

## FIFTH SEMI-ANNUAL PROGRESS UPDATE January – June 2004

### Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies (NPRS)

#### I. INTRODUCTION

1. This Semi-Annual Progress Update (the Update) summarizes the activities and progress made under the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies (NPRS) covering the period from 1 January to 30 June 2004. This is a follow-up of the 4<sup>th</sup> Semi-Annual Progress Update (July-December 2003) submitted to the Netherlands during the 4<sup>th</sup> NPRS/PRF Strategy Meeting in January 2004. 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 NPRS (Appendix 4). 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 (ADB). The next Update (July – December 2004) will be submitted in January-February 2005.

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

3. **Portfolio Information.** The overall portfolio as of 30 June 2004 is summarized as follows:
  - **Overall commitment:** There are 16 TAs funded by the NPRS, amounting to \$5,290,000, or 72% of initial contribution of €6,783,221.37 (about \$7.36 million as of 30 June 2004). The list of projects endorsed by the Netherlands is attached as Appendix 1.
  - **Portfolio composition:** Out of the total commitment above;
    - Completed: 1 TA \$ 50,000
    - Under implementation: 11 TAs \$3,890,000
    - Under processing: 5 TAs \$1,850,000
  - **Disbursement and Need for Remittance:**

**(a) Balance as of 30 June 2004<sup>1</sup>**

Cumulative Remittance to ADB (as of 30 June 2004)	\$2, 320, 000.00
Total cumulative disbursements (as of 30 June 2004)	\$1, 070, 198.19
• Cumulative Disbursement (as of 31 Dec 2004)	\$ 725, 420.41
• Disbursement in January –June 2004	\$ 344, 777.18 (4 TAs)
<b>Balance as of 30 June 2004</b>	<b>\$1, 249, 801. 82</b>

<sup>1</sup> Excluding ADB administration cost at 5% and Bank charges.

**(b) Disbursement Projections for July 2004 – June 2005<sup>2</sup>** (see Appendix 3)

<b>Balance as of 30 June 2004</b>	<b>\$1,249, 801. 82</b>
Projected Disbursement (July-December 2004) <sup>3</sup>	\$ 663,100.00
<b>Projected Balance as of 31 December 2004</b>	<b>\$ 586,701.82</b>
Projected Disbursement (January – June 2005)	\$ 979, 900.00
<b>Projected Balance as of 30 June 2005</b>	<b>( \$ 393, 198.18 )</b>

- Based on the foregoing, it is likely that there is **no need** for additional remittance from the Netherlands **until December 2004**. However, it is estimated that there would be a need for additional remittance of about **\$400,000** at the end of March 2005 to meet the requirement until end June 2005. Adjustment for 2005 annual disbursement projection will be made in the next semi-annual report.
- The long-term disbursement projection using the second methodology in Appendix 3 so far seems to align well with the actual disbursement. The comparison between the projection and actual are summarized here. It is suggested that we continue to use this projection as a benchmark:

	<b>Projected Disbursement</b>	<b>Actual Disbursement</b>
July – December 2002	\$ 80,600.00	\$ 36,097.20
January – June 2003	\$184,400.00	\$401,295.45
July – December 2003	\$295,400.00	\$288,028.10
January – June 2004	\$365,600.00	\$344,777.78

**4. Summary of Portfolio Development in January–June 2004.** Key developments with the NPRS portfolio is summarized below:

- New project endorsed for January 2004 Batch: 1 TA \$ 300,000 (Mongolia)
- New project proposed for July 2004 Batch: 1 TA \$ 500,000 (Pakistan)<sup>4</sup>
- New TA approval by ADB: 1 TA \$ 750,000 (GMS) on 6 May 2004
- TAs completed: No new completion

**5. Content Analysis.** The characteristics of the 16 TAs under the NPRS are analyzed below by type of assistance, sector, thematic area, and region:

- By Type.
  - 16 (100%) aimed to provide support to policy/strategy formulation, implementation, monitoring, and policy dialogue, especially in line with NPRSs;
  - 16 (100%) aimed to build capacity in poverty reduction operations;
  - 9 (56%) had focus on outreach program and communication;
  - 7 (44%) had a specific focus/emphasis on stakeholder consultation;
  - 5 (31%) aimed at strengthening ADB's role in addressing regional poverty issues;

<sup>2</sup> Excluding ADB administration cost at 5% and Bank charges.

<sup>3</sup> Out of two methodologies applied in Appendix 3, the second methodology (projected commitment basis) is applied here.

<sup>4</sup> PAK: Development of Pilot District Level Poverty Reduction Action Plans in Balochistan was endorsed for NPRS funding during the peer review meeting on 30 June 2004 with the request to reduce the amount from \$650,000 down to \$500,000 or less. This is not included in the project list in Appendix 1 and the portfolio analysis of this Update.

- 3 (19%) aimed at strengthening the capacity of the Resident Missions for poverty reduction;
- 1 (6%) aimed at developing new programs and projects.
- **By Sector.**
  - 14 (88%) Law, economic management, and public policy
  - 1 (6%) Health, nutrition and social protection
  - 1 (6%) Multisector
- **By Thematic Area**
  - 16 (100%) Capacity development
  - 16 (100%) Governance (including civil society participation)
  - 12 (75%) Inclusive social development
  - 8 (50%) Sustainable economic growth
  - 5 (31%) Regional cooperation
  - 2 (13%) Gender and development
- **By Region.**
  - 4 (39% of total amount) East and Central Asia
  - 4 (20% of total amount) Inter-regional
  - 4 (17% of total amount) Mekong
  - 2 (17% of total amount) Pacific
  - 2 (7% of total amount) South Asia

### **III. KEY ACHIEVEMENTS IN FUND MANAGEMENT: JANUARY-JUNE 2004**

6. The following summarizes the key activities carried out by ADB for NPRS 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 the Government of the Netherlands on March 2004);
- Produced and submitted required periodical reports:
  - Second NPRS Annual Report (January-December 2003), circulation to the ADB Board of Directors as an information paper scheduled in July 2004;
  - Fourth NPRS Semi-Annual Progress Update (July-December 2003), submitted during the Fourth NPRS/PRF Strategy Meeting;
  - Two quarterly financial reports (as of 31 March and as of 30 June 2004);
- As part of the follow-up of the Fourth NPRS/PRF 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 December 2008 if the new commitment continues until Q1/2005, hence requesting for extension of the funding duration in the Memorandum of Understanding.
- Carried out peer review meetings for the new July 2004 NPRS/PRF batch, including one for NPRS (footnote 4);

- Provided technical advice and monitored progress of NPRS-funded TAs under implementation and processing.
- Updated the NPRS/PRF concept paper template to incorporate the ADB's new sector and theme classification.
- Revamped and updated the NPRS/PRF project database;
- Prepared and uploaded web materials for revamping the NPRS website (<http://adb.org/nprs/>) and regularly updated it;
- Liaised closely with PRF and other poverty and thematic trust funds; and
- Regularly coordinated with the Netherlands and the Board of Director office, as necessary.

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

7. **Progress in Portfolio Development.** Both the pace of new endorsement and of new ADB approval are slower than the previous six-monthly period. While the July 2003 batch endorsed 8 new TAs (\$1,900,000), there was only one TA (\$300,000) proposed and endorsed for the January 2004 batch, and one TA (\$500,000) proposed and endorsed for the July 2004 batch. This has also resulted in the slower pace of new ADB approval during the review period (only one TA at \$750,000) than the previous six-monthly review period (6 TAs totaling \$1,640,000). The slow new approval in this reporting period is also seasonal, as the so-called "bunching" of project approval requests to the management and the Board happens towards the end of the year, hence the first half of the year is generally slower than the latter.

8. **Sign of Renewed Demand for NPRS Fund.** Such a slow-down (which may be temporary), however, should not be taken immediately as a sign of lack of demand for the NPRS. In the same reporting period, the gist of the Review of ADB's Poverty Reduction Strategy was made known to ADB staff, including its renewed emphasis on more alignment of ADB's Country Strategy and Program (CSP) with the national poverty reduction strategy of the respective country. This has generated interests among some ADB staff for accessing to NPRS. There were at least 5 unwritten proposals for NPRS brought to the RSDD Coordinator, all specifically linked to policy studies and capacity building related to PRSP/NPRS and CSP. Therefore, there is a possibility for an increased number of proposals in the next batch. Nonetheless, the overlapping objectives with the PRF and the higher demand for pilot projects may affect the level of demand for the NPRS Fund.

9. **Progress in TAs under Implementation.** The pace of implementation has been mixed across TAs. Detailed project status is found in Appendix 4.

- Near closing: UZB 3781 (Comprehensive Medium-Term Strategy for Improving the Living Standards of the People of Uzbekistan, approved in November 2001) and REG 6047 (National Poverty Reduction Strategies in Pacific Developing Member Countries, approved in September 2002) are approaching the closing date, hence, the pace of disbursements has slowed down.

- Ahead of schedule: REG 6120 (Social Protection Index for Committed Poverty Reduction, approved in August 2003) started its first disbursement in the reporting period and is ahead of schedule with satisfactory output production thus far.
- TA that picked up pace: CAM 4037 (Dissemination of the National Poverty Reduction Strategy, approved in December 2002) has, after a long blank due to the political situation, finally picked up implementation and disbursement.
- Recently started TAs: Two of the three TAs to support Resident Mission-based poverty reduction consultants (CAM, PAK, VIE) managed to engage the consultants before 30 June 2004, although their payments are not yet reflected in disbursement. Likewise, REG 6157 (Strengthening Poverty Analysis and Strategies in the Pacific) has partially started, but the individual consultant request for payment is not reflected in disbursement yet. SRI 4278 (Poverty Assessment and Information Management) was swiftly processed, but the preparation of implementation is taking longer than expected time.
- Behind schedule: The only TA behind schedule is PRC 4158 (participatory Poverty Reduction Planning for Small Minorities, approved in August 2003). The delay is due to disagreement between ADB and the Executing Agency on the technical proposal evaluation of consultants.

10. **Outcomes and Impacts.** Besides the completed project (REG 6006: Regional Conference on National Poverty Reduction Strategies), the two soon to be closed TA (see para 9) have proven highly successful.

- In Uzbekistan, the Government has taken full ownership of the entire process and prepared four sector policy papers as inputs to a draft Medium-Term Strategy for Improving the Living Standards (equivalent to a national poverty reduction strategy). The draft Strategy has been discussed in the donor-government roundtable meeting in May 2004 and further shared with NGOs in June 2004. The TA also successfully brought in other donors such as the World Bank and UNDP to finance two other related studies on poverty. Government officials were also trained in the ADB Institute to prepare the sector policy matrices. All these have resulted in the increased understanding of the government and NGOs of nature, extent, causes, effects and strategic implications of poverty in the country, as well as strengthened capacity in data analysis and policymaking.
- In the Pacific Region, the NPRS-financed TA helped prepare 4 participatory poverty assessments in Micronesia, Fiji, Tonga and Tuvalu, most of which have been published and widely disseminated. The participatory process contributed not only to better understanding of poverty by these countries but also to ADB's priority change in the regional operational strategy. Participation of civil society in decision-making process, for example, is now accorded with higher importance. This TA, together with other by ADB TAs, have facilitated ADB to take leadership in a series of poverty work and leveraged partnerships with other donors such as AusAID and NZAID. Internally to ADB, the Pacific Regional Department has demonstrated a model of strategic use of the NPRS Fund for good poverty analysis influencing policy decisions and support to the countries with implementation of such strategies.

11. **Administrative support.** The fund management by the NPRS/PRF Team at RSDD has been further strengthened. Availability of two administrative consultants has made possible more frequent updating of individual project status and portfolio management. The NPRS/PRF Team spent bulk of the time on: (i) preparation of the Disbursement Projection Report; (ii) preparation of

web contents for the NPRS website, including summary of individual TAs, consolidation of press releases and articles, and reformatting of available reports; (iii) annual report (2003) production; (iv) review of TA outputs and TA progress reports (ADB database); and (v) routine coordination with other departments.

12. **Extension of NPRS and further integration of NPRS/PRF.** With the initial commitment by the Netherlands to NPRS approaching in end August 2004, the issue of possible extension, replenishment, or integration with PRF has come up as an issue. It was discussed at the Fourth Strategy Meeting that the upcoming joint Mid-Term Review of NPRS/PRF should provide guidance to this decision. However, a short-term amendment to the existing Memorandum of Understanding of the NPRS Fund is necessary to extend the duration of the fund (see para 6).

## **V. WORK PROGRAM FOR JULY – DECEMBER 2004**

13. 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 NPRS fund extension;
- Carry out new intake of proposals for a 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 the Netherlands with a quarterly financial/disbursement report (as of 30 September 2004), and start collecting data for the 6<sup>th</sup> Semi-Annual Progress Update and the 3<sup>rd</sup> 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 NPRS Projects Endorsed by the Government of the Netherlands  
Appendix 2: NPRS – Status of Grant and Statement of Expenditures (As of 30 June 2004)  
Appendix 3: NPRS – Status of Grant (As of 30 June 2004)  
Appendix 4: Detailed Description and Status of NPRS Projects Endorsed (As of 30 June 2004)