



Cooperation Fund between the Asian Development Bank and the Netherlands Ministry for Development Cooperation in Support of the Formulation and Implementation of National Poverty Reduction Strategies (NPRS)

SECOND SEMI-ANNUAL PROGRESS UPDATE

26 May 2003

I. INTRODUCTION

1. The Second Semi-Annual Progress Update (the Update) on the activities under the *Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies* (NPRS) covers the period from 1 July 2002 to 31 March 2003.¹ This follows the First Semi-Annual Progress Update submitted on 30 September 2002, covering the period from 22 November 2001 to 30 June 2002. The Update includes the key progress made, new endorsed proposals, and lessons learned during the reporting period.
2. The next Semi-Annual Progress Update (1 April 2003-30 June 2003) and Financial Report as of 30 June 2003 will be submitted in late July 2003.

II. OVERVIEW OF NPRS OPERATIONS (July 2002 – March 2003)

3. **Status of NPRS Grant Utilization.** The total NPRS contribution committed by the Netherlands Ministry for Development Cooperation (the Netherlands) is 15 million Dutch Guilders for project financing from November 2001 to August 2004. As of 31 March 2003, the value of the NPRS fund (including income from investment and interest earned) was \$6,885,693.93. Asian Development Bank (ADB) has received US\$2,320,000 equivalent (the same amount as of 30 June 2002). Of this amount, \$1,200,000 was committed for 4 projects (para. 5), the total actual expenditures of which amounted to \$217,655.23, while administrative costs and bank charges summed up to \$10,977.76.
4. ADB expects to commit at least \$2.54 million more for 5 projects that are currently under processing in the People's Republic of China (PRC, \$840,000), Greater Mekong Subregion (GMS, \$600,000), Pacific (\$400,000), South Asia and others (\$300,000), and Asia-wide (\$400,000), of which the South Asia proposal (\$300,000) maybe committed by 30 June 2003. Hence expected total ADB commitment from the NPRS by December 2003 is \$3.74 million (see Attachment 1). This requires \$1.42 million additional remittance to ADB.²
5. **Status of Projects Endorsed Prior to the Second NPRS/PRF Strategy Meeting.** According to the first Semi-Annual Progress Update, the Netherlands endorsed 5 projects amounting to \$2.3 million as of 30 June 2002. In November 2002, a project for Cambodia on poverty strategy dissemination (\$80,000) was additionally endorsed by the Netherlands.

¹ Due to the delay in report preparation, information on the status of NPRS projects and financial statements have now become available as of 31 March 2003. After consultation with the Netherlands (through Geert Van Engelsman), it was decided to extend the reporting period up to the first quarter of 2003.

² Of this, additional remittance requirement of \$1.02 million was requested to the Netherlands in the memo of 1 April 2003 from ADB's Office of Cofinancing Operations. However, ADB has not acknowledged the remittance at the time of this Update.

6. All of these projects have been approved by ADB totaling \$1.2 million, except for the projects for PRC (Participatory Planning for Small Minorities, \$580,000) and GMS (Poverty Monitoring, \$600,000). The former has been restructured with additional financing of \$260,000 endorsed in December 2002, and expects to be approved by ADB by July 2003. The delay in processing the GMS project primarily attributes to the movement of the Project Officer following ADB's reorganization in January 2002. Nevertheless, processing has resumed with ADB's approval expected by September 2003.

7. One NPRS project that was approved by ADB in November 2001 (Southeast Asia, Regional Conference, \$50,000) has already been completed. The rest of the ADB-approved projects are being implemented. Some have experienced delays, such as the project for Cambodia that has been hampered by scheduling problems and the illness of the Project Officer. In the case of the Uzbekistan project (Living Standards, \$570,000), there were institutional changes both within the Government of Uzbekistan and ADB. For the Pacific project (National Poverty Reduction Strategies, \$500,000), the recruitment of consultants took a few months longer than envisaged. Nevertheless, implementation of the ongoing projects has been picking up in the first half of 2003, and is expected to continue to do so.

8. **Status of Projects Endorsed during the Second NPRS/PRF Strategy Meeting.** During the Second NPRS/Poverty Reduction Cooperation Fund (PRF) Strategy Meeting in December 2002, the Netherlands approved the second work program for the NPRS, comprising 6 projects valued at \$2.76 million. Of these, an Asia-wide project (Poverty Experts) to be financed by the NPRS for \$900,000 (with cofinancing from the PRF for \$900,000) was later considered as premature and therefore requires further discussion during the next NPRS/PRF Strategy Meeting in July 2002.³ The proposal for GMS (NGO Support for Poverty Alleviation) was divided into 2 phases in March 2003 based on the recommendations of its Peer Review Team. Phase 1 (\$150,000) was endorsed for PRF financing and is currently being processed. Phase 2 (\$350,000) would be financed by the NPRS for implementation in 2004.⁴ Therefore, out of the 6 initial proposals, only 4 (equivalent to \$1.36 million) are considered endorsed by the Netherlands, 1 of which was merged with a project included in the first NPRS work program (PRC-Participatory Planning for Small Minorities, \$580,000).

9. All of the projects endorsed during the Second NPRS/PRF Strategy Meeting are expected to obtain ADB approval by the end of 2003.

10. **Pace of Project Approval by ADB.** In general, the pace of ADB's approval of NPRS projects after endorsement by the Netherlands has been relatively smooth. Except for the 2 projects that are yet to be approved (para. 6), all the projects endorsed prior to the Second NPRS/PRF Strategy Meeting (para. 5) have been approved by ADB within 0-11 months. On the other hand, all the proposals endorsed in December 2002 (para. 8) are expected to be approved by ADB within 6-11 months.

11. **Pace of Project Implementation.** Except for the Southeast Asia Regional Conference that has been completed (para. 7), the implementation of ADB-approved projects has been slow as indicated by the slow pace of disbursement in 2002. While the key reasons may vary from

³ The Third NPRS/PRF Strategy Meeting is tentatively scheduled in the last week of July 2003 at the ADB Headquarters, Manila. Details have yet to be discussed and firmed up with the Department for International Development of the Government of the United Kingdom and Northern Ireland and the Netherlands, to ascertain mutual convenience.

⁴ The Peer Review Team also recommended that Phase 2 of the proposal should be further discussed during the next NPRS/PRF Strategy Meeting.

one project to another, a preliminary and general assessment attributes the slow pace of implementation to the (i) generally heavy workload of project officers in the operational departments, and (ii) nature of NPRS-funded projects that promotes bottom-up capacity building which requires a long timeframe. A more in-depth analysis based on the interviews with the project officers and comparison with the disbursement performance of other ADB technical assistance projects will be included in the next Semi-Annual Progress Update.

12. The list of projects referred to in the previous paragraphs are in Attachment 2, and the descriptions and status of each project are in Attachment 3.

13. **Donor Coordination.** On 4 July 2002, the Government of the United Kingdom of Great Britain and Northern Ireland – through its Department for International Development (DFID) – and ADB established the PRF. PRF and NPRS complement each other in their country orientation and conceptual approach. However, PRF covers more countries, and also finances poverty analysis at the program and project levels, innovative sample investments for poverty reduction in the context of ADB loans, poverty experts in ADB's resident missions, and outreach and communication activities for poverty reduction.

14. ADB agreed with the donors to harmonize the administrative arrangements for NPRS and PRF processing, and prioritize NPRS and PRF projects in joint strategy meetings. The First NPRS/PRF Strategy Meeting was held from 15-17 July 2002 in Manila. Unfortunately, the Netherlands was not represented due to unforeseen circumstances. The Second Strategy Meeting on 11-13 December 2002 demonstrated successful coordination between DFID and the Netherlands. It was decided that: (i) coordination with the Japan Fund for Poverty Reduction (JFPR) should be further pursued; (ii) other sectoral/thematic funds (e.g. water, governance, gender) should also be technically coordinated through the Regional and Sustainable Development Department (RSDD) of ADB; (iii) the existing poverty funds should remain open to the entry of funds from other donors; (iv) cross-fertilization and cross-learning across various funds should be strongly encouraged; and (v) the NPRS/PRF-supported activities will not be included in the indicative planning figure process of the country program planning to maintain the nature of 'additionality' of these funds to the poverty reduction impact of ADB's core activities. The harmonization issue will be discussed further in the Third NPRS/PRF Strategy Meeting. This will include the discussion of the coordination with JFPR whose management responsibility was moved from the Poverty Reduction and Social Development Division of RSDD to the Office of Cofinancing Operations in February 2003.

15. **NPRS/PRF Cofinancing.** Good cooperation between the NPRS and the PRF is also evident from the cofinancing of 4 projects prioritized during the Second NPRS/PRF Strategy Meeting. While the Asia-wide and GMS projects still need to be re-discussed in the next Strategy Meeting, the 2 other projects are already under processing (para. 8).

16. **Outreach and Communications.** ADB and the Netherlands agreed to enhance outreach and communication on the NPRS projects, strategic trust fund cooperation and their impact on poverty reduction in the DMCs, and changing emphasis on poverty reduction. An NPRS website has been uploaded in October 2002. Further, the NPRS/PRF Coordinator has been invited to various ADB internal meetings to provide powerpoint and other presentations. The level of familiarity with the NPRS among ADB staff has significantly increased during this Update's reporting period, especially before and during the Second NPRS/PRF Strategy Meeting. The NPRS has also been explained to various governments and NGO stakeholders in Asia and the Pacific. In the Mekong Region, a focal point for poverty funds (Headquarters staff) visited Viet Nam, Cambodia and Lao PDR from March to May 2003 to not only explain the

purpose of the NPRS but also jointly develop strategies with the DMC stakeholders to most effectively utilize the fund together with other grant-based poverty reduction funds.

17. **New NPRS/PRF Coordinator.** Further to the departure of the previous NPRS/PRF Coordinator in RSPR on 31 January 2003, a new NPRS/PRF Coordinator was appointed effective 14 April 2003.

III. WORK PROGRAM FOR THE NEXT SEMI-ANNUAL PROGRESS UPDATE REPORTING PERIOD (APRIL-JUNE 2003)

18. The major tasks for the next Semi-Annual Progress Update reporting period (April-June 2003) include:

- (i) acceleration of ADB approvals of projects endorsed by the Netherlands;
- (ii) solicitation of new proposals for the Third NPRS/PRF Strategy Meeting, and acceleration of quality peer review processes;
- (iii) preparation for the Third NPRS/PRF Strategy Meeting, including setting the strategic agenda on poverty reduction;
- (iv) enhancement of outreach and communications on the NPRS;
- (v) further streamlining of administrative arrangements for NPRS processing;
- (vi) enhancement of donor coordination; and
- (vii) stock-taking of the impacts of NPRS activities on ADB's strategic dialogue with its DMCs and other stakeholders on systemic poverty reduction.