs, such as technical assistance, vaccination, and animal care and nutrition. Project implementers under JFPR 9022: STEP UP considered it desirable to enter into formal memorandums of agreement with the LGUs, to fully define what was expected from each of the stakeholders. LGUs were fully integrated into only around half of the 23 communities assisted under the project.

3. Need to Understand Local Policies

27. Legal statutes and processes and their possible implications for project implementation should be well understood. For instance, JFPR 9042: Renewable Energy was delayed by the lack of coherence between project design and the national policy on rural electrification. Upcoming government programs should also be taken into account, if possible, to avoid duplication and reduction of project relevance. In the slum projects, the necessary steps and legal requirements (particularly in dealing with government agencies) for implementing an integrated program should have been considered well and factored into the project timetable.

4. Need for an Exit Strategy

28. NGOs and the community were given emphasis in all JFPR projects. However, the extent of NGO assistance should be defined to avoid misunderstanding in the future. An exit strategy under such conditions is important. For instance, there should be clear guidelines on how the NGOs will gradually withdraw assistance to the community or people's organization. Such gradual withdrawal of assistance is important for two reasons: (i) it facilitates organizational growth by reducing dependence on NGOs; and (ii) it may reduce project costs, as NGOs charge administration costs for implementing the project. For NGOs that were closely involved with the community before the project, the level and extent of continuing assistance should be well defined to avoid issues (e.g., NGOs using the project as a vehicle to sustain themselves). In JFPR 9022: STEP UP, the defined exit strategy for the livelihood revolving

funds is for capital to be repaid to the implementing agency after 1 year. This will leave the homeowners' associations with little capital, particularly where repayment performance has been poor. It is imperative, therefore, that this problem be addressed.

5. NGOs

29. NGOs have been valuable project partners in the Philippines and in other JFPR fieldwork countries. However, there is a need to assess the capacity and capability of partner NGOs for the required activities before contracting them to undertake the project tasks. It is valuable for JFPR projects to work with small NGOs, since doing so will substantially increase the NGOs' capacity. However, small NGOs should not be burdened with prohibitive working capital requirements since they lack the resources to fund project activities without jeopardizing other projects or causing difficulties to their staff. Funding mechanisms are required, including adequate mobilization payments, so that NGOs are not forced to fund project activities from their own resources. JFPR 9022: STEP UP is linked closely with the implementing agency's normal activities.

6. Slum Projects

30. The three slum projects were planned as pilot projects. Considering that these types of projects were designed to apply an integrated approach, more time should have been allocated to design. The projects should also seriously consider the legal impediments and the various legal statutes early on to maximize project benefits. The delivery of physical infrastructure should go along with community and social development. Likewise, there is a need to reorient the mind set of these communities about their financial obligations and eliminate the "handout mentality." The national Government does not have the resources to cope with the rapidly growing urban population. Community development is a continuous process. It is only by improving repayment performance that the Government can sustain its projects for the poor and replicate its experience in other communities. Many of the problems in the third project, JFPR 9022: STEP UP, were overcome and the lessons learned carried forward to the proposed \$450 million multitranche financing facility loan, the Metro Manila Urban Services for the Poor (MMUSP) Investment Program.

7. Management

31. Various aspects of management have caused difficulties for the JFPR projects in the Philippines. Like integrated rural development projects in the Philippines and other regional countries, integrated urban projects have particular problems, as the experience in the two earlier slum-related projects in the Philippines shows. Integration between project components and between service providers adds a further dimension to management that often limits project performance and results in low ratings for efficiency, effectiveness, and sustainability.

32. Project coordination has been an issue for JFPR 9042: Renewable Energy, for which a project steering committee was to have been formed in Manila and a coordination committee in Negros Occidental, to provide policy direction and implementation guidelines. Both committees reportedly met once in the first year of the project but have since been inactive. For a relatively small project like this, the coordination structure is likely to be top-heavy, but the provincial committee at least should meet regularly to keep government and nongovernment stakeholders apprised of the project's progress and the issues arising from it, and, where necessary, contribute to resolving project implementation issues. Changes in management have also been

an issue for JFPR 9042 as the appointment of a project director based in the US caused delays and inadequate reporting. However, the management team has since been strengthened and is implementing the project effectively.

33. The NGOs involved in implementing JFPR 9001: Sustainable Livelihood receive a management fee amounting to 10% of project-related expenditures. The management fee covers feasibility study development and community preparation. In future JFPR projects, it will be advisable to separate management costs from project operational costs. Whether management fees are budgeted as a lump sum or as a percentage, projects can face problems if they are delayed and need to be extended. In this situation, the implementing agency is faced with increased costs (a 20% increase in the case of JFPR 9022). This highlights the importance of: (i) setting realistic project implementation periods, (ii) making a major effort to complete the project on time, and (iii) where essential, transferring some funds from project operational expenditure to administration to allow the project to be completed effectively. In many cases, NGOs, particularly international NGOs, are prepared to meet additional expenses from their own resources and to continue to implement the project even if this entails using the funds allocated for administrative costs. However, this is often not possible with under-resourced local NGOs.

8. Poverty Focus

34. Though JFPR guidelines require projects to focus on the “poorest” members of society, in practice this is difficult to achieve because such groups greatly need cash for daily survival. This means it is difficult for them to attend training programs or to take time off from their income-earning endeavors, for the uncertain future of a livelihood microfinance loan (for example). The poor credit mentality of the underprivileged in the Philippines contributed to a weak repayment performance in the slum projects.

35. Poverty targeting should thus mainly be directed toward the “enterprising poor,” who are strongly motivated to leave the poverty trap and prepared to make the necessary effort, if not take risks, to accomplish this. Some very poor households have experienced severe problems (e.g., loss of harvest, death, or disease) but are still motivated and able to manage their lives. Others, such as some landless or female-headed households, are also able to work with projects to improve their situation. Providing assistance to the remaining poorest of the poor is difficult to address directly, apart from welfare and charity organizations. However, these groups can benefit from general economic growth in a village or area. While some question the trickle-down theory, as farmers, for example, become more affluent (e.g., with the help of a microfinance and technology package), they are more likely to hire labor, and can thus be of great benefit to the landless members of society.

9. Beneficiary Selection

36. The identification of the “poorest of the poor” in JFPR 9001: Sustainable Livelihood was a noble idea. Community participation ensured that the process of selecting beneficiaries was free from political interference. However, several questions can be raised on this issue as reflected in the design: (i) Was the provision of livelihood activities for these group of people the right choice, considering the high risk of using project funds to augment basic needs? and (ii) Was ADB the proper institution to get involved in such projects?

C. Lessons

37. A number of lessons can be derived from the JFPR program in the Philippines:
- (i) **Integrated projects are difficult to implement in the urban sector** in the Philippines and probably elsewhere, just as they are in the rural development sector.
 - (ii) **Project designs should take full account of government policies and programs.** Further analysis could have prevented some of the scope and site problems of JFPR 9042: Renewable Energy, for example.
 - (iii) **CBOs should be established as early in the project cycle as possible** to allow enough time for the organizations to become well established before the end of the project. Alternatively, existing CBOs should be used (as in JFPR 9001 and JFPR 9042). As mentioned in the ICM for JFPR 9022: STEP UP, participation, capacity building, planning, and consultation take time.
 - (iv) **Projects should target the “enterprising poor,”** who may come from either the poorest or less-poor groups. It is better to have a project that succeeds and provides employment implemented by one of the enterprising poor, rather than a project that fails for one of the poorest members of the community and may leave that member heavily indebted. This means that beneficiary targeting is critical and needs detailed attention during project design and implementation.
 - (v) **Assessing roles and responsibilities in various project phases is necessary.** A project was not able to maximize the partnership between the implementing agencies because of some differences. These arose from differing notions of “partnership,” as was highly visible when the beneficiary association under JFPR 9003: Payatas Slum Communities formulated its own livelihood project outside of the project of the NGO (Vincentian Missionaries Social Development Foundation Inc). For pilot projects that involve various stakeholders and tasks, there is a need for continuous assessment of roles and responsibilities in addition to proper documentation of such responsibilities to avoid confusion and finger-pointing over unperformed tasks.
 - (vi) **Project scheduling is critical.** In scheduling activities for social projects involving several tasks, the schedule for each task should not be dependent on the completion of another task. It would be advisable to find activities that can be done simultaneously to hasten project implementation. For instance, the request for permission to cut trees was made shortly before the construction company came in to grade roads. Clearing trees and relocating electric and water lines required long negotiations, which delayed the activity (road grading).
 - (vii) **Project extension increases management costs**—in the case of JFPR 9022: STEP UP, by about 20% compared with the budget.
 - (viii) **Community building is a continuous process.** Mobilizing and strengthening communities and eliciting their participation is a continuous process given the dynamics of developing communities. For instance, the activities completed in the project can be considered to be only the start of the long-term effort to maximize the gains from land tenure security and improvements in the socioeconomic conditions.
 - (ix) **More community involvement and consultation are required.** This is critical given the differing views of the beneficiaries. Consultations are needed to explain to communities the repercussions of poor participation, particularly for mortgage repayments and land documentation. The implementing agency needs to make

clear rules relating to community participation in the project at its start to prevent confusion.

D. Recommendations

- (i) Gain familiarity with legal statutes to hasten project implementation.
- (ii) Pay careful attention to design in integrated projects, given the importance of the sequencing of activities.
- (iii) Review the advisability of selecting NGOs as project conduits and partners. Most NGOs, especially those that are grassroots-based, are not financially liquid to support the project in case of fund flow disruptions. Similarly, NGOs should be thoroughly screened to determine their capabilities. For instance, an NGO may have strong credentials for community organizing but lacks the capability to manage livelihood and economic assistance activities. In essence, commitment, skills, and resources should be given priority in selection.

TAJIKISTAN COUNTRY REPORT

I. INTRODUCTION

A. JFPR in Tajikistan

1. Five Japan Fund for Poverty Reduction (JFPR) projects were approved in Tajikistan in 2000–2006, in addition to two regional projects that included Tajikistan (Table A7).

Table A7: JFPR Program in Tajikistan

Grant No.	Project Name	Year	JFPR Grant (\$ m)	Gov't of Japan Approval	ADB Approval	LOA Signing Date	Original Closing Date	Revised Closing Date
Tajikistan Projects								
9008	Tajikistan Rural Poverty Reduction ^a	2001	2.90	Feb 01	Aug 01	Mar 02	Jul 04	Dec 04
9040	School Improvement Project ^a	2004	2.00	Nov 03	Jan 04	Apr 04	Apr 07	Dec 08
9043	Community Participation and Public Information Campaign for Health Improvement	2004	1.00	Nov 03	Jan 04	Apr 04	Jun 07	Jun 07
9078	Community-Based Rural Road Maintenance	2005	1.80	Oct 05	Nov 05	Nov 05	Apr 09	Sep 09
9089	Community Based Rural Power Supply	2006	2.00	Dec 05	Mar 06	May 06	Jul 07	Nov 07
Tajikistan Regional Projects								
9005	Improving Nutrition for Poor Mothers and Children (AZE, KAZ, KGZ, MON, TAJ, UZB) ^a	2001	6.85	Oct 00	Apr 01	Oct 01	Aug 02	Mar 07
9052	Sustainable Food Fortification in Central Asia and Mongolia (MON, KAZ, KGZ, TAJ, UZB) ^a	2004	2.00	Mar 04	Jul 04	Nov 04	Aug 06	May 07

ADB = Asian Development Bank, AZE = Azerbaijan, JFPR = Japan Fund for Poverty Reduction, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, LOA = letter of agreement, MON = Mongolia, No. = number, TAJ = Tajikistan, UZB = Uzbekistan.

^a These projects were selected for evaluation in the field.

Source: Office of Cofinancing Operations database.

2. The JFPR program in Tajikistan covers several subsectors including education, health, livelihood enhancement, transport, rural power, and nutrition. Of the seven projects, three were approved in 2004.

3. Two projects are planned for Tajikistan in 2007: (i) Increasing Sustainable Income for Women Cotton Farm Workers; and (ii) Rural Access to Isolated Communities. The first has yet to be approved by the Government of Japan, partly because of some concerns related to the cotton sector in Tajikistan. This issue is discussed further in para. 28. A third project tentatively proposed in 2006 relating to trade in areas bordering Afghanistan was also not supported by the Japanese embassy because of concerns relating to drug trafficking.

B. Fieldwork Program

4. Four projects were selected for field evaluation, including two national and the two regional projects. The selection was based on two criteria: (i) degree of completion; and (ii) ease of access for fieldwork, given the difficulty of access to most mountain areas in April. Field trips were made to Kulob/Shurobod and Rasht. JFPR 9040: School Improvement just recently began

implementation in Kulob,¹ but schools were visited in both Kulob and Shurobod to assess the status of parent-teacher associations (PTAs) and the issues relating to their establishment. JFPR 9008: Rural Poverty Reduction was implemented by the Aga Khan Foundation in Shurobod. Also in Vose district, south of Kulob, a salt factory assisted under JFPR 9005: Improving Nutrition was visited. In Rasht district, both JFPR 9008 and JFPR 9040 activities were inspected and discussions held with various groups and individuals who participated in the projects. A flour mill that was part of JFPR 9005 was visited in Dushanbe.

C. Program Factors

1. Relationship to National and ADB Strategies

5. The JFPR program aligns both with the approach of the 2002 Poverty Reduction Strategy (PRSP) and with the grant focus of the Tajikistan Government and the donor community. The summary of the Tajikistan Country Program and Strategy (CPS) 2003–2005 of the Asian Development Bank (ADB) states:

The PRSP has three main pillars to reduce poverty: (i) sustained high economic growth; (ii) improved governance; and (iii) improved access to social services, as well as better targeting of these services. The PRSP views growth of the agricultural sector and increased agricultural exports, as well as the provision of adequate infrastructure (energy, transport, water supply, and communication), as the key to achieving economic growth and poverty reduction. The PRSP envisages that the private sector will play the greatest role not only in agriculture and services but also in light industry, mining, and tourism.

Shortly after the PRSP, the government agreed with the IMF to limit borrowing on concessional terms. The main concerns were the availability of counterpart funds, and funds to operate and maintain loan-financed projects. During a consultative group meeting in May 2003, donors pledged \$900 million for the next 3 years, around \$700 million of which was in the form of grants. The government then realigned its external financing strategy and plans to substitute grant funds for loans, especially in social sector projects.

6. ADB's objectives, as indicated in the CPS, are: "(i) to strengthen rural development through institution building that will support policy implementation and the private sector; (ii) to rehabilitate power and rural infrastructure; and (iii) to strengthen regional cooperation through improved customs services and transport links, both within the country and to neighboring ones." While JFPR 9078: Community-Based Rural Road Maintenance and JFPR 9089: Community-Based Rural Power Supply are closely aligned with the CPS, the other JFPR projects are not as closely aligned with the rather limited CPS objectives as set out above, though the CPS does include support for social sectors (JFPR projects in health and education). A new CPS is expected to be prepared in 2008, and JFPR activities in the rural and social sectors are likely to become more closely aligned with the future country strategy. The new CPS should give explicit consideration to the JFPR. This recommendation could usefully be extended to CPSs in other countries with significant JFPR programs.

¹ The appointment of the NGO selected for Kulob was delayed, with the initial firm selected declining to sign its contract. However, the Department of Education has moved some way along the implementation path, through the establishment of parent-teacher associations in almost all schools in the five project districts.

2. Innovation

7. The Tajikistan program has demonstrated a reasonable degree of innovation. JFPR 9005: Improving Nutrition and JFPR 9052: Food Fortification were highly innovative in taking a regional approach to food fortification, building on the similarities of government and processing activities in the Central Asian republics and Mongolia. The links of both projects to the United Nations Children's Fund (UNICEF) project on the elimination of iodine deficiency disorders have been useful. JFPR 9008: Rural Poverty Reduction applied a number of innovative processes in providing support to village organizations and women's groups and their credit programs. A good example is the revolving goat scheme in Rasht, where 20 women each received five goats. Each recipient repaid four kids and one adult goat to the project, and these were in turn given to 20 new poor beneficiaries selected by the village. The changes in financial legislation at project completion prohibited international nongovernment organizations (NGOs) from operating microfinance activities, and led to the delayed creation of two locally owned specialist financial institutions, First Microfinance Bank and HUMO. The planned involvement of communities in road maintenance and the use of fords for appropriate river crossings are innovative features of JFPR 9078: Community-Based Rural Road Maintenance.

3. Project Management

8. Project management performance demonstrated by the Tajikistan JFPR projects has been mixed. Several projects have been substantially delayed—notably JFPR 9005: Improving Nutrition and JFPR 9040: School Improvement, because of lack of familiarity with procedures and slow consultant recruitment. JFPR 9043: Community Participation and Public Information Campaign for Health Improvement has also been delayed by problems with consultants. The termination of the international consultants' contract after 12 months necessitated the extension of the project. JFPR 9008: Rural Poverty Reduction was implemented effectively through the local offices of international NGOs.

4. Disbursement

9. The completed projects achieved close to full disbursement. However, there are major issues in relation to grant drawdown for both JFPR 9052: Food Fortification and JFPR 9040: School Improvement. The former was to be completed in May 2007, while the latter will be implemented until late 2008 and is expected to increase its expenditure rate greatly now that contracts have been signed for implementation in all five districts.

5. Outputs

10. Planned outputs were generally achieved or exceeded under the JFPRs. JFPR 9008: Rural Poverty Reduction in particular significantly exceeded its planned outputs in most components. The delay in the start of JFPR 9040: School Improvement means that the level of outputs cannot be defined, though PTAs have already been established in around 220 schools. JFPR 9005 and JFPR 9052 have achieved most of their output objectives particularly in relation to salt iodization in the major salt factories, community awareness, and contribution to the development of legislation relating to salt iodization and flour fortification.

6. Financial Arrangements and Fund Flows

11. Financial limitations have been less severe in Tajikistan than in other countries covered by the field evaluation. However, management problems under JFPR 9052: Food Fortification

sometimes constrained implementation progress and restricted the payment of staff salaries. The problem has now reportedly been resolved. The appointment of an international NGO as the implementing agency, e.g., in JFPR 9008: Rural Poverty Reduction, can virtually eliminate financial bottlenecks. The recent writing of contracts with the Aga Khan Foundation in JFPR 9040: School Improvement is expected to greatly accelerate implementation.

7. Links between Government and NGOs

12. NGOs have been involved in all JFPR projects covered by the field evaluation in Tajikistan. In general, they have been successful, as in the case of the Aga Khan Foundation and CARE in JFPR 9008: Rural Poverty Reduction. The project monitoring office (PMO) for JFPR 9052: Food Fortification reports that the NGOs involved in the information and education campaign performed well. The Aga Khan Foundation has just started under JFPR 9040: School Improvement but is expected to perform well on the basis of its strong experience in Pamir.

8. Replication

13. The replication experience in the projects evaluated has been limited so far, though the prospects for replication look positive. Some of the features of JFPR 9008: Rural Poverty Reduction have been picked up in ongoing projects of the Aga Khan Foundation and other agencies. JFPR 9040: School Improvement is planned as a model for the formation of PTAs and school decentralization nationally. It is hoped that JFPR 9052 Food Fortification will be extended and will thus allow the technology developed in JFPR 9005: Improving Nutrition to be applied in many of Tajikistan's flour mills, under the new flour fortification law to be passed this year.

9. Other Ongoing Projects

14. In addition to the four projects evaluated, there are three other ongoing JFPR projects in Tajikistan: (i) JFPR 9043: Community Participation and Public Information Campaign for Health Improvement; (ii) JFPR 9078: Community-Based Rural Road Maintenance; and (iii) JFPR 9089: Community-Based Rural Power Supply. The health project experienced difficulties with the international consultants recruited and consequently incurred a year's delay in its implementation. It now needs an extension to complete the remaining two components effectively. JFPR 9078 is also behind schedule but appears to be a valuable and innovative initiative, which will be welcomed by communities in the Rasht valley. It will complement the main ADB loan project, which is improving the road network from Dushanbe to Kyrgyzstan road. The mini-hydro project has spent 25% of its resources on design by a consultant firm. From indicative costs, it appears that the budget will be enough for only two schemes, rather than the five or so planned for the project. Ways to lessen the cost of the schemes to be more in line with those designed by Barki Tajik or Pamir Energy may have to be found. The Japanese embassy has raised concerns at two levels: (i) the project did not draw up a long list of schemes that would complement Japanese projects, and (ii) that the tender specifications for turbines gave indicative prices that were too low to allow the installation of high-quality equipment.

II. PERFORMANCE ASSESSMENT

15. This section discusses the performance of the JFPR program in Tajikistan.

A. Relevance

16. All the projects reviewed under JFPR's program in Tajikistan are rated *highly relevant*. Project design teams have worked hard to develop projects that respond to the binding constraints on human development in rural development, nutrition, and education decentralization.

B. Effectiveness

17. The projects have generally met their objectives and are rated *effective*. If JFPR 9052: Food Fortification is not extended further, its rating is likely to be reduced to less effective. It is too early to rate JFPR 9040: School Improvement, but from the experience of the implementing NGO in Pamir in similar areas, it should have no difficulty in achieving at least an effective rating. However, sustainability is a key factor in effectiveness, and the short project period remaining is thus a concern. Consideration may need to be given to extending this project beyond the date currently planned to complete the school improvement grants and also allow the Aga Khan Foundation to provide some level of follow-up to the PTAs in 2009, or to finance this activity from its own resources.

C. Efficiency

18. Similarly, the rating for JFPR 9052: Food Fortification will need to be reduced to less efficient if the project is not completed, since both economic and process efficiency will be low. However, if the extension is granted, the project can make a major contribution to the flour fortification program and rectify current difficulties in the iodization program. It should thus justify a rating of efficient. JFPR 9040: School Improvement has also demonstrated poor implementation efficiency so far, with 12% of funds disbursed by the completion of the initially planned project period. JFPR 9008: Rural Poverty Reduction is assessed as highly efficient in respect of both process and economic performance.

D. Sustainability

19. Sustainability is rated high for JFPR 9008: Rural Poverty Reduction and potentially for JFPR 9040: School Improvement. Sustainability for JFPR 9005: Improving Nutrition and JFPR 9052: Food Fortification combined will depend partly on the requested extension. However, if the flour fortification legislation is passed as expected in May 2007, the legal basis for food fortification will have been established. Understanding by the population is also much higher than before the project. Continuing demand for fortified salt and flour is anticipated, and this should drive the fortification process. However, the issue of non-fortified salt production by dehkan farms needs to be addressed urgently, with a study initially suggested under the proposed JFPR 9052: Food Fortification extension.

E. Socioeconomic Impact

20. Given the short duration of the field evaluation program, socioeconomic impact could not be assessed in detail. However, overall, the program is considered to have had a substantial positive impact. Despite its implementation delays, JFPR 9052: Food Fortification had a major impact on iodine-related morbidity in all countries, unfortunately apart from Tajikistan. To some degree, the dehkan farm salt problem is likely to have been responsible for this, with consequent major potential benefits to its resolution. More than 40,000 intellectually impaired babies are born each year in Tajikistan. An immediate resolution to the problem is required; this

could provide great economic benefit. JFPR 9008: Rural Poverty Reduction has been successful in reducing poverty in the five districts it covers. All components are considered to have led to significant positive economic impact. The focus of group credit on “business” provides high social benefits to communities by increasing the availability of local goods, but the overall economic impact is less clear since trade adds little value. Nonetheless, the has helped many poor families escape from poverty, and increased the involvement of women in the village economy. At some future date, detailed evaluation of the project could be undertaken to define its socioeconomic impact more closely. JFPR 9040: School Improvement has the potential to generate high impact, by improving the quality of education in the districts and acting as a model for improved decentralization of education nationwide.

III. OVERALL ASSESSMENT, ISSUES, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment

21. The JFPR program in Tajikistan is rated *successful*. JFPR 9008: Rural Poverty Reduction is considered highly successful, and the other three projects successful. It is likely that JFPR 9005: Improving Nutrition on its own would have justified a highly successful rating, but the poor implementation performance under JFPR 9052: Food Fortification leads to a lower rating for the combined projects, to *successful*. Project extension and strong performance over the proposed extension period will be required to ensure project effectiveness and avoid a lower rating to *partly successful*.

B. Issues

22. A number of issues emerged from the review of the projects.

1. NGO Relationships

23. Discussions by the evaluation mission with project stakeholders indicated that the relationship between government and the international NGOs is problematic. The Tajikistan Government, at least in the last 4 years, has endeavored to reduce the number of international consultants on technical assistance projects and to reduce the level of involvement of international NGOs in project implementation. These moves appear to be largely due to the goal of maximizing the benefits to Tajik individuals and organizations, but also relate to aspects such as the greater ability of government officials to control local consultants and NGOs. Issues of governance are also important, with local consultants and NGOs more susceptible to political pressure and less able to be advocates in behalf of vulnerable groups or communities.

24. The Government is rightly concerned about the development of a parallel system, where most services and investments in villages are provided by or through NGOs, while government staff operate without resources or budget. Other concerns are less valid—for example, that international NGOs employ expensive expatriate staff to do jobs that could be done by locals or that such NGOs refuse to provide adequate financial information. CARE Tajikistan, for one, employs three expatriates out of a staff of 150, while the Aga Khan Foundation has around 20 expatriates in its 3,000-strong staff complement. Both organizations consider these numbers close to the minimum required for effective operation. Further, the expatriate staff are mainly involved in management and administration and their costs are seldom allocated to project budgets. Local staff of international NGOs receive salaries that may be high by government salary standards but do not appear to be out of line with the market and the value that they

provide to the international NGOs and their projects. In relation to the provision of information, it is considered that, in most cases, adequate information is provided, but that it may not reach all relevant stakeholders. The international NGOs will provide any information required by stakeholders in relation to their projects on request.

25. The experience in JFPR projects suggests that international NGOs play a useful role in project implementation, and that the development of conflict between them and the Government would be highly undesirable from many perspectives. Thus, there is a need for the Government and international NGOs to review this issue and develop mechanisms to promote greater understanding and responsiveness on both sides.

2. Japan Embassy Involvement

26. The embassy of Japan has taken a close interest in JFPR projects in recent years. It promoted the adoption of sites for mini-hydropower development under JFPR 9089: Community-Based Rural Power Supply with the ability to complement projects being implemented or proposed under Japanese bilateral investment (e.g., in Rasht), and was disappointed when no such sites were included. More recently the embassy has commented on the tender specifications for the turbines under the project.

27. A number of projects have been proposed by ADB, but have not been supported by the Japanese embassy in Dushanbe at either the pre-concept stage or before ADB approval. A proposed project to reduce poverty in the Afghan border areas was not supported by the embassy, apparently because it was concerned that this might promote the drug trade. Villagers in the border area (Shurobod) and officials in Dushanbe did not agree that this concern was warranted, noting that narcotics carriers do not use conventional crossing points. Given the high value and easily transportable nature of their commodity, these carriers actually take pains to avoid crossing points. Since the concept is innovative and has strong local support, it is suggested that the project should be reviewed further. Additional work to define and exclude any potential interaction with the narcotics trade, as well as further discussions with officials of the Japan embassy, would be needed before the project concept is finalized.

28. The Japanese embassy has expressed concerns about the possible 2007 project aimed at increasing the sustainable income of women cotton farm workers. It is concerned about (i) investment in the cotton sector, and (ii) the possible future gains to be made by the expatriate owners of the cotton enterprise. The project would use around \$800,000 to buy equity for women cotton farmers in a seed production and cotton processing operation. The funds would be used to acquire seed and cotton processing equipment and assist with installation expenses. A further amount of \$600,000 would be used to build the capacity of women cotton farmers, who would initially own 48% of the ginning and seed operation, and eventually fully own it in 4–8 years. The project complements the ongoing cotton debt reduction project (Loan 2271-TAJ: Sustainable Cotton Subsector Project) and is considered to be one of the few ways in which private cotton farmers can improve their terms of trade in competition with the “cotton barons” who largely control production, processing, and marketing in the country. If the business is successful, the women equity holders will have the option to purchase the remaining 52% of equity in the business from the present owners. Further processing requires close consultation between ADB and the Japanese embassy.

3. Salt Iodization Level

29. Tajikistan has performed poorly compared with other participating countries in the reduction in iodine-related morbidity over the past 5 years. One reason is considered to have been the rapid growth of the non-iodized salt sector, particularly through the dehkan farm producers in Khojamumin. The Government is aware of this issue and is planning steps to reduce its impact. Options include: (i) establishing the dehkan farms as outcroppers, producing for the Khoja Mumin factory on contract, and being provided with production advice by the company; or (ii) requiring dehkan farms to process their salt through the company. Consideration could be given to extending JFPR 9052: Food Fortification to allow the project to build on the gains made under JFPR 9005: Improving Nutrition and to assist in the implementation of the anticipated new law on flour fortification.

4. ADB Support and the Passing of Management Responsibility to the Regional Office

30. While ADB has supported the JFPR program in Tajikistan, in some instances this support has proved inadequate. More might have been done in JFPR 9052: Food Fortification to support the PMO, to improve its imprest account management, and to encourage it to complete activities more speedily. JFPR 9040: School Improvement has also needed more support and a far closer involvement of and more rapid response by ADB to the recruitment of the international NGOs. JFPR 9043: Health Improvement suffered from unsatisfactory consulting services, culminating in the dismissal of the international consulting firm responsible for component 1 and consequently a year's delay in the implementation. In these cases, and to some degree in others, closer involvement by ADB staff and less frequent turnover of project officers would have improved implementation performance. As in other field evaluation countries, there is considered to be merit in passing responsibility for JFPR project administration progressively to the resident mission.

C. Lessons

31. A number of lessons can be derived from the JFPR program in Tajikistan:

- (i) Microfinance activities have been successful, with Aga Khan Foundation finance being almost 100% repaid under JFPR 9008: Rural Poverty Reduction. CARE repayments were lower (87%), partly because the loans were provided to poorer clients. The successor to CARE's microfinance program is also demonstrating nearly 100% repayment on time and is developing sound long-term relationships with its clients. Project experience confirms that it is difficult to work with the very poor, as they lack land and resources, and can resist credit (because of the risk involved).
- (ii) Implementation by NGOs has been effective. Under JFPR 9008: Rural Poverty Reduction, imprest replenishment was sometimes delayed, requiring the Aga Khan Foundation to fund the project with its own resources.
- (iii) Changes in staff can hamper implementation. Under JFPR 9008: Rural Poverty Reduction the promotion of the chairman of the project advisory board to ambassador reduced the effectiveness of the board. Changes in ADB officers have meant inadequate attention to project problems, as was the case in JFPR 9052: Food Fortification and JFPR 9043: Community Participation and Public Information Campaign for Health Improvement. While the failure of the project consultants under the latter project cannot be blamed directly on the ADB

- staff officer, less frequent turnover of project officers should increase the likelihood that problems are identified and resolved at an earlier stage.
- (iv) Legislation is essential to support food fortification in the Central Asian republics. Without appropriate legislation, and possibly project support, it would be difficult or impossible to persuade producers to make the investments needed to fortify food.

D. Recommendations

- (i) **Involve the embassy of Japan.** The involvement of the Japanese embassy in Dushanbe has been discussed in several sections of this report. It is recommended that project designers continue to consult with the embassy and relevant Japanese agencies during the design process. They should develop synergies between JFPR projects and ongoing or proposed Japanese development assistance projects. As noted in the main report, increased consultations at the concept and design stages would increase the predictability of Japan's support and approval of projects.
- (ii) **Consult with government and nongovernment agencies.** More detailed consultation is required between nongovernment implementing agencies and government executing agencies and other agencies related to the project at the start. In particular, the reporting agenda, including the content, timing, language, format, and distribution, should be discussed and agreed on. Financial information is deemed important by government so that it can monitor performance and accountability; the level of financial reporting to be undertaken during the project should therefore be defined and agreed on.
- (iii) **Avoid project extensions.** JFPR projects should be completed within their planned project periods to improve effectiveness and reduce overhead (resulting from the need to keep PMOs open for extended periods, for example). However, it is suggested that: (i) JFPR project periods should be realistic and based on adequate analysis, and (ii) an extension should be granted if the project can demonstrate that the extension is needed to improve project outcomes.

RECOMMENDATIONS RELATED TO JFPR PROCESSES

1. Potential improvements recommended or suggested in the Japan Fund for Poverty Reduction system are summarized in Table A8. The recommendations are derived from the operations evaluation mission's field evaluations and interviews with project stakeholders both in the Asian Development Bank and in the field.

Table A8: Recommendations and Suggestions

Project Cycle Stage/Factor	Recommendation/Suggestion
Design	<ol style="list-style-type: none"> 1. Delinking of relevant projects from ADB loans is supported. However, where appropriate, linkage is desirable and should be encouraged, e.g., in relation to pilot projects and potential upscaling. 2. For linked projects in particular, guidelines and implementation mechanisms need to be prepared and approved in advance of approval, to minimize implementation delays early in the project. Since ADB is expected to process bigger infrastructure loans in the future, the use of JFPR grants to mitigate or prevent negative consequences should be considered. For example, grant funds might be used to finance resettlement components that require substantial livelihood restoration or improvement. 3. The relatively small size of JFPR projects does not mean that shortcuts can be taken in design. All normal design processes need to be adopted, including beneficiary participation, problem and stakeholder analysis, and the use of logical frameworks to assist in design (as well as implementation and monitoring). However, design documents should remain brief and focused. 4. The JFPR project design template should be refined and aligned with the standard ADB formats, perhaps on the basis of ADB's current TA template. The template should be extended to include such aspects as stakeholder analysis, lessons from prior interventions, other donor activities, and a detailed description of components. 5. Designs should be simple, with few components, outputs, and implementing agencies. They should take full account of government policies and programs and be consistent with the relevant ADB CPS and poverty partnership agreement. 6. JFPR should be given more consideration in ADB's CPSs, with explicit analysis of the sectors where projects can be considered, and inclusion of proposed projects based on the completed or approved concept and grant papers. 7. DMFs should be required for all JFPR project designs that are not integrated with loan projects. They should be used as design tools and not mere "bolt-ons" prepared to fulfil a requirement of the design system. DMFs should include sufficient indicators to allow adequate monitoring and evaluation. 8. Innovation is a useful target, but needs to be considered broadly and should not be a precondition for JFPR project approval. Innovation may relate to concepts developed in other sectors or countries or by other agencies. However, JFPR projects should apply proven principles with good potential to achieve positive outcomes for the poor. Projects should not be experiments, which, if they fail, can impoverish their intended beneficiaries. 9. The peer-group approach should be refined to include at least a member of the relevant RSDD technical division and poverty unit in the peer group. 10. An increase in the seed-money allocation to, say, \$40,000 should be considered, in recognition of the proposed increase in the size of projects and the higher standard of design suggested.
Study Tours	<ol style="list-style-type: none"> 11. The restriction relating to study tours might be lifted where these are needed to meet grant objectives, particularly in the transition economies. They should be permitted only to meet specific needs that cannot be met by cheaper alternatives. Expenditure on tours could be limited to a defined percentage of the total project budget.

Project Cycle Stage/Factor	Recommendation/Suggestion
Project System	12. The signing requirements for JFPR documents should be reviewed and perhaps brought into line with project performance reports. Documents would still be provided to directors general and executing agencies for information and comment. If signing is thought to be useful, electronic signing should be adopted.
Project Timing and Extension	13. Project extensions have negative implications for implementation efficiency, benefit generation, and overhead costs. The current time limit of 4 years should be retained, but projects should generally be designed to be completed in 3 years or less. Extensions beyond 4 years should be considered only in exceptional circumstances, where essential to allow project outcomes to be achieved. Divisions should be encouraged to permit extension within this framework where required by a project.
Management	<p>14. The close involvement of resident missions in project design, and the transfer of responsibility for implementation to the mission when appropriate, should be considered.</p> <p>15. Major effort is needed to ensure that imprest account replenishment is timely. Staff from the implementing agency and NGOs may have to be trained at the start of the project. The grant implementation manual should be prepared at the start of the project or even earlier. A JFPR GIM template could be developed. The introduction of complex new systems midway through the project should be avoided.</p> <p>16. JFPR projects at present do not usually finance capacity building for PMO staff or field monitoring costs for EA staff. As most JFPR projects are innovative and intended for replication through associated loan projects, it may be desirable to finance capacity building for relevant PMO staff as well as PMO and EA field monitoring costs to improve implementation and promote replication. JFPR should cooperate with COSO in conducting project implementation seminars at the country level and train PMO personnel in the basics of procurement and disbursement.</p>
Monitoring	<p>17. Simplicity of reporting is desirable. Exception reporting should be considered when appropriate. Reports should be translated into the local official language where necessary to improve communication with project stakeholders.</p> <p>18. A new monitoring system (the grant progress reporting system) similar to the PPR/TPR currently used for loans and TA projects could be introduced.</p> <p>19. Project and program data should be stored electronically in a form that permits easy access and further processing. The storage of scanned PDFs should be discontinued. Where feasible, existing reports should be replaced with document files or searchable PDFs.</p>
Completion	<p>20. The introduction of a new grant completion reporting system to replace the ICM should be considered. The new system would be more evaluative, and more in line with standard ADB processes, lying somewhere between a PCR and a TPR, and might do away with the current need for the signatures of multiple stakeholders. Simplicity is desirable. The system would focus on self-evaluation of the project by the project officer and staff. Findings could then be included in OED's post-evaluation information system.</p> <p>21. Many projects, in particular pilot projects, should take measures to analyze, write up, and disseminate the lessons learned from the project to assist other projects and maximize project impact and (potentially) their "upscaling" (e.g., Philippine slum projects).</p> <p>22. For decoupled JFPR projects in particular, a second or follow-up phase of highly successful/successful JFPR projects should be considered, to allow capacity building and further strengthening of systems developed. This suggestion may be particularly relevant to the social sectors in the light of ADB's planned focus on infrastructure development.</p>
Monitoring and Evaluation	23. A higher level of independent monitoring and evaluation is desirable to underpin the information sharing and scaling-up objectives of JFPR. OED should consider including JFPR projects in its evaluation program, probably focusing on geographic or thematic clusters. OCO could be consulted to determine whether the incremental

Project Cycle Stage/Factor	Recommendation/Suggestion
	costs of such activities to OED can be absorbed by JFPR.
	24. Once the Afghan program has made more progress, it should be evaluated, as should the tsunami program in the four countries. Further evaluations could be considered over the next few years as more projects are completed, either under OED's normal program, or commissioned directly by OCO. OED should explicitly cover JFPR projects in its country and sector assistance program evaluations (CAPEs and SAPEs) in countries with significant JFPR programs.
	25. In the future, PCRs and evaluation reports on loan projects should include a detailed assessment of the performance of associated JFPR projects.
NGOs	26. Implementation through NGOs is encouraged. However, closer links to government, particularly in relation to supporting government services and providing implementation and financial information to government agencies, is desirable.
	27. Experience and capacity should be taken into account in NGO selection.
	28. Small NGOs need strong support from project management in establishing the required systems. Adequate training is needed so that NGO partners can implement project procedures effectively. Effective funding mechanisms are essential for all projects but particularly for those involving NGOs that have limited financial reserves and cannot afford to fund project activities from their own resources.
OCO Staffing and Operational Support	29. OCO staff responsible for Japan funds management should be upgraded. The consultant adviser position should be converted into a professional staff position. The technical capacity of OCO to advise project staff on design and implementation issues, and to monitor projects in the field, should be increased.
	30. Following the example of the Southeast Asia Agriculture Division, divisions with large JFPR programs should be encouraged to appoint focal persons to coordinate JFPR activities in the division, and provide assistance to staff in the preparation and management of JFPR projects.
Performance Development Plan	31. The personnel performance rating of ADB staff should take into account their work in developing or supervising JFPR projects.

ADB = Asian Development Bank, CAPE = country assistance program evaluation, COSO = Central Operations Services Office, CPS = country partnership strategy, DMF = design and monitoring framework, EA = executing agency, GIM = grant implementation memorandum, ICM = implementation completion memorandum, JFPR = Japan Fund for Poverty Reduction, NGO = nongovernment organization, OCO = Office of Cofinancing Operations, OED = Operations Evaluation Department, PCR = project completion report, PDF = portable document format, PMO = project monitoring office, PPR = project performance report, RSDD = Regional and Sustainable Development Department, SAPE = sector assistance program evaluation, TA = technical assistance, TPR = technical assistance performance report.