

THIRD SEMI-ANNUAL PROGRESS UPDATE

Poverty Reduction Cooperation Fund (PRF)

(January – June 2004)

I. INTRODUCTION

1. This Semi-annual Progress Update (the Update) summarizes the activities under the Poverty Reduction Cooperation Fund (PRF) of both the PRC and the Headquarters covering the period January to June 2004. This is a follow-up of the Second Semi-annual Progress Update (July-December 2003) submitted to the DFID during the Fourth Strategy Meeting. The Update includes the summary of portfolio as of 30 June 2004 (Appendix 1), disbursement progress in the reporting period (Appendix 2), disbursement projection for the next six-monthly period and onwards (Appendix 3), and description of the progress made in all technical assistance (TA) projects financed by the PRF. These will be followed by analysis of key achievements in fund management and the work program for the following six-monthly period.

2. The Update has been prepared by the Regional and Sustainable Development Department (RSDD) of the Asian Development Bank. The next Update (July – December 2004) will be submitted in January – February 2004.

II. OVERVIEW OF PRF PORTFOLIO AND PIPELINE

3. **Portfolio Information.** The overall portfolio as of 30 June 2004 is summarized as follows:

- **Overall commitment:** There are 73 TAs in the PRF portfolio amounting to \$35,165,000, or 50% of initial contribution of £39 million (about \$70.6 million as of 30 June 2004). The list of projects endorsed by DFID is attached as Appendix 1.

	Total No. of TAs			Total Amount of TAs (in US\$M)		
	As of Dec. 2003	Jan – Jun 2004	As of Jun 2004	As of Dec. 2003	Jan – Jun 2004	As of Jun 2004
PRF-HQ	36	16	52	14.92	9.04	23.96
PRF-PRC	21	0 ¹	21	10.13	1.08	11.21
Total	57	16	73	25.05	10.12	35.17

PRF-HQ window: 52 TAs at \$23.96 million, or 45% of £30 million committed (\$53,519,204.30 as of 30 June 2004)

During the reporting period, 16 additional new TAs were included in the portfolio.

PRF-PRC window: 21 TAs at \$11.21 million, or 66% of £9 million committed (\$17,080,896.74 as of 30 June 2004)

¹ Four new TAs have been added, while 3 TAs originally on the list have been dropped and 2 TAs combined as 1 TA, following the PRC's CSPU in mid-2004. This makes the total number of new endorsement for 2004 unchanged.

During the reporting period, 4 new TAs have been added, while 3 TAs originally on the list have been dropped and 2 TAs combined as 1 TA, following the PRC's CSPU in mid-2004.

- **Portfolio composition as of 30 June 2004:**

	Total No. of TAs			Total Amount of TAs (in US\$M)		
	As of Dec. 2003	Jan – Jun 2004	As of Jun 2004	As of Dec. 2003	Jan – Jun 2004	As of Jun 2004
Completed	2	0	2	0.065	0.000	0.065
Under Implementation	28	8	36	11.295	3.670	14.965
PRF-HQ	21	7	28	8.385	2.670	11.055
PRF-PRC	7	1	8	2.910	1.000	3.910
Under Processing	20	15	35	7.600	12.535	20.135
PRF-HQ	7	15 ²	22	3.300	9.535	12.835
PRF-PRC	13	0 ³	13	4.300	3.000 ⁴	7.300
Total	50	23	73	18.960	16.205	35.165

- **Actual and Projected Disbursement⁵:** Summarized and compared in the following table are the actual and projected disbursements of PRF projects for the period January 2003 to June 2005. The long-term disbursement projection was prepared pursuant to the agreements made during the Fourth Strategy Meeting (27-29 January 2004) to provide a basis for the 6-monthly payment schedules of the PRF. For projection, two methods were used: one applied the past long-term disbursement trend of ADB's advisory TAs to the PRF, based on a so-called "S-Curve" theory; the other applied the past 3-year disbursement pattern to six-monthly batches of projected commitment (i.e. ADB TA approval) under the PRF. Of these two methods, the second one was found to align better with the actual disbursement thus far and is presented here.

Summary of Actual and Projected Disbursements in US\$				
	PRF-HQ		PRF-PRC	
	Actual	Projected	Actual	Projected
July – Dec 2002	0.00	0.00	0.00	0.00
Jan – June 2003	69,660.11	71,800	0.00	0.00
July – Dec 2003	442,482.68	491,150.00	0.00	0.00
Jan – June 2004	794,094.40	1,272,100.00	113,695.17	116,400.00
July – Dec 2004	N/A	2,296,750.00	N/A	711,100.00
Jan – June 2005	N/A	3,658,500.00	N/A	1,516,900.00

² At the time of June 2004 endorsement, 16 projects were endorsed. One of them was later merged with ongoing REG 6109: *NGO Partnership for Poverty Reduction*, hence is excluded from the total number here.

³ See footnote 1.

⁴ Represents the difference in the project amount of the 4 new TAs and those that were dropped.

⁵ Excluding ADB administration cost and 5% Bank charges.

As can be gleaned in the foregoing table, actual disbursements is on an increasing trend - from \$69,660.11 in January to June 2003, to \$794,094.40 in January to June 2004. While the trend is increasing, the six-monthly actual disbursement levels are still below the projected disbursements for the same period. As such, there may be a need to revisit the disbursement projections and adjustments will have to be made in the next semi-annual report. The financial statement and status of fund are attached as Appendix 2, and the long-term projection is attached as Appendix 3.

- **Remittance Requirement⁶.** Based on the above disbursement projections, project expenditures for July - December 2004 are estimated to reach US\$3,007,850 for both PRF-HQ and PRF-PRC. Given that and the cumulative remittance of DFID to ADB as of June 2004 (see the table below), **additional remittance may not be necessary until end of 2004.** However, ADB may need about **\$1.2 million** in the beginning of calendar year 2005 to cover project expenditures for January to **March 2005** (in line with DFID's fiscal year).

	PRF-HQ	PRF-PRC	Total
Cumulative remittance to ADB (as of 30 Jun 04)	4,287,500.00	2,100,00.00	6,387,500.00
Actual Disbursements (as of 30 June 04)	1,306,237.19	113,695.17	1,419,932.36
Actual Balance as of 30 June 2004	2,981,262.81	1,986,304.83	4,967,567.64
Projected Disbursement (Jul-Dec 2004) in US\$	2,296,750.00	711,100.00	3,007,850.00
Projected Balance as of 31 December 2004	684,512.80	1,275,204.80	1,959,717.60
Projected Disbursement (Jan-Jun 05)	3,658,500.00	1,516,900.00	5,175,400.00
Jan – Mar 2005	1,586,750.00	632,400.00	2,219,150.00
Apr – Jun 2005	2,071,750.00	884,500.00	2,956,250.00

4. **Summary of Portfolio Development in January-June 2004.** The reporting period experienced progress in portfolio development in terms of continuous inflow of project proposals and improvement in the quality of projects proposed. Following are the details:

- New projects endorsed, merged or dropped in January – June 2004 (see also Portfolio Composition Table in para 3)

	No. of TAs	Total New Entry	
PRF-HQ ⁷	16 endorsed 1 merged	15 TAs	\$9,535,000
PRF-PRC ⁸	4 endorsed 3 dropped 1 merged	0 TAs	\$3,000,000
TOTAL		15 TAs	\$12,535,000

⁶ Excluding ADB administration cost and Bank charges.

⁷ See footnote 3.

⁸ See footnote 1.

- New TA approval by ADB

	No. of TAs	Total Amount
PRF-HQ	7	\$2,570,000 (3 from Dec-02 batch, 3 from the Jul-03 batch and 1 from Jan 04 batch)
PRF-PRC	1	\$1,000,000 (from Dec-02 batch)
TOTAL	8	\$3,570,000 (10% of portfolio)

- New projects endorsed in July 2004 batch for PRF-HQ: 15⁹ TAs for a total of \$9,976,000 (Not included in the current list)

5. **Content Analysis – Portfolio as of 30 June 2004.** The characteristics of the 73 TAs under the PRF are analyzed below by type of assistance, sector, thematic area and region.

- By Type

- 63 projects (85%) had specific objective to provide capacity building for poverty reduction;
- 37 projects (50%) aimed to provide support to policy/strategy formulation, implementation, monitoring and policy dialogue;
- 26 projects (35%) strongly emphasized stakeholder consultation and participation;
- 25 projects (34%) included pilot activities to influence design;
- 23 projects (31%) aimed to develop new programs and projects;
- 9 projects (12%) for outreach and communication;
- 6 projects (8%) aimed to strengthen Resident Missions for poverty reduction; and
- 5 projects (7%) aimed to strengthen ADB's role in regional poverty issues.

- By Sector

- 21 (29%) Law, economic management and public policy sector
- 15 (20%) Health, nutrition and social protection
- 12 (16%) Agriculture and natural resources
- 4 (6%) Energy
- 3 (4%) Transportation and communication
- 2 (3%) Industry and trade;
- 1 (1%) Finance
- 1 (1%) Education
- 1 (1%) Water supply, sanitation and waste management
- 13 (19%) Multisector

- By Thematic Area

- 53 (72%) Inclusive social development
- 30 (41%) Gender and development

⁹ There were 18 projects that were discussed but one was dropped as it does not fit into the CSP, while the other needs further discussion and conceptualization.

- 23 (31%) Governance
- 22 (30%) Sustainable economic growth
- 15 (20%) Environmental sustainability
- 13 (18%) Private sector development
- 7 (9%) Regional cooperation

- By Region

- 21 (29% in number and 32% of total amount) PRC
- 53 (71% in number and 68% in total amount) PRF-HQ, including,
 - ◆ 22 (30% in number and 25% of total amount) Mekong Region
 - ◆ 11 (15% in number and 14% of total amount) South Asia
 - ◆ 3 (4% in number and 3% of total amount) Pacific
 - ◆ 3 (4% in number and 4% of total amount) Non-PRC East and Central Asia
 - ◆ 13 (18% in number and 22% of total amount) Inter-Regional

6. **Content Analysis - New Proposals.** The 15 new projects endorsed totaling \$9,976,000 are also analyzed below in terms of type of assistance, sector, thematic area and region.

- By Type

- 14 (93%) seeks to provide capacity building for poverty reduction
- 8 (53%) emphasizes stakeholder consultation and participation
- 8 (53%) are aimed at development of new programs and projects
- 7 (47%) shall pilot activities to influence design
- 2 (13%) shall provide outreach and communication
- 1 (7%) shall provide both poverty strategy formulation and policy dialogue and strengthen ADB's role in regional poverty issues.

- By Sector

- 3 (20%) Agriculture and natural resources
- 2 (13%) Health, nutrition and social protection sector
- 1 (7%) Law, economic management and public policy (which include training and institutional development)
- 9 (60%) Multisector.

- By Thematic Area¹⁰

- 12 (80%) Inclusive social development
- 7 (47%) Gender and development
- 6 (38%) Governance
- 3 (20%) Environmental sustainability
- 2 (13%) Sustainable economic growth
- 1 (7%) Private sector development.

¹⁰ One TA can be classified for up to three themes.

- By Region
 - 6 (40% in number and 43% of total amount) South Asia
 - 6 (40% in number and 31% of total amount) Mekong
 - 3 (20% in number and 21% of total amount) Regional
 - 0 East and Central Asia; Pacific

III. KEY ACHIEVEMENTS IN FUND MANAGEMENT: JANUARY – JUNE 2004¹¹

7. The following summarized the key activities carried out by the NPRS/PRF Team at RSDD fund management in the review period:

- Carried out the Fourth NPRS/PRF Strategy Meeting on 27-29 January 2004 and produced a 'Summary Note of the Fourth NPRS/PRF Strategy Meeting' (sent to DFID on March 2004);
- Carried out a video conference on PRF-PRC (London-Beijing-Manila) on 23 February 2004 to discuss key issues, including disbursement, fund timeframe, MOU amendments, prioritized program for 2004, and reporting mechanism and communication line.
- Produced and submitted required periodical reports:
 - First PRF Annual Report (January – December 2003), with circulation to the ADB Board of Directors as an information paper scheduled in July 2004;
 - Second PRF Semi-Annual Progress Update, covering the period July to December 2003;
 - Two quarterly financial reports (as of 31 March and as of 30 June 2004).
- As part of follow-up activities agreed at the Fourth Strategy Meeting, prepared Long-Term Disbursement Projection and Revised Fund Duration – Explanatory Note (Appendix 3) in collaboration with relevant departments within the ADB. The Note projects that the overall expenditure is likely to complete in March 2010 if new commitments continue until December 2006, hence requesting the extension of the funding duration in the Memorandum of Understanding.
- Prepared and carried out some of the 17 peer review meetings for the July 2004 batch, resulting in endorsement of 15 proposals.
- Provided technical advice and monitored progress of PRF-funded TAs under implementation and processing. In June 2004, the NPRS/PRF Fund Coordinator joined two PRF-related missions to Cambodia and Thailand and:
 - Supervised the progress of TA 4131-CAM and provided suggestions for strengthening the analysis of the poverty and gender impact of the Multi-Fiber Agreement;
 - Facilitated the preparation of a new GMS regional TA proposal through ADB-UNESCO joint workshop.
- Provided funding assistance for fact-finding missions and staff consultancy to a total of 13 PRF-funded TAs, amounting to \$48,370.00.

¹¹ Chapters III, IV, and V mostly refer to HQ-based PRF activities.

- Updated the NPRS/PRF concept paper template to incorporate the ADB's new sector and theme classification.
- Updated on a regular basis, the PRF/NPRS project database;
- Revamped the PRF website (<http://adb.org/prf/>) and regularly updated it. This involved the preparation of web contents for the PRF website, including summary of individual TAs, consolidation of press releases and articles, and reformatting of available reports
- Liaised closely with NPRS and other poverty and thematic trust funds;
- Regularly coordinated with DFID regarding fund management, including discussion on the potential MOU amendment.

IV. OVERALL ASSESSMENT AND KEY IMPLEMENTATION ISSUES

8. **Progress in Portfolio Development.** While the pace of new ADB approval was slower than the previous six-monthly period, the entry of new projects proposed for endorsement continued without let-up. For the January 2004 batch, 17 proposals were reviewed, 16 of which were endorsed (\$9,560,000). For the June-July intake, a total of 18 proposals came in, 15 of which have been recommended for endorsement through peer review meetings (\$9,976,000).

9. **Improved Quality of Proposals.** In view of the measures adopted to ensure the quality of project design, coupled with the project officers' better knowledge of the NPRS/PRF eligibility criteria, the proposals that are coming in has stronger poverty focus and are better aligned with the country's CSPs and NPRS priorities. This can be also attributed to the continuous technical advisory support from the RSDD team throughout project conceptualization and processing.

10. **Regional Balance.** With the entry of the January 2004 batch projects, more regional balance in portfolio has been achieved in the reporting period. Compared to the data as of 31 December 2003, the share of the Mekong Region has gone down (from 30% to 25% against total amount), and that of the South Asia Region (from 10% to 14% against total amount) and the inter-regional projects (14% to 22%) have gone up. The Pacific Region remained about the same (from 5% to 4%), while non-PRC East and Central Asia has, for the first time, entered into the PRF portfolio (from 0% to 4%).

11. **Pace of Disbursement.** The speed of disbursement remains an issue (see also para 3 disbursement section). While the actual six-monthly disbursements have been constantly growing over the past 1.5 years, and that there was a significant increase in this reporting period (\$794,094.40) from the previous six-monthly period (\$442,482.68), the level of actual disbursements has been slightly below the projections. There may be a need to review the projections and make adjustments. For example, many ADB TAs are closed below the originally budgeted amount, which may need to be factored into projections. Continued monitoring of disbursements in the next six-monthly period is crucial.

12. **Further Integration of NPRS/PRF:** Further integration of the two funds was proposed at the end of the Third Strategy Meeting and Fourth Strategy Meeting, in terms of funds consolidation, reporting, and preparation of a memorandum of understanding. The upcoming joint Mid-Term

Review of the NPRS/PRF should provide guidance to this decision. In addition, an amendment to the existing Memorandum of Understanding of the PRF funds is necessary to extend the duration of the fund (para. 7). Thus far, ADB and DFID agreed on the amendments to reporting requirements and focal persons. DFID has recommended that the decision about amendments to the funding timeframe and payment schedules should wait until the findings of the Mid-Term Review are available.

V. WORK PROGRAM FOR JULY – DECEMBER 2004

12. In July-December 2004, the following activities will comprise the key work program:

- Prepare and carry out the Fifth NPRS/PRF Strategy Meeting scheduled on 13-14 October 2004, including, among others, the discussion of the overall progress, Mid-Term Review, and the PRF Fund extension;
- Carry out new intake of proposals for late October/November batch (new schedule to align with CSP/Us) while ensuring quality of new proposals;
- Prepare detailed methodologies and recruitment of consultants for the Mid-Term Review;
- Carry out special review missions of NPRS/PRF projects on a selected basis;
- Provide DFID with a quarterly financial/disbursement report (as of 30 September 2004) and start collecting data for the 4th Semi-Annual Progress Update and the 2nd Annual Report;
- Continue close monitoring and quality assurance of the progress of TA processing and implementation as well as disbursement targets;
- Regularly update the revamped website and further strengthen outreach;
- Continue other routine fund management tasks.

List of Appendixes

- Appendix 1: List of PRF Projects Endorsed by DFID
- Appendix 2: PRF – Status of Grant and Statement of Expenditures (As of 30 June 2004)
- Appendix 3: PRF – Explanatory Note: Long Term Disbursement Projection and Revised Fund Duration
- Appendix 4: Detailed Description and Status of PRF Projects Endorsed by DFID (As of 30 June 2004)