

FIFTH SEMI-ANNUAL PROGRESS UPDATE

January – June 2005

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 January – June 2005. This Update includes the summary of portfolio as of 30 June 2005 (Appendix 1) and disbursement progress in the reporting period (Appendix 2). These will be followed by analysis of key achievements in fund management and the work program for the following six months.
2. The Update has been prepared by the Regional and Sustainable development Department (RSDD) of the Asian Development Bank (ADB). The next Update (July - December 2005) will be submitted in January - February 2006.

II. OVERVIEW OF PRF PORTFOLIO AND PIPELINE

3. **Portfolio Information.** The overall portfolio as of 30 June 2005 is summarized as follows:

- **Overall commitment:** There are now 101 TAs in the PRF portfolio amounting to \$51,463,000 or 75% of initial contribution of £39 million (about \$68.82 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	Jul – Dec 2004	Jan- Jun 2005	As of Jun 2005	As of Dec 2003	Jan – Jun 2004	Jul – Dec 2004	Jan- Jun 2005	As of Jun 2005
PRF-HQ	34	22	13	15	84	14.32	13.89	7.74	6.30	42.25
PRF-PRC	14	3	0	0	17	6.71	2.50	0	0	9.21
Total	48	25	13	15	101	21.03	16.39	7.74	6.30	51.46

PRF-HQ window: There is now a total of 84 TAs funded by the PRF, amounting to \$42.25 million. This is about 80% of initial contribution of £30 million or \$52,920,461 as of 30 June 2005.

During the reporting period, 15 additional new TAs were included in the portfolio. These include 4 PPTAs, following the decision in October 2004, to include a PPTA financing component under the PRF.

PRF-PRC window: 17 TAs at \$9.21 million, or 58% of £9 million committed (\$15,902,651 as of 30 June 2005)

No new TAs were considered during the period in review.

- **Portfolio composition as of 30 June 2005:** 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	Jan– Jun 2005	As of Jun 2005	As of Dec 2003	Jan – Jun 2004	Jul – Dec 2004	Jan– Jun 2005	As of Jun 2005
Completed	1	0	0	0	1	0.05	0	0	0	0.05
Under Implementation										
PRF-HQ ADTA	21	7	22	6	56	8.08	3.65	12.60	3.80	28.13
PRF-HQ PPTA				1	1				0.15	0.15
PRF-PRC	7	1	4	2	14	2.91	1.00	2.70	1.50	8.11
Sub-total	28	8	26	9	71	10.99	4.65	15.30	5.45	36.39
Under Processing										
PRF-HQ ADTA	0	6	9	8	23	0.00	4.305	5.645	3.224	13.174
PRF-HQ PPTA				3	3				0.75	0.75
PRF-PRC	2	0	0	1	3	0.60	0.00	0.00	0.50	1.10
Subtotal	2	6	9	12	29	0.60	4.305	5.645	4.474	15.024
Total	31	14	35	21	101	15.345	8.955	20.945	9.924	51.464

- **Portfolio Development in January – June 2005.** Albeit slower, 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	Jan– Jun 2005	As of Jun 2005	As of Dec 2003	Jan – Jun 2004	Jul – Dec 2004	Jan– Jun 2005	As of Jun 2005
Projects Endorsed										
PRF-HQ ADTA	34	22	13	11	80	14.32	13.89	7.74	5.40	41.35
PRF-HQ PPTA				4	4				0.90	.90
PRF-PRC	14	3			17	6.71	2.50			9.21
TOTAL	47	26	13	15	101	21.03	16.39	7.74	6.30	51.46
TA Approval										
PRF-HQ ADTA	22	7	22	6	57	8.125	3.70	12.73	3.625	28.18
PRF-HQ PPTA				1	1				0.15	0.15
PRF-PRC	7	1	4	2	14	2.91	1.00	2.70	1.50	8.11
TOTAL	29	8	26	9	72	10.99	4.65	15.30	5.275	36.44

For the period January – June 2005, 15 TAs were added to the PRF-HQ portfolio. While this is an increase from the 13 TAs endorsed in July – December 2004, the number is still lower than the 23 TAs that were endorsed during the period January – June 2004. As mentioned earlier, this includes the complementary support to 4 PPTAs (totaling \$0.90 million), which was provided for the first time on a pilot basis.

In terms of ADB approval, from the 22 TAs that were approved during the period July - December 2005, it went down to 7 TAs during the period January – June 2005. Four out of these 7 TAs are those that were also endorsed during this period. While the number of TAs approved declined, the pace of TA processing time (in average number of months) went faster from 10.2 months during the previous period, to 6 months, during the period under review. The 4 TAs that were endorsed and approved during the period January to June 2005 are: RETA 6243: *Strengthening Malaria Control for Ethnic Minorities in the GMS*; RETA 6245: *Strengthening Pro-poor Policies in the Pacific*; TA 4567: *Sri Lanka Post Tsunami Needs Assessment and Preparation for Emergency Assistance Implementation Strategies*; and TA 4598: *Rural Development for Tajikistan*

The processing of one proposal, *Social Health Insurance in Asia and the Pacific: Lessons Learned and Prospects* was stopped, in view of non-endorsement by VPKM of this project's concept.

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, 2 projects were approved during the period January – June 2005, whereas in the July – December 2004 period, 4 projects were approved.

4. **Fund Disbursement.** The total fund committed by the donors to the PRF amounts to £39 million, which is equivalent to about US\$68,823,112 as of 30 June 2005. Out of this amount, US\$53 million is for the regional window (PRF-HQ), and the remaining \$16 million is for the PRC window (PRF-PRC). In terms of remittance, the total amount received by ADB from donors as of 30 June 2005, is US\$8.3 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	\$ 8,287,500	\$ 2,100,000
Cumulative Disbursement as of 31 December 2004	\$ 2,919,608	\$ 570,685
Disbursements, January – June 2005	\$ 2,379,757	\$ 923,763
Cumulative Disbursement as of 30 June 2005	\$ 5,299,365	\$ 1,494,448
Balance as of 30 June 2005	\$ 2,988,135	\$ 605,552

5. For the PRF-HQ, the total cumulative disbursement of US\$5,299,365 for as of 30 June 2005 is 64% of the total amount remitted by the donors to ADB. Total disbursements for the period January – June 2005 increased to \$2.4 million from \$1.6 million for the period July - December 2004. Finally, disbursement is picking up, especially during the second quarter (April to June 2005) when actual disbursement (\$1,448,320) hit the projected disbursement for the period (\$1,410,450).

6. In the same vein, disbursement for the PRF-PRC window is also picking up. From \$570,685 total disbursement for the period January to December 2004, it went up to \$923,763 during the first six months of 2005. Cumulative disbursement for as of 30 June 2005 for the PRF-PRC, amounts to \$1,494,448.

7. **Content Analysis.** The characteristics of the 101 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

- vii. 14 (16%) Private sector development
- viii. 7 (8%) Regional cooperation

- By Region

- i. 17 (17% in number and 18% of total amount) PRC
- ii. 84 (83% in number and 82% in total amount) PRF-HQ, including,
 - ◆ 32 (32% in number and 28% of total amount) Mekong Region
 - ◆ 24 (24% in number and 25% of total amount) South Asia
 - ◆ 5 (5% in number and 4% of total amount) Pacific
 - ◆ 6 (6% in number and 3% of total amount) Non-PRC East and Central Asia
 - ◆ 17 (17% in number and 20% of total amount) Inter-Regional

III. KEY ACHIEVEMENTS IN FUND MANAGEMENT: JANUARY – JUNE 2005

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

- **Revised Disbursement Projection.** Pursuant to the agreement made during the Fourth Strategy Meeting in January 2004, a long-term disbursement projection was prepared by the ADB in July 2004, to provide a basis for the 6-monthly payment schedules of the PRF. The projections, using statistical methodologies drawing on the previous disbursement patterns of ADB-wide advisory TAs, turned out to be an optimistic scenario compared with the actual disbursement amount. In this regard, a more conservative new projection for 2005 was prepared, using updated information about the recently endorsed projects. This new projection was deemed to be more accurate, as projected disbursement is very close to the actual amount. For the January – June 2005 disbursement for instance, actual amount is \$2.38 million, whereas the projected amount is \$2.59 million.
- **Coordinated the Conduct of the PRF Mid-term Review.** The mid-term review on the implementation and management of the PRF Fund was carried out in January 2005. The NPRS/PRF Fund Management Team arranged for the conduct of meetings of the consultants with NPRS and PRF Project officers.
- **Carried out the Sixth NPRS/PRF Strategy Meeting.** The Sixth NPRS/PRF strategy meeting was held in London on 23 June 2005. The meeting reviewed the progress of TAs financed by the PRF and discussed key fund management issues. A ‘Summary Note’ on the sixth meeting was produced and sent to the DFID in July 2005.
- **Submission of the Second PRF Annual Report.** The Second Annual Report on the PRF (January to December 2004) was prepared and submitted to the DFID in June 2004, including the financial report for as of 31 December 2004, provided by the Controller’s Department.
- **Carried out Peer Review meetings for the January – June 2005 Batch.** The quality of new proposals is continuously ensured through close coordination with project officers/proponents. Peer review meetings were held to discuss projects

for the new intake under the PRF, which resulted in the endorsement of 11 ADTAs. A peer review meeting was also held to discuss 6 PPTA proposals. Two of these proposals were not considered eligible, as they were not registered as 'targeted intervention (TI)' classification. They appeared to have a little scope for targeted interventions for poverty reduction given their specific sectoral and/or geographical context.

Decision to increase the amount of two TAs was also done during this period, additional \$124,000 for TA 4434: *Poverty Reduction through Land Tenure Consolidation, Participatory Natural Resources Management and Local Communities Skills Building*; and \$50,000 for TA 4331: *Support for Pro-poor Health Policies in Viet Nam*.

- **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 \$41,720.70.
 - 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.** As of 30 June 2005, the total amount of project that were funding-endorsed under the PRF had reached \$42.45 million, or 80% of the total contribution of \$52.09 million. The remaining \$10.67 million has to be committed by end of 2005, to meet the March 2008 disbursement cut-off target. For the January to June 2005, only 15 TAs were endorsed, with a total amount of \$6.3 million. This already includes the complementary support to 4 PPTAs, provided in a pilot basis. The rate of intake is not as fast as it were during the January to June 2004, although the quality of proposals is continuously ensured at entry. This is done through close coordination of the NPRS/PRF Coordinator with the proponents/project officers during concept and TA paper preparations.

11. **Accelerated Pace of Disbursement.** Unlike the pace of TA commitment, the speed of TA disbursement for the January – June 2005 period accelerated much further. For the PRF-HQ window, total disbursements for the period January – June 2005 increased from \$1.6 million (July to December 2004) to \$2,379,757. The cumulative

disbursement for as of 30 June 2005 is \$5,299,365, 64% of the total amount received by ADB from the donors (\$8,287,500).

12. For the PRF-PRC window, total disbursements of \$923,763 for January – June 2005 period is likewise higher than total disbursement of \$456,990 for the period July – December 2004. The cumulative disbursement as of 30 June 2005 stands at \$1,494,448 or 71.12% 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.

14. **Progress in TAs Under Implementation.** Across the 71 TAs under implementation, the implementation pace of each have been mixed.

- A total of 4 TAs are nearing completion. These are: PRC 4222: *Policy Study on Poverty Reduction Strategy – Trends, Challenges and Future Directions*; PRC 4298: *Capacity Strengthening of PRC's National Development Planning Process*; LAO 4108: *Integrating the Poor in Regional Trade through Standard-Setting for Private Sector Development (Phase 1)*; and LAO 4008: *Social Protection in the Lao PDR: Issues and Options*. These TAs' principal activities are already being completed, and final reports are currently being prepared. TA 4108 already has a second phase that is currently being implemented.
- Most of the TAs is on schedule. A number of TAs have experienced initial delays in their implementation, but are now proceeding as planned. These TAs are RETA 6170: *Pilot Project on Institutionalizing Civil Society Participation to Create Local Pro-poor Budgets*; VIE 4252: *Support to Poverty Reduction Activities in Viet Nam*; and VIE 4028: *Transport Services Networks for the Poor*.
- Two TAs have not yet started. These are: SRI 4442: *Psycho-social Health in Conflict-affected Areas*; and RETA 6176: *Building Capacity for Participatory Approaches to Poverty Reduction in ADB Operation*.

V. WORK PROGRAM FOR JANUARY – JUNE 2005

14. In July - December 2005, the following activities will comprise the key work program:

- Prepare for the Seventh NPRS/PRF Strategy Meeting, including, the preparation of meeting papers, annual reports and summary notes of the strategy meeting;
- Preparation and processing of the regional TA that will strengthen the knowledge management system of the two funds.
- 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, while ensuring the quality of these new proposals, with the end view of fully committing the fund by end of December 2005;
- Carry out special review missions of NPRS/PRF projects on a selected basis;
- Provide DFID with a quarterly financial/disbursement reports (for as of 30 September 2005 and 31 December 2005) and start collecting data for the 6th 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 for Funding
- Appendix 2: PRF – Status of Grant and Statement of Expenditures (As of 30 June 2005)
- Appendix 3: Detailed Status of PRF-Endorsed Projects Under Implementation (As of 30 June 2005)