

# FOURTH SEMI-ANNUAL PROGRESS UPDATE

## July – December 2004

### Poverty Reduction Cooperation Fund (PRF)

#### I. INTRODUCTION

1. This Semi-Annual Progress update (the Update) summarizes the activities and progress made under the Poverty Reduction Cooperation Fund (PRF) covering the period from 01 July to 31 December 2004. This is a follow-up of the 3<sup>rd</sup> Semi-Annual Progress Update (January – June 2004) submitted to the DFID during the 5<sup>th</sup> NPRS/PRF Strategy Meeting in October 2004. The Update includes the summary of portfolio as of 31 December 2004 (Appendix 1), disbursement progress in the reporting period (Appendix 2), and description of the progress made in all technical assistance (TA) projects financed by the PRF (Appendix 3). These will be followed by analysis of key achievements in fund management and the work program for the following six-monthly report.
  
2. The Update has been prepared by the Regional and Sustainable development Department (RSDD) of the Asian Development Bank (ADB). The next Update (January – June 2005) will be submitted in July – August 2005.

#### II. OVERVIEW OF PRF PORTFOLIO AND PIPELINE

3. **Portfolio Information.** The overall portfolio as of 31 December 2004 is summarized as follows:
  - **Overall commitment:** There are 87 TAs in the PRF portfolio amounting to \$45,591,000, or 61% of initial contribution of £39 million (about \$74.74 million as of 31 December 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	Jul – Dec 2004	As of Dec 2004	As of Dec 2003	Jan – Jun 2004	Jul – Dec 2004	As of Dec 2004
PRF-HQ	34	23	13	70	13.675	14.891	7.815	36.381
PRF-PRC	14	3	0	17	6.710	2.500	0	9.21
<b>TOTAL</b>	<b>48</b>	<b>26</b>	<b>13</b>	<b>87</b>	<b>20.385</b>	<b>17.391</b>	<b>7.815</b>	<b>45.591</b>

PRF-HQ window: There is now a total of 70 TAs funded by the PRF, amounting to \$36.381 million. This is about 64% of initial contribution of £30 million or \$56,691,848 as of 31 December 2004.

During the reporting period, 13 additional new TAs were included in the portfolio.

PRF-PRC window: 17 TAs at \$9.21 million, or 51% of £9 million committed (\$18,044,073 as of 31 December 2004)

No new TAs were considered during the period in review.

- **Portfolio composition as of 31 December 2004:** The status of these TAs is summarized as follows:

	Total No. of TAs				Total Amount of TAs (in US\$M)			
	As of Dec 2003	Jan – Jun 2004	Jul – Dec 2004	As of Dec 2004	As of Dec 2003	Jan – Jun 2004	Jul – Dec 2004	As of Dec 2004
<b>Completed</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0.05</b>	<b>0</b>	<b>0</b>	<b>0.05</b>
<b>Under Implementation</b>								
PRF-HQ	21	7	22	50	8.08	3.65	12.60	24.33
PRF-PRC	7	1	4	12	2.91	1.00	2.70	6.61
<b>Sub-total</b>	<b>28</b>	<b>8</b>	<b>26</b>	<b>62</b>	<b>10.99</b>	<b>4.65</b>	<b>15.30</b>	<b>30.94</b>
<b>Under Processing</b>								
PRF-HQ	1	8	10	19	0.40	5.60	6.00	12.00
PRF-PRC	3	2	0	5	1.10	1.50	0.00	2.60
<b>Sub-total</b>	<b>4</b>	<b>10</b>	<b>10</b>	<b>24</b>	<b>1.50</b>	<b>7.10</b>	<b>6.00</b>	<b>14.60</b>
<b>TOTAL</b>	<b>33</b>	<b>18</b>	<b>36</b>	<b>87</b>	<b>12.54</b>	<b>11.75</b>	<b>21.3</b>	<b>45.60</b>

- **Portfolio Development in July – December 2004.** There was a continuous inflow of project proposals and improvement in the quality of the proposed projects.

	Total No. of TAs				Total Amount of TAs (in US\$M)			
	As of Dec 2003	Jan – Jun 2004	Jul – Dec 2004	As of Dec 2004	As of Dec 2003	Jan – Jun 2004	Jul – Dec 2004	As of Dec 2004
<b>Projects Endorsed</b>								
PRF-HQ	34	23	13	70	13.68	14.89	7.82	36.39
PRF-PRC	14	3		17	6.71	2.50		9.21
<b>TOTAL</b>	<b>48</b>	<b>26</b>	<b>13</b>	<b>87</b>	<b>20.39</b>	<b>17.39</b>	<b>7.82</b>	<b>45.60</b>
<b>TA Approval</b>								
PRF-HQ	21	7	22	50	8.08	3.65	12.60	24.33
PRF-PRC	7	1	4	12	2.91	1.00	2.70	6.61
<b>TOTAL</b>	<b>28</b>	<b>8</b>	<b>26</b>	<b>62</b>	<b>10.99</b>	<b>4.65</b>	<b>15.30</b>	<b>30.94</b>

For the period July to December 2004, 13 TAs were added to the PRF-HQ portfolio, a decline from the 23 TAs that were endorsed during the period

January – June 2004. In terms of ADB approval, a total of 22 TAs were approved during the period in review, a huge increase over the 7 TAs approved during the previous period (January – June 2004). The pace of TA processing time (in average number of months), is also faster at 10.2 mos. in July to December 2004, compared with 13 mos. during the period January to June 2004. There are also 3 TAs that were endorsed and approved within the period July to December. These are LAO 4434 (*Poverty Reduction through Land Tenure Consolidation, Participatory Natural Resources Management and Local Communities Skills Building*); VIE 4453 (*Supporting the Preparation of the Law on Gender and Equality*); VIE 4480 (*Developing Agricultural Insurance in Viet Nam*). Compared with processing time of the previous year however, the pace slowed down in 2004 to an average of 10.9 mos., from an average of 7.6 mos. in 2003.

For the PRF-PRC window, no new project intake was recorded during the period under review. This may be a result of a major downsizing and realignment of DFID funding to the PRC. In terms of ADB approval, 4 projects were approved during the July – December 2004 period, whereas in the January – June 2004 period, only 1 project was approved.

4. **Fund Disbursement.** The total fund committed by the donors to the PRF amounts to £39 million, which is equivalent to about US\$74,735,921 as of 31 December 2004. Out of this amount, US\$57 million is for the regional window (PRF-HQ), and the remaining \$18 million is for the PRC window (PRF-PRC). In terms of remittance, the total amount received by ADB from donors as of 31 December 2004, is US\$4.3 million for the PRF-HQ, and US\$2.1 million for the PRF-PRC. The details on disbursement in PRF supported projects are summarized in the table below. The status of grant and statement of TA expenditures is attached as Appendix 2.

	PRF – HQ	PRF - PRC
Cumulative Remittance to ADB as of 31 December 2004	\$ 4,287,500	\$ 2,100,000
Cumulative Disbursement as of 31 December 2003	\$ 512, 143	0
<b>Disbursements, January – June 2004</b>	\$ 794,095	\$ 113,695
<b>July – December 2004</b>	<b>\$ 1,613,370</b>	<b>\$ 456,990</b>
Total Disbursements, January – December 2004	\$ 2,407,465	\$ 570,685
Cumulative Disbursement as of 31 December 2004	\$ 2,919,608	\$ 570,685
<b>Balance as of 31 December 2004</b>	<b>\$ 1,367,892</b>	<b>\$ 1,529,315</b>

5. For the PRF-HQ, the total cumulative disbursement of US\$2,919,608 for as of 31 December 2004 is already 68% of the total amount remitted by the donors to ADB. Total disbursements for the period July – December 2004 increased to \$1.6 million from \$794,095 for the period January – June 2004.

6. For the PRF-PRC, the total cumulative disbursement as of December 2004 amounted to \$570,685, which is 27% of the total amount received by ADB from the donors. Total disbursements of \$456,990 for the period July – December 2004 is higher than \$113,695 disbursements for the period January – June 2004.

7. **Content Analysis.** The characteristics of the 73 TAs under the PRF are analyzed below by type of assistance, sector, thematic area and region.

- By Type

- 76 projects (87%) had specific objective to provide capacity building for poverty reduction;
- 37 projects (43%) aimed to provide support to policy/strategy formulation, implementation, monitoring and policy dialogue;
- 33 projects (38%) strongly emphasized stakeholder consultation and participation;
- 33 projects (38%) included pilot activities to influence design;
- 32 projects (37%) aimed to develop new programs and projects;
- 11 projects (13%) for outreach and communication;
- 5 projects (6%) aimed to strengthen Resident Missions for poverty reduction; and
- 5 projects (6%) aimed to strengthen ADB's role in regional poverty issues.

- By Sector

- 22 (25%) Law, economic management and public policy sector
- 20 (23%) Multisector
- 17 (20%) Health, nutrition and social protection
- 16 (18%) Agriculture and natural resources
- 4 (5%) Industry and trade
- 3 (3%) Energy
- 2 (3%) Transport and communication
- 1 (1%) Finance
- 1 (1%) Education
- 1 (1%) Water supply, sanitation and waste management

- By Thematic Area (each TA can be classified under one to three themes)

- 76 (87%) Capacity development
- 64 (74%) Inclusive social development
- 40 (21%) Gender and development
- 27 (31%) Governance
- 25 (29%) Sustainable economic growth
- 17 (20%) Environmental sustainability
- 14 (16%) Private sector development
- 7 (8%) Regional cooperation

- By Region

- 17 (20% in number and 20% of total amount) PRC

- ii. 70 (80% in number and 80% in total amount) PRF-HQ, including,
  - ◆ 28 (32% in number and 28% of total amount) Mekong Region
  - ◆ 19 (22% in number and 23% of total amount) South Asia
  - ◆ 3 (3% in number and 2% of total amount) Pacific
  - ◆ 4 (5% in number and 5% of total amount) Non-PRC East and Central Asia
  - ◆ 16 (18% in number and 21% of total amount) Inter-Regional

### III. KEY ACHIEVEMENTS IN FUND MANAGEMENT: JULY – DECEMBER 2004

8. The following summarized the key activities carried out by the ADB for PRF fund management during the period in review:

- **Expanded the Coverage of the PRF.** In order for all disbursements in PRF projects be completed by 31 March 2008, the scope of the PRF 2005 program was expanded to include PPTAs. In connection with this, a modified guideline for the implementation of the PRF was developed and adopted.
- **Drafted the Terms of Reference (TOR) for the PRF Mid-term Review.** As agreed upon during the 5<sup>th</sup> NPRS/PRF Strategy Meeting, a mid-term review on the implementation and management of the PRF Fund is scheduled in January 2005. The need for review is justified in view of the need for a re-assessment of the PRF as a tool for poverty reduction partnerships. In this regard, a terms of reference for an independent review of the PRF was drafted, to define the tasks that will be done in relation to the said review that will cover PRF-HQ only.
- **Carried out the Fifth NPRS/PRF Strategy Meeting.** The fifth NPRS/PRF strategy meeting was held in Manila on 13-14 October 2004. A 'Summary Note on the Fifth Strategy Meeting on NPRS/PRF' was produced and sent to the DFID in November 2004. The meeting (i) reviewed overall progress in portfolio and pipeline; 9ii) reviewed key fund management and implementation issues; 9iii) discussed the scope, timeframe and logistical arrangements of the joint mid-term review of NPRS/PRF scheduled in January-February 2005; and 9iv) discussed other administrative matters. The possibility of a joint NPRS/PRF mid-term review was explored until early January 2005. However, due to the in-house processing requirement of the Netherlands, a decision was made to postpone the review till later 2005.
- **Submission of the Third PRF semi-annual progress report.** The fourth semi-annual progress report for the PRF was also prepared and submitted to the Donors in October 2004, including the two quarterly financial reports (as of 30 September 2004 and 31 December 2004).
- **Carried out Peer Review meetings for the July – December 2004 Batch.** The quality of new proposals is continuously ensured through close coordination with project officers/proponents. A total of 13 peer review meetings were held to discuss projects for the new intake under the PRF. All 13 were supported for funding by the peer reviewers and 3 of the proposals were approved by the ADB. In addition, a peer review was also held to discuss the proposed major change in scope of TA 4319: *Determinants and Drivers of Poverty Reduction and ADB's*

*contribution in Rural Pakistan*. This change in scope requested additional funding for the complementary contributory study on the impact of global cotton prices on rural poverty in Pakistan. The proposed increase in TA amount (US\$180,000) was also approved in December 2004.

- **Other accomplishments in PRF fund management include:**
  - i. Provided funding assistance for fact-finding missions and staff consultancy to a total of 13 PRF-funded TAs, amounting to \$48,370.00.
  - ii. Updated the PRF concept paper template to incorporate the inclusion of PPTAs in the scope of the fund.
  - iii. Continuous updating of the PRF database;
  - iv. 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
  - v. Close liaison with NPRS and other poverty and thematic trust funds;
  - vi. Regular coordination with the DFID and the Board of Director office, as necessary.

#### **IV. OVERALL ASSESSMENT AND KEY IMPLEMENTATION ISSUES**

9. **Progress in Portfolio Development.** Compared to the previous six-monthly period, there were lesser application, but more ADB approvals. For the July – December 2004 batch, 13 proposals were reviewed, all of which were endorsed (\$7,820,000). For the period January – June 2004, a total of 26 proposals have been recommended for endorsement (\$17,390,000). This decrease in the entry of new projects may be due to the DFID's decision in October to temporarily suspend intake of proposals as the pace of disbursements remained slow. The temporary suspension was however lifted in December 2004, and even expanded the coverage of PRF to include PPTAs.

10. What is notable in this January – December 2004 batch is that out of the 13 proposals endorsed for funding, 3 were already approved by the ADB. In addition, the major change in scope for TA 4319: *Determinants and Drivers of Poverty Reduction and ADB's contribution in Rural Pakistan*, which was proposed during this time, is also approved. This change in scope requested additional funding (US\$180,000) for the complementary contributory study on the impact of global cotton prices on rural poverty in Pakistan.

10. As to the pace of new ADB approval, it is faster during this period in review (26 TAs approved in average of 10.2 months), compared with the previous six-monthly period (8 TAs approved in average of 13 months).

11. **Accelerated Pace of Disbursement.** The speed of disbursement for the July – December 2004 period likewise accelerated. For the PRF-HQ window, total disbursements for the period July – December 2004 increased to \$1.6 million from \$794,095 for the period January – June 2004. The cumulative disbursement for as of 31 December 2004 is \$2,929,608. This is already 68% of the total amount received by ADB from the donors.

12. For the PRF-PRC window, total disbursements of \$456,990 for July – December 2004 period is likewise higher than total disbursement of \$113,695 for the period January – June 2004. The cumulative disbursement as of 31 December 2004 stands at \$570,685 or 27% of total amount received by ADB from the Donors.

13. As to regional balance, PRF projects are distributed across all regions, except Southeast Asia. Most of the TAs supported focuses on upstream work (e.g. policy study and strategy development) and their major thrust is capacity building for poverty reduction.

## **V. WORK PROGRAM FOR JANUARY – JUNE 2005**

14. In January – June 2005, the following activities will comprise the key work program:

- Prepare for and carry out the Sixth NPRS/PRF Strategy Meeting, including, among others, the discussion of the overall progress, Mid-Term Review, and the PRF Fund extension;
- In view of the amount of knowledge that had been and will be generated by the activities under the NPRS and PRF, it was agreed during the 5<sup>th</sup> NPRS/PRF Strategy Meeting to strengthen a knowledge management system for the both funds. A regional TA was proposed by the NPRS/PRF Coordinator under the PRF for processing in 2005, which was taken favorably by the two donors.
- Assess the eligibility criteria and the relevance of NPRS/PRF in view of the recent changes in ADB's operational approaches such as the enhanced PRS, ADB's Reform Agenda, Knowledge Management Framework, and the MfDR.
- Carry out new intake of proposals for specially PPTAs, while ensuring the quality of these new proposals;
- Carry out special review missions of NPRS/PRF projects on a selected basis;
- Provide DFID with a quarterly financial/disbursement reports (for as of 31 March 2005 and 30 June 2005) and start collecting data for the 5<sup>th</sup> Semi-Annual Progress Update;
- 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 dialogues and liaison with the Netherlands and other routine fund management tasks.

## **List of Appendixes**

- Appendix 1: List of PRF Projects Endorsed by DFID (As of 31 December 2004)
- Appendix 2: PRF – Status of Grant and Statement of Expenditures (As of 31 December 2004)
- Appendix 3: Detailed Description and Status of PRF Projects Endorsed by DFID (As of 31 December 2004)