

ASIAN DEVELOPMENT FUND 13 (2021–2024) MIDTERM REVIEW

OVERVIEW

MARCH 2023

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ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CAP	–	conditional assistance policy
COL	–	concessional OCR lending
COVID-19	–	coronavirus disease
DMCs	–	developing member country
DRF+	–	expanded Disaster and Pandemic Response Facility
DRR-CCA	–	climate change adaptation and disaster risk reduction
FCAS	–	fragile and conflict-affected situations
IDA	–	International Development Association
OCR	–	ordinary capital resources
PBA	–	performance-based allocation
PRC	–	People’s Republic of China
PSW	–	private sector window
RCI-RPG	–	regional cooperation and integration–regional public goods
RHS	–	regional health security
SDFP	–	Sustainable Development Finance Policy
SDG	–	Sustainable Development Goal
SIDS	–	small island developing state
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund
UN	–	United Nations
WPBF		work program and budget framework

NOTE

In this report, “\$” refers to United States dollars.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

EXECUTIVE SUMMARY

This discussion paper highlights the progress made by the Asian Development Bank (ADB) with respect to its commitment to Asian Development Fund (ADF) 13 donors to expand support for the poorest and most vulnerable countries of Asia and the Pacific. The overview complements eight specific papers prepared for discussion with donors during the ADF 13 midterm review.

Asian Development Fund commitments at midterm. The commitments financed by ADF grants at midterm (i.e. as of the end of 2022) total about \$1,080 million, or 35% of total available grant resources, while close to half (\$847 million) of country allocations were committed. This is lower than the \$1,360 million achieved during the first 2 years of ADF 12, because ADF 13 grant operations were affected by severe processing and capacity constraints resulting from the protracted effects of the coronavirus disease (COVID-19) pandemic, the political situation in Afghanistan, and the impact of the Russian invasion of Ukraine on concessional assistance countries.

Fragile and conflict-affected situations-classified countries and small island developing states.

The updated indicative ADF grant country allocations for countries classified as fragile and conflict-affected situations (FCAS) during ADF 13 account for about 60% of total country allocations, and are about 9% higher than allocations under ADF 12. About 42% of FCAS allocations were committed at midterm. The updated indicative ADF grant country allocations for small islands developing states (SIDS) during ADF 13 are about 27% of total country allocations, and about 36% higher than under ADF 12. About 28% of SIDS allocations were committed at midterm. There is significant demand from ADF grant-eligible developing member countries (DMCs) for additional grant resources, among others due to project cost escalations associated with inflationary pressures exacerbated by the Russian invasion of Ukraine, and supply chain disruptions related to the impact of COVID-19.

Concessional ordinary capital resources lending commitments at midterm. Total concessional ordinary capital resources lending (COL) commitments at midterm reached 35% of the indicative COL envelope during the ADF 13 period. Utilization of COL was moderate because of the prolonged impact of the COVID-19 pandemic, which impeded project processing activities, including travel to project sites, and DMC capacity constraints. However, as project processing progresses, indicative COL resources over the ADF 13 period are expected to be utilized by eligible DMCs.

Alignment with the Sustainable Development Finance Policy principles of the International Development Association during the Asian Development Fund 13 period. During the first half of the

ADF 13 period, 80 policy actions were identified across 18 countries in Asia and the Pacific to enhance debt transparency, strengthen fiscal sustainability, and improve debt management. Of these, 74 policy actions were successfully implemented, one policy action was deferred following a disaster, and five policy actions were not successfully implemented, resulting in penalties being imposed on two countries.

The Maldives had 20% of its 2022 and 2023 ADF country allocation set aside. In addition, the financing terms for the remainder of the country allocation for 2023 have been hardened to 50% grant and 50% COL as a result of repeated breaches of the non-concessional borrowing ceiling, in full alignment with the International Development Association. Pakistan had 10% of its 2022 and 2023 COL country allocation set aside. The set-asides for both countries can be recovered if the respective policy actions that were not successfully implemented in the previous 2 years are achieved before the end of 2023.

Debt distress reserve. The remaining balance of \$144 million in the debt distress reserve is likely to be retained to provide additional grant resources in response to any downgrades of an eligible country's risk of debt distress during the second half of the ADF 13 period.

Implementation of the thematic pool. As of the end of 2022, 97% of the thematic pool had been allocated. Allocations across the three strategic areas were broadly in line with the indicative shares agreed with donors—40% to regional cooperation and integration, 40% to disaster risk reduction-climate change adaptation, and 20% to Sustainable Development Goal 5 (gender)— but there is scope to improve the share of allocations to Sustainable Development Goal 5 (gender), now at 17%. Projects in FCAS DMCs received 29% of allocations, while projects in SIDS DMCs received 36%. Allocations to projects in group B DMCs were at 10%, which is the cap agreed to with ADF donors. In total, \$171 million, or 27% of available financing, has been committed. Despite moderate implementation progress, there is strong impact via support for innovative projects.

Utilization of pilot private sector window. ADB has approved three private sector window (PSW) transactions: (i) ADB's first non-regional nonsovereign agribusiness project in Cambodia, which was supported through a PSW risk participation structure to address bankability issues, supported by \$5.3 million from the PSW; (ii) an innovative blended finance package to mitigate key project risks for a wind power project in Lao People's Democratic Republic, supported by \$10.0 million from the PSW; and (iii) viability gap funding for one of ADB's first private sector blue economy projects, supported by \$1.0 million from the PSW. Overall utilization of the PSW, assuming three additional concept-approved transactions are approved and close, is projected to be at \$21.9 million, or 35% of the allocation.

Implementation of the expanded disaster and pandemic response facility. Under ADF 13, \$256 million was initially allocated to the expanded disaster and pandemic response facility (DRF+), corresponding to 8% of overall grants. During the first half of the ADF 13 period, the DRF+ has provided allocations for seven projects, with a total of \$57 million committed. The Bangladesh Emergency Assistance Project-Additional Financing project received an allocation of \$37 million from the DRF+ and was signed on 29 June 2022.

Afghanistan. Following the fall of the Government of Afghanistan, ADB placed its regular assistance on hold from 15 August 2021. While the indicative country allocation under ADF 13 is \$904 million, \$405 million has been committed to date for the Sustaining Essential Services Delivery Project (Support for Afghan People), and \$499 million remains available. In addition, projects expected to be closed during the ADF 13 period are anticipated to lead to savings and cancellations of \$624 million from uncontracted balances. ADB is exploring opportunities to provide further support for basic human needs, sustainable economic recovery, and livelihood development to the people of Afghanistan and payment to contractors and consultants for prior work based on assumptions on different trends in development in the country and specific principles and considerations.

Myanmar. ADB put on hold regular operations in Myanmar effective 1 February 2021. ADB has designed the Providing Essential Services for the People of Myanmar Project for an amount of \$29.2 million to support the people of Myanmar with life-saving essential services and resilient community systems to help them address basic human needs. The expected outcome of the project is the alleviation of adverse effects of shocks on the welfare and livelihood of vulnerable people. The United Nations Office for Project Services (UNOPS) and World Food Programme (WFP) will be the grant recipients and the executing agencies for the project. Project implementation will be outside of the current de facto government systems by following the novel financing arrangement. Board consideration of the project is expected by April 2023.

Myanmar's country allocation of \$1,532 million in COL remains available, but those resources cannot be committed to support activities in Myanmar under current circumstances. There is significant demand from other COL-eligible DMCs for additional COL resources, including as a result of (i) project cost escalations, and requests by DMCs for additional COL to finance increased development needs on the most favorable available financing terms; and (ii) actual and potential changes in country classifications.

Implementation of Technical Assistance Special Fund 7. During the first half of the ADF 13 period, ADB committed about \$246 million under Technical Assistance Special Fund (TASF) 7, of which \$11 million went to FCAS-classified countries and \$47 million to SIDS. All commitments went to concessional-assistance DMCs. ADB is unlikely to achieve the targeted 50% increase in FCAS-classified DMC commitments from the ADF 12 level of \$41 million because of the hold on regular operations in Afghanistan and Myanmar.

Update of the Asian Development Fund 13 Implementation Plan. An update of the ADF 13 Implementation Plan at midterm shows that key action targets are on track to be achieved during the ADF 13 period. The share of ADF operations (in terms of volume) in gender equality and gender mainstreaming reached 98% in the first half of the ADF 13 period, while 10 committed projects were classified as having gender equity as a theme, which is ADB's most ambitious gender category. ADF financing for climate change accounted for 17% of total ADF commitments during the first half of the ADF 13 period, while about 62% of ADF projects (in terms of numbers) supported climate mitigation and adaptation.

Financial update. The size of ADF 13, which totals \$4,081 million equivalent, includes funds from (i) donor contributions (\$2,361 million), (ii) ordinary capital resources net income transfers (\$1,170 million), (iii) other sources from ADF 12 (\$337 million), and (iv) income from liquidity investments (\$213 million).

Donor endorsement is sought to reallocate

- potentially available ADF resources under the DRF+, thematic pool, and debt distress reserve to eligible DMCs based on needs derived during the work program and budget framework (WPBF), 2024–2026 process, to meet cost overruns arising from among others, inflationary pressures exacerbated by the Russian invasion of Ukraine, and supply chain disruptions related to the impact of COVID-19. The reallocation will prioritize projects and programs that are on a critical path of design and implementation, including advanced contracting; and
- available COL resources from the country allocation for Myanmar to other eligible DMCs according to the following: (i) Myanmar's 2021–2022 COL allocation (\$766 million); and (ii) Myanmar's 2023–2024 COL allocation (\$766 million), provided that operations in Myanmar remain on hold as of 31 December 2023.

If the donors endorse the above proposed reallocations, ADB will subsequently seek approval of its Board of Directors for the proposal, including necessary waivers of the Concessional Assistance Policy for the ADF 13 Period.

I. INTRODUCTION

1. Developing Asia remains resilient and its outlook is improving, despite continuing headwinds. For most of 2022, growth in much of the region held up on improved consumption and investment as COVID-19 receded in many economies. This helped offset the impacts of elevated food and energy prices caused by the Russian invasion of Ukraine, the tightening global financial conditions, and the People's Republic of China's (PRC) economic slowdown last year. Although the first two challenges continue, the PRC's decision in December to exit from its zero-COVID strategy brightened the regional outlook.
2. Growth in developing Asia is forecast at 4.6% in 2023, up from 4.2% last year. Risks are more balanced, but many challenges remain. In the short term, an escalation of the Russian invasion of Ukraine could cause renewed surges in commodity prices, stoking global inflation and inducing further monetary tightening. The restrictive monetary stance could also continue if inflationary pressures in the United States and other advanced economies turn out to be more persistent than expected. Although the PRC's reopening has improved the region's outlook, fragilities in the country's property market and the tail risk of a disorderly exit from COVID-19 restrictions could hold back growth. Financial stability risks from still challenging global financial conditions; geopolitical tensions, including strained PRC–United States relations, and climate risks will require careful monitoring.
3. The deep and protracted coronavirus disease (COVID-19) pandemic has caused reversals of development gains and human capital accumulation in the poorest and most vulnerable countries of Asia and the Pacific. To respond to these challenges, financing from Asian Development Fund (ADF) 13 grants and concessional ordinary capital resources (OCR) lending (COL) is critical and remain highly relevant.
4. On 27 November 2020, the Board of Governors of the Asian Development Bank (ADB) adopted a resolution to authorize the ADF 13, which became effective on 8 June 2021 and covers 2021–2024. Operations funded by concessional assistance are guided by the agreements summarized in the ADF 13 donors' report.¹ ADF 13 implementation is responding to the challenges in the poorest and most vulnerable developing member countries (DMCs) in line with the priorities of Strategy 2030.² At the conclusion of the ADF 13 replenishment meeting, ADF donors and ADB Management agreed to

¹ ADB. 2020. *Asian Development Fund 13 Donors' Report: Tackling the COVID-19 Pandemic and Building a Sustainable and Inclusive Recovery in Line with Strategy 2030*. Manila.

² ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

provide an annual implementation update of ADF, COL and Technical Assistance Special Fund (TASF) 7 operations, with a more comprehensive update provided at the ADF 13 midterm review.

5. **Objective.** The ADF 13 midterm review overview paper provides an update of the operations funded by ADF 13 grants, COL and TASF 7 during the first half of the ADF 13 period. It also summarizes implementation progress and challenges of major components of the ADF 13 framework, including (i) the thematic pool, the expanded disaster and pandemic response facility (DRF+), the pilot private sector window (PSW), and implementation of the Sustainable Development Finance Policy (SDFP); and (ii) TASF 7, including its debt management set-aside (these are summarized in separate discussion papers). It also provides an update on and assesses prospects for implementing key actions agreed between ADB Management and ADF donors during the ADF 13 period.

II. UPDATE ON THE IMPLEMENTATION OF ASIAN DEVELOPMENT FUND 13 AT MIDTERM

6. This section provides an overview of the implementation of the concessional resources program at midterm.

7. **Access to concessional resources.** As of 1 January 2023, 28 countries have access to concessional resources (Table 1). Group A comprises 18 countries, including 10 at high risk of debt distress, 3 at moderate risk, 1 at low risk, and 4 that are classified as International Development Association (IDA) gap countries.³ Group B comprises 10 countries, including Fiji, Niue, and Cook Islands.⁴ Currently, 12 ADF and COL countries are classified as in fragile and conflict-affected situations (FCAS) and 16 countries are classified as small island developing states (SIDS).⁵ ADB put regular operations on hold in Myanmar (effective 1 February 2021) and in Afghanistan (effective 15 August 2021) because of the political situation in these countries.

³ Countries that had gross national income per capita above the operational cutoff for IDA eligibility for more than 2 consecutive years are assessed as gap by the IDA. The operational cutoff is \$1,255 (2021 prices), estimated using the Atlas method. The gap countries are Bhutan, Cambodia, the Lao People's Democratic Republic, and Myanmar.

⁴ Fiji was re-classified as a group B country (from Group C) effective 2022 and Niue was classified as a group B country effective 2022. Cook Islands was re-classified as group B (from Group C) effective 2023.

⁵ A country is considered FCAS if it has an average rating of 3.2 or less based on the ADB country performance assessment (CPA) and the World Bank Group country policy and institutional assessment (CPIA). A country is also considered FCAS if a United Nations (UN) and/or regional peacekeeping or peacebuilding mission has been present during the past 3 years. Small island developing states are a distinct group of 38 UN member states and 20 non-UN members/associate members of UN regional missions that face unique social, economic, and environmental vulnerabilities.

Table 1: Asian Development Fund and Concessional Ordinary Capital Resources Lending Countries

Group A: Concessional Assistance only (with access to ADF grants, COL and TASF)				Group B (COL, regular OCR, and TASF)
ADF-only (100% ADF grants) At high risk of debt distress	ADF Blend (50% ADF grants) At moderate risk of debt distress	COL-only (0% ADF grants) At low risk of debt distress	COL-only Gap (0% ADF grants and only COL)	OCR Blend
Afghanistan f FSM f s Kiribati f s Marshall Islands f s Maldives s Nauru f s Samoa s Tajikistan Tonga s Tuvalu f s	Kyrgyz Republic Solomon Islands f s Vanuatu s	Nepal	Bhutan Cambodia Lao PDR f Myanmar f	Bangladesh Cook Islands s Fiji s Mongolia Niue s Pakistan Palau f s Papua New Guinea f s Timor-Leste f s Uzbekistan

f = fragile and conflict-affected situation, **s** = small island developing state, ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, FSM = Federated States of Micronesia, Lao PDR = Lao People's Democratic Republic, OCR = ordinary capital resources, TASF = Technical Assistance Special Fund.

Notes:

- As of 2023, Bhutan, Cambodia, Lao PDR, and Myanmar were defined as gap countries by the International Development Association (IDA), with gross national income per capita above the operational cutoff for eligibility for more than 2 consecutive years. The operational cutoff is \$1,255 (2021 prices), estimated by the Atlas method.
- India does not have access to concessional assistance and is a regular OCR-only borrowing country.
- The financing terms for Maldives have been hardened to 50% grant and 50% COL in 2023, due to repeated breaches of the non-concessional borrowing ceiling.
- Group B countries also have access to ADF grants on a selective basis, through the ADF13 thematic pool and the expanded Disaster and Pandemic Response Facility.

Source: Asian Development Bank.

A. Asian Development Fund Grant Operations

8. **Asian Development Fund 13 allocation framework.** The ADF 13 resource allocation framework adopts a two-pillar approach, consisting of country- and theme-based components. The overall allocation of ADF grant resources continues to be guided by the performance-based allocation (PBA) system. Country allocations are the sum of PBAs, economic vulnerability premiums for ADF grant-eligible SIDS, and the special allocation for Afghanistan.

9. A total of \$3,129 million in ADF grants are available to eligible DMCs as of 30 November 2022 to implement the ADF 13 framework, which compares to an amount of \$3,198 million as agreed with donors at the replenishment conclusion in 2020 (section VI).⁶ Indicative country allocations comprise 64% (\$2,015 million) of total ADF 13 resources, support through the ADF 13 thematic pool accounts for

⁶ The annual update of 2023–2024 ADF country allocations which was issued to regional departments in early January 2023 is based on commitment authority as of 30 November 2022.

21% (\$657 million) of total ADF grants, the DRF+ for 8% (\$250 million), the PSW for 2% (\$63 million), and the remaining debt distress reserve for 5% (\$144 million).⁷

10. **Asian Development Fund grant commitments at midterm.** Total commitments financed by ADF grants as of the end of 2022 amounted to about \$1,080 million, or 35% of total available grant resources (Table 2). This is lower than the \$1,360 million achieved during the first 2 years of ADF 12, as ADF 13 grant operations were affected by severe processing and capacity constraints brought about by the protracted effects of the COVID-19 pandemic, the political situation in Afghanistan, and the impact of the Russian invasion of Ukraine on concessional assistance countries. Nevertheless, ADB endeavored to help ADF grant-eligible DMCs tackle the immediate effects of the COVID-19 pandemic and continue to respond to development challenges. Almost half (\$847 million) of country allocations were committed, including about \$28 million to support vaccine response projects through the Asia Pacific Vaccine Access Facility (APVAX).⁸

11. Country-specific ADF grant assistance during the first half of ADF 13 was mobilized to provide financing to support COVID-19 response initiatives and post-pandemic economic recovery. This assistance included rapid-disbursement modalities that supported structural reforms and debt sustainability, as well as investment projects such as those that supported public health, gender, social protection, and regional cooperation and integration.

12. In addition, sector-specific assistance was provided that benefitted vulnerable populations in FCAS and SIDS, low-income households, women and children, and displaced and conflict-affected people. For instance, ADB approved \$405 million in grants to support food security and help sustain the delivery of essential health and education services for the Afghan people through a novel financing arrangement with United Nations (UN) agencies.⁹ To promote private sector growth, the ADF-PSW supported De Heus TMH Company Limited through a partial guarantee of up to \$5.25 million for the De Heus Sustainable and Inclusive Feed Supply Chain Project in Cambodia.¹⁰

⁷ Total country allocations incorporate the revised assumption that the Kyrgyz Republic will remain eligible for ADF grants following the substantial drop in its gross national income per capita, below the operational threshold for International Development Association eligibility, as a result of the impact of COVID-19 pandemic. This revised assumption resulted in an additional demand of \$80 million in ADF grant resources, which was financed by a transfer from the debt distress reserve, and increased the share of country allocations to 64% of total ADF 13 resources.

⁸ ADB. 2020. *ADB's Support to Enhance COVID-19 Vaccine Access*. Manila.

⁹ ADB. 2022. [Grants: FAO, UNDP, UNICEF, and WFP: Sustaining Essential Services Delivery Project \(Support for Afghan People\)](#). Manila.

¹⁰ The ADF-Private Sector Window unfunded risk transfer will support bankability by enabling significant de-risking of the project.

Table 2: Asian Development Fund 13 Grant Allocations and Commitments
(\$ million)

Item	ADF 13	2021–2022 Commitments	
	Allocation	as of 31 Dec 2022	
	\$ million	\$ million	% of Allocation
Country allocations	2,015	847	42
ADF-only	1,764	750	43
Afghanistan f	904	405	45
Federated States of Micronesia f s	53	10	19
Kiribati f s	67	20	30
Maldives s	73	7	9
Marshall Islands f s	54	5	10
Nauru f s	46	5	11
Samoa s	69	11	16
Tajikistan	390	222	57
Tonga s	61	25	40
Tuvalu f s	47	41	86
ADF blend	233	97	42
Kyrgyz Republic	164	69	42
Solomon Islands f s	39	17	44
Vanuatu s	30	11	36
SDFP set-aside and Deductions ^a	18		
Thematic Pool	657	171	26
Pilot PSW	63	5	8
Total Country Allocations, Thematic Pool, and PSW	2,735	1,023	37
Contingencies			
DRF+	250	57 ^b	23
Remaining Reserves (for debt distress)	144		
Grand Total	3,129	1,080	35
Memorandum items ^c			
FCAS f	1,209	503	42
SIDS s	540	151	28

f = fragile and conflict affected situations, **s** = small island developing states, ADF = Asian Development Fund, DRF+ = Expanded Disaster and Pandemic Response Facility, FCAS = fragile and conflict-affected situations, PSW = Private Sector Window, SDFP = Sustainable Development Finance Policy, SIDS = small island developing states, TASF = Technical Assistance Special Fund.

Note: Data exclude resources from previous replenishment cycles. ADF grant reserve for debt distress is net of the amount allocated to the Kyrgyz Republic based on the assumption that the country remains classified as a group A country at moderate risk of debt distress during ADF 13. Totals may not sum precisely because of rounding.

^a The SDFP set-aside reflects a 20% set-aside in the 2022 and 2023 ADF grant country allocation for Maldives, given that the country did not satisfactorily implement its 2021 and 2022 SDFP policy actions. Both set-asides can be recovered in 2024. In addition, the financing terms for the remainder of the Maldives allocation for 2023 have been hardened to 50% grant and 50% concessional ordinary capital resources lending (COL), due to repeated breaches of the non-concessional borrowing ceiling.

^b Commitments for the Asia-Pacific Vaccine Access Facility (APVAX) projects financed by the DRF+ include \$5.0 million for Afghanistan (through the COVID-19 Vaccine Support Project under APVAX, approved on 20 April 2021), \$2.5 million for the Kyrgyz Republic and \$5.0 million for Tajikistan in 2021, and \$5.0 million for Maldives in 2022.

^c Excludes utilization of resources for the ADF 13 Thematic Pool, PSW, and the DRF+.

Source: Asian Development Bank.

13. Addressing longer-term development challenges, such as climate change, remains an integral part of the implementation of ADF 13; ADF countries are particularly vulnerable, both because of high population density in low-lying coastal areas and their significant reliance on natural resource-based livelihoods. For instance, the ADF 13 Thematic Pool allocated \$10.0 million to partly finance the Renewable Energy for Climate Resilience Project in Bhutan.¹¹ The project is the first utility scale alternative renewable power plant in the country and the first step toward diversifying the generation portfolio of Bhutan's hydropower-dominated energy sector, which will create system change and build resilience against adverse impacts of climate change on the power sector.

14. **Sector distribution.**¹² Of the total ADF 13 grants committed at midterm, 47% (\$510.8 million) supported the agriculture and natural resources sector, followed by public sector management at 13% (\$142.2 million), water and urban infrastructure at 12% (\$137.5 million), transport at 11% (\$122.7 million), and health at 7% (\$75.9 million).

15. **Modality distribution.** About 84% of ADF 13 grant commitments were for investments in sustainable infrastructure (including for projects that would help vulnerable countries strengthen climate and disaster resilience) and social sector support (including the acquisition and delivery of COVID-19 vaccines, as well as delivery of essential health and education services). About 15% were for budget support to boost economic recovery following the adverse impact of the COVID-19 pandemic; and 1% supported a results-based lending program in Pakistan through the thematic pool to promote a broader social protection, poverty alleviation, and climate-resilience agenda.¹³

16. **Fragile and conflict-affected situations and small island developing states.** Most concessional assistance countries are either FCAS, SIDS, or both. The updated indicative ADF grant country allocations for FCAS during ADF 13 of \$1,209 million are 9% higher than the ADF 12 allocations and account for about 60% of total country allocations during ADF 13. About \$503 million (42% of FCAS allocations) were committed as of the end of 2022 to finance the delivery of essential services to the Afghan people, as well as other investments, including in maritime infrastructure, renewable energy, and vaccine assistance.

¹¹ ADB. 2022. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Asian Development Fund Grant to the Kingdom of Bhutan for the Renewable Energy for Climate Resilience Project*. Manila.

¹² Includes primary sectors only.

¹³ ADB. 2021. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loan, Grant, and Administration of Grant to the Islamic Republic of Pakistan for the Integrated Social Protection Development Program*. Manila.

17. The indicative updated ADF grant country allocations for SIDS during ADF 13 total \$540 million, or about 27% of total country allocations, and are about 36% higher than in ADF 12. Of this total, a little over \$151 million (28% of SIDS allocations) had been committed as of the end of 2022 to finance projects in the energy, health, public sector management, transport, and water and urban infrastructure sectors.

18. **Outlook.** Available ADF grant resources during the last 2 years of ADF 13 are expected to be utilized by ADF grant-eligible DMCs to meet part of their financing needs for post-pandemic recovery efforts and related cost escalations, and to implement reforms to address their individual vulnerabilities, as reflected in the pipelines prepared for the work program and budget framework (WPBF) 2023–2025. However, there remains significant demand from ADF grant-eligible DMCs for additional grant resources, among others due to project cost escalations associated with inflationary pressures exacerbated by the Russian invasion of Ukraine, and supply chain disruptions related to the impact of COVID-19.

B. Concessional Ordinary Capital Resources Lending Operations

19. **Allocation framework.** The allocation of COL is based on a combined PBA and a need-based adjustment approach (each accounting for 50% of overall resource allocation under ADF 13). The total COL allocation for an eligible country is the sum of the allocation from a PBA-based component and from a need-based component. For the need-based component, country allocation shares for eligible countries for the next year are determined based on a 5-year horizon as an average of actual commitments of the past 2 years and rolling pipelines of lending products of the current and next 2 years, following the most recent WPBF. Indicative COL country allocations during ADF 13 total \$12,784 million, of which 60% (\$7,680 million) are for OCR blend countries. Ten group B countries in 2023 are eligible for COL with the addition of Cook Islands, Fiji, and Niue.

20. **Concessional ordinary capital resources lending commitments at midterm.** Total COL commitments at midterm reached \$5,256 million or 35% of total COL resources available during the ADF 13 period (Table 3). Utilization of COL was moderate because of (i) the prolonged impact of the COVID-19 pandemic, which impeded project processing activities, including traveling to project sites; and (ii) DMC capacity constraints. Assistance provided to DMCs has included financing to support COVID-19 response initiatives, including the distribution of vaccines through the APVAX facility and projects to stimulate economic recovery.

21. Demand for investment financing remained high during the first 2 years of ADF 13, with about \$3,549 million in committed projects in support of infrastructure, as well as projects focusing on social

Table 3: Allocation and Use of Concessional Ordinary Resources Lending During the Asian Development Fund 13 Period
(\$ million)

Developing Member Country	ADF 13 Allocation	2021–2022 Commitments as of 31 Dec 2022	
	\$ million (A)	\$ million (B)	% of Allocation
Country allocations	12,784	3,994	31
ADF blend	393	80	20
Kyrgyz Republic	260	64	25
Maldives ^a s	8		
Solomon Islands f s	69	16	23
Vanuatu s	55		
COL only	1,550	304	20
Nepal	1,550	304	20
Gap^b	3,022	670	22
Bhutan	229	103	45
Cambodia	1,039	566	54
Lao People's Democratic Republic f	221		
Myanmar ^c f	1,532		
OCR blend	7,680	2,941	39
Bangladesh ^d	3,235	874	27
Cook Islands s	28		
Fiji s	122	60	49
Mongolia	262	7	3
Niue ^e s	0		
Pakistan ^f	2,564	1,406	55
Palau f s	37	7	19
Papua New Guinea f s	191	124	65
Uzbekistan	1,063	397	37
Timor-Leste ^g f s	177	65	37
SDFP set-aside ^h	140		0
APVAXⁱ	1,911	1,261	66
Total Country Allocations and APVAX	14,695	5,256	36
Reserves	428		0
Grand total	15,122	5,256	35
Memorandum items			
FCAS f	2,228	212	10
SIDS s	688	272	40

f = fragile and conflict affected situation, s = small island developing state, ADB = Asian Development Bank, ADF = Asian Development Fund, APVAX = Asia Pacific Vaccine Access Facility, FCAS = fragile and conflict-affected situations, IDA = International Development Association, OCR = ordinary capital resources, SDFP = Sustainable Development and Finance Policy, SIDS = small island developing states.

Note: Data exclude resources from previous replenishment cycles. Following the reclassification of Fiji and Niue as group B countries, effective 1 January 2022, and the reclassification of Cook Islands to Group B effective 1 January 2022, ADB has made available allocations in concessional OCR lending (COL) through a transfer from the COL reserve. Totals may not sum precisely because of rounding.

- ^a The country allocation for the Maldives in 2023 reflects the hardening of terms under the Sustainable Development Finance Policy and is funded by the COL reserve.
- ^b International Development Association (IDA) gap countries are not eligible for ADF grant country allocations. They are a group of countries (except SIDS) that have had gross national income per capita above the operational cutoff for IDA eligibility for more than 2 consecutive years and are assessed as gap countries by the IDA. The operational cutoff is \$1,255 (2021 prices), estimated using the Atlas method.
- ^c The country allocations for and references to Myanmar are only for ADB internal planning purposes. They do not provide any indication of ADB's engagement with Myanmar considering recent developments. The final decision on engagement will be taken after further assessments and donor consultations.
- ^d The ADF 13 allocation to Bangladesh includes an additional \$30 million for ADB. [Bangladesh: Emergency Assistance Project — Additional Financing](#), which was approved and committed in June 2022. This was financed by a transfer from the COL reserve.
- ^e The country allocation for Niue is below \$500,000.
- ^f The country allocation for Pakistan incorporates the set-aside deductions for 2022 and 2023, which may be recovered in 2024.
- ^g The ADF 13 allocation to Timor-Leste includes an additional \$70 million for the ADB. [Timor-Leste: Water Harvesting and Agriculture Value Chains Improvement Sector Project](#).
- ^h The Sustainable Development Finance Policy (SDFP) set-aside reflects a 10% reduction in the 2022 and 2023 COL country allocation of Pakistan given that the country did not satisfactorily implement one of its 2021 and 2022 SDFP policy actions. The 10% amount set aside can be recovered if the policy actions are achieved by the end of 2023.
- ⁱ The estimated maximum financing requirement for APVAX is \$9,000 million, of which \$1,911 million comes from COL while the balance is financed by regular OCR and the ADF. These COL resources have been mobilized through (i) an advance of COL allocations from the second half of the ADF 13 cycle (amounting to \$1,200 million), (ii) about \$400 million in resources carried over from ADF 12 and saving and cancellations in 2020, and (iii) an additional \$300 million in savings and cancellations throughout the ADF 13 cycle.

Source: Asian Development Bank.

protection, health, and education, among others. About \$1,428 million in quick-disbursing budgetary support programs were used to strengthen government response to COVID-19, improve crisis preparedness, and strengthen public financial management and other economic growth-enhancing reforms. About \$278 million in results-based lending was committed to finance projects in health and education. Close to \$212 million was committed in FCAS (10% of the \$2,228 million allocation), with \$272 million committed in SIDS (40% of the \$688 million allocation).

22. Use of concessional ordinary capital resources lending reserve. At the beginning of the ADF 13 period, the COL reserve comprised 5% or \$686 million of the total COL envelope. The Concessional Assistance Policy (CAP) for the ADF 13 Period specifies that the COL reserve will support countries to accommodate additional development needs, particularly those related to disaster and emergency assistance.¹⁴ The country allocations for Cook Islands (2023–2024), Fiji (2022–2024) and Niue (2022–2024), amounting to about \$150 million, and the allocation for 2023

¹⁴ ADB. 2020. [Concessional Assistance Policy for the ADF 13 Period](#). Manila.

for the Maldives (equal to \$8 million following hardening of financial terms) are financed by a transfer of resources from the COL reserve.

23. In addition, \$100 million was transferred from the COL reserve to finance critical projects in Bangladesh and Timor-Leste. Of the total, \$30 million was allocated to bridge a financing gap in additional financing for the Bangladesh emergency assistance project to rehabilitate 30.8 kilometers of National Highway 1 so that essential goods could reach displaced persons in the camps in Cox's Bazar.¹⁵ The \$70 million allocation from the COL reserve to Timor-Leste finances the Water harvesting and Agriculture Value Chains Improvement Project because the country's indicative COL allocation for the ADF 13 period is already fully programmed.¹⁶ The project is a priority of the government as its focus is on climate adaptation, agriculture and rural development, food security, and community development. With the additional allocation to these six countries, about \$428 million of COL reserves remain for the second half of the ADF 13 period.

24. **Outlook.** Indicative demand for COL financing during the second half of ADF 13 as reflected in pipelines prepared for the WPBF 2023–2025 show that available resources will be utilized by eligible countries.

C. Implementation of Sustainable Development Finance Policy

25. **Context.** ADB is aligning with the Sustainable Development Finance Policy (SDFP) principles of IDA during the ADF 13 period. The SDFP has two pillars: (i) a debt sustainability enhancement program, and (ii) a creditor outreach program to facilitate information sharing and mitigate debt-related risks. The debt sustainability enhancement program creates additional incentives for concessional assistance member countries to move toward sustainable development financing. It requires the identification of a set of policy actions to enhance debt sustainability and an assessment of their implementation that can trigger adjustments of country allocations in subsequent years.

26. **Implementation in 2021–2022.** During 2021–2022, 80 policy actions were identified across 18 countries in Asia and the Pacific to enhance debt transparency, strengthen fiscal sustainability, and improve debt management.¹⁷ Of these, 74 policy actions were successfully implemented, 1 policy action

¹⁵ ADB. 2022. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant for Additional Financing to the People's Republic of Bangladesh for the Emergency Assistance Project*. Manila (approved and committed in June 2022).

¹⁶ For the proposed Water Harvesting and Agriculture Value Chains Improvement Sector Project (for approval in 2023).

¹⁷ Afghanistan and Myanmar were excluded from the SDFP exercise as ADB's assistance to both countries is on hold. Cambodia, Nepal, Palau, Timor-Leste, and Uzbekistan were not required to set and implement SDFP policy actions in 2021–2022.

was deferred following a disaster, and 5 policy actions were not successfully implemented and resulted in penalties being imposed on two countries. The penalties included set-asides of annual country allocations and the hardening of terms:

- (i) **Maldives** had 20% of its 2022 ADF grant country allocation (\$4.9 million) and 20% of its 2023 ADF grant country allocation (\$4.2 million) set aside. In addition, the financing terms for the remainder of the country allocation for 2023 have been hardened to 50% grant and 50% COL because of repeated breaches of the non-concessional borrowing ceiling, in full alignment with IDA. Comprehensive policy actions to strengthen fiscal consolidation and medium-term debt sustainability in 2023, including the absence of further breaches of the non-concessional borrowing ceiling in 2023, could lead to the Maldives recovering the set-aside and regaining access to 100% grants in 2024. Deductions that are irrevocably lost at the end of 2023 are proposed to be reallocated to the thematic pool, to help meet additional demand for thematic pool resources.

- (ii) **Pakistan** had 10% of its 2022 COL country allocation (\$72.4 million) and 10% of its 2023 COL country allocation (\$68.0 million) set aside. The set-asides can be recovered if the respective policy actions that Pakistan did not successfully implement in 2021 and 2022 are achieved before the end of 2023. Deductions that are irrevocably lost at the end of 2023 will be redistributed to countries demonstrating satisfactory progress in implementing their policy actions.

27. **Debt distress reserve.** The remaining balance of \$144 million in the debt distress reserve is likely to be retained to provide additional grant resources in response to any downgrades of an eligible country's risk of debt distress during the second half of the ADF 13 period.

D. Utilization of Thematic Pool

28. **Context.** The thematic pool was established to unlock projects in three strategic areas: (i) fostering regional cooperation and integration (RCI), including the provision of regional public goods (RPGs); (ii) supporting disaster risk reduction (DRR) and climate change adaptation (CCA); and (iii) achieving Sustainable Development Goal (SDG) 5 on a transformative gender agenda. The indicative shares for strategic areas within the thematic pool are 40% for RCI-RPG, 40% for DRR-CCA, and 20% for SDG 5. Additional grants from the thematic pool serve to incentivize governments to opt for projects that otherwise would not take place in group A countries, and very selectively in group B countries.

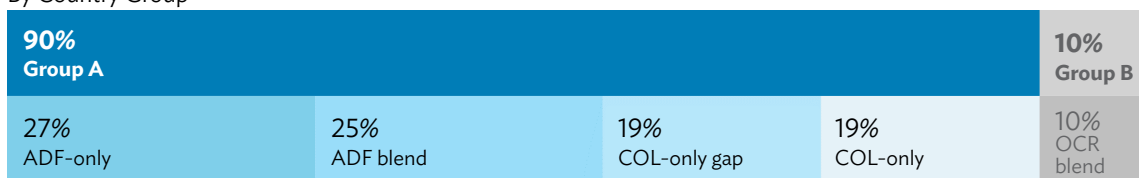
Figure 1: Asian Development Fund 13 Thematic Pool Allocations by Strategic Area and Country Group
(\$ million, %)

Total Allocations: \$638.2 million

By strategic area



By Country Group



ADF = Asian Development Fund; DRR-CCA = climate change adaptation and disaster risk reduction; COL = concessional OCR lending; OCR = ordinary capital resources; RCI-RPGs = regional cooperation and integration, including regional public goods; RHS = regional health security; SDG = Sustainable Development Goal.
Source: Asian Development Bank.

29. Thematic pool allocation and prioritization. After three rounds of proposals in 2020, 2021 and 2022, \$638.2 million from the ADF thematic pool has been allocated to 62 projects. The total amount of financing requested was about 80% more than what was allocated, which indicates both robust demand for thematic pool financing, as well as selectivity in projects that receive thematic pool allocations.

30. After considering foreign exchange fluctuations, the amount of financing available in the thematic pool, as of 31 December 2022, is \$657 million. This is less than the \$671 million anticipated at the time of pledging for ADF 13. Allocations to date represent about 97% of available resources. About \$19 million is available for further allocation in 2024.

31. The allocations to Group A DMCs (\$577 million) represent 90% of total thematic pool allocations, while those to Group B DMCs (\$61 million) are at the maximum share of 10%. Countries classified as FCAS received \$185 million (29% of allocations) while SIDS received \$229 million (36%).

32. Projects supporting the RCI-RPG strategic area had the highest share of total allocations at 44% (\$280 million), followed by DRR-CCA at 39% (\$252 million), and SDG 5 at 17% (\$106 million). While

allocations per strategic area are broadly in line with indicative shares for each area, there is some scope to further improve the share of allocations to SDG 5.

33. The total allocations are net of unutilized allocations that were subsequently returned to the thematic pool. About 14 projects returned their allocations, totaling \$126 million (9% of total allocations). The majority (more than 80%) of returned allocations were for projects in Afghanistan and Myanmar, where ADB assistance is on hold. Other allocations were returned due to issues such as processing delays, major changes in project scope, and changes in the financing plan. A few of these projects successfully re-applied for funds in the succeeding call for proposals, based on a revised project scope.

34. **Outlook for 2023.** As of 31 December 2022, \$170.9 million (27%) in project allocations had been committed. These grant allocations support 21 committed ADB projects, with total ADB financing (loans, grants and TA) of \$1.8 billion and cofinancing of \$0.5 billion. Remaining projects with thematic pool allocations will be monitored closely. Projects that cannot be committed within the relevant deadline will return their allocation to the thematic pool.

35. With only \$19 million remaining in the thematic pool, it is recommended to prioritize thematic pool funds for projects in eligible DMCs that have not received thematic pool allocations (Cook Islands, Fiji, Nauru, and Niue), and for projects focusing on SDG 5. If additional funding becomes available in the thematic pool, this could increase the total funding to a level closer to the \$671 million envisioned at the time of pledging and augment the funds available for allocation.

E. Utilization of Pilot Private Sector Window

36. **Context.** The PSW was introduced on a pilot basis in ADF 13 to help expand private sector operations in group A countries and in a wider range of sectors, including new sectors and nontraditional energy infrastructure. It builds on ADB's experience in blended finance, and includes three solutions—local currency, blended finance, and loan guarantees.

37. **Transactions.** To date, ADB has approved three PSW transactions: (i) ADB's first non-regional nonsovereign agribusiness project in Cambodia, which was supported through a PSW risk participation structure to address bankability issues, supported by \$5.3 million from the PSW; (ii) an innovative blended finance package to mitigate key project risks for a wind power project in Lao People's Democratic Republic, supported by \$10.0 million from the PSW; and (iii) viability gap funding for one of ADB's first private sector blue economy projects, supported by \$1.0 million from the PSW. The first of

Table 4: Asian Development Fund 13 Thematic Pool Allocations by Country

(\$ million)

Country	DRR-CCA (A)	RCI (B)	RHS (C)	Environment (D)	Total RCI-RPG (E) = (B+C+D)	SDG5 (F)	Total (G) = (A+E+F)	% of Total Allocation
Group A	230.40	142.00	54.90	70.49	267.39	79.17	576.96	90%
ADF-only	94.10	23.00	-	15.00	38.00	38.37	170.4	27%
Afghanistan f	-	-	-	-	-	-	-	-
Kiribati f s	10.00	-	-	-	-	-	10.00	2%
Maldives s	15.00	10.00	-	-	10.00	10.00	35.00	5%
Marshall Islands f s	22.50	-	-	-	-	10.00	32.50	5%
Micronesia, Federated States of f s	15.00	-	-	-	-	-	15.00	2%
Nauru f s	-	-	-	-	-	-	-	-
Samoa s	18.50	-	-	10.00	10.00	-	28.50	4%
Tajikistan	13.10	3.00	-	-	3.00	12.87	28.97	5%
Tonga s	-	10.00	-	-	10.00	5.50	15.50	2%
Tuvalu f s	-	-	-	5.00	5.00	-	5.00	1%
ADF-Blend	53.50	67.00	20.00	10.49	97.49	8.50	159.49	25%
Kyrgyz Republic	26.30	45.00	20.00	-	65.00	5.00	96.30	15%
Solomon Islands f s	15.00	22.00	-	10.49	32.49	-	47.49	7%
Vanuatu s	12.20	-	-	-	-	3.50	15.70	2%
COL-only Gap	41.80	12.00	34.90	15.00	61.90	20.30	124.00	19%
Bhutan	18.00	-	-	-	-	4.00	22.00	3%
Cambodia	9.30	6.00	10.20	15.00	31.20	10.05	50.55	8%
Lao PDR f	6.50	6.00	9.70	-	15.70	6.25	28.45	4%
Myanmar f	8.00	-	15.00	-	15.00	-	23.00	4%
COL-only	41.00	40.00	-	30.00	70.00	12.00	123.00	19%
Nepal	41.00	40.00	-	30.00	70.00	12.00	123.00	19%
Group B	22.00	-	12.00	-	12.00	27.27	61.27	10%
OCR -Blend	22.00	-	12.00	-	12.00	27.27	61.27	10%
Bangladesh	4.00	-	-	-	-	5.00	9.00	1%
Cook Islands s	-	-	-	-	-	-	-	-
Fiji s	-	-	-	-	-	-	-	-
Mongolia	6.00	-	5.00	-	5.00	-	11.00	2%
Niue s	-	-	-	-	-	-	-	-
Pakistan	3.00	-	-	-	-	10.50	13.50	2%
Palau f s	-	-	-	-	-	0.77	0.77	0.1%
Papua New Guinea f s	-	-	7.00	-	7.00	11.00	18.00	3%
Timor-Leste f s	6.00	-	-	-	-	-	6.00	1%
Uzbekistan	3.00	-	-	-	-	-	3.00	0.5%
Total	252.40	142.00	66.90	70.49	279.39	106.44	638.23	100%
% Share to total allocation	40%	22%	10%	11%	44%	17%	100%	
Memorandum Items								
FCAS f	83.00	28.00	31.70	15.49	75.19	28.02	186.21	29%
SIDS s	114.20	42.00	7.00	25.49	74.49	40.77	229.46	36%

ADF = Asian Development Fund, DRR-CCA = climate change adaptation and disaster risk reduction, COL = concessional lending, **f** FCAS = fragile and conflict affected situation, OCR = ordinary capital resources RCI RPG = regional cooperation and integration-regional public goods, RHS = Regional Health Security, SDG = sustainable development goal, **s** SIDS = small island developing state.

Notes: The table includes projected commitments based on the calls for proposals in 2020, 2021, and 2022 and excludes allocations that have been subsequently returned. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank.

these has been committed. ADB has further obtained Blending Financing Committee endorsement for three projects in Kyrgyz Republic, Maldives, and Nepal, supported by \$5.6 million from the PSW, subject to Board approval.

38. **Resource utilization and cofinancing.** Overall utilization of the PSW, assuming all concept-approved transactions are approved and close, is projected to be \$21.9 million, or 35% of the allocation of \$62.6 million, which is equal to 2% of available ADF 13 grants. The forecast private sector cofinancing ratio stands at \$25.9 of cofinancing for each \$1.0 of PSW funds, significantly above ADB's Strategy 2030 target of \$2.5 of cofinancing for each \$1.0 of ADB financing for its private sector operations.

F. Utilization of Expanded Disaster and Pandemic Response Facility

39. **Context.** The DRF+ is a predictable financing source to cover the costs of disaster and emergency assistance, early recovery, and reconstruction. It covers group A country disasters triggered by natural hazards; large cross-border movements of displaced people; and public health emergencies, including epidemics and pandemics. The risk of debt distress determines eligibility for grants and associated grant share from the DRF+. In the case of a severe disaster or emergency with estimated damage and losses exceeding 10% of gross domestic product, all group A countries are eligible for ADF grants with full grant share from the DRF+.

40. ADF grant assistance may also be offered to group B countries when they accommodate significant cross-border inflows of displaced people in full alignment with the criteria developed by the IDA19 Window for Host Communities and Refugees.

41. Under ADF 13, \$256 million was initially allocated to the DRF+, corresponding to 8% of overall grants. The allocation for the DRF+ was reduced to \$250 million following a reduction of ADF 13 commitment authority (para 9).

42. The DRF+ has provided allocations for seven projects during the first half of the ADF 13 period. Table 5 shows utilization and the estimated current balance of the DRF+ as of 31 December 2022. A total of \$57 million from the DRF+ has been committed.

43. **Asia Pacific Vaccine Facility.** An overall ADF grant amount of \$57.5 million has been earmarked from the DRF+ to support the vaccine requirements of ADF countries (footnote 8). This was based on an allocation of \$5.0 million each for group A countries at high risk of debt distress and \$2.5 million each for group A countries at moderate risk of debt distress.

Table 5: Utilization of Expanded Disaster and Pandemic Response Facility

Item	\$ million
ADF 13 Allocation	250.00
Less: Earmarked for APVAX	57.50 ^a
Less: Allocation for Pacific Disaster Resilience Program (Phase 4)	38.00 ^b
Less: Allocation for Bangladesh EAP (Additional Financing)	37.00 ^c
Less: Allocation for Nuku'alofa Network Upgrade Project (Tonga)	2.20 ^d
Total Remaining Funds	115.30

ADF = Asian Development Fund, APVAX = Asia–Pacific Vaccine Access Facility, DRF+ = Expanded Disaster and Pandemic Response Facility, EAP = Emergency Assistance Project.

^a Out of the total earmarked amount of \$57.5 million from the DRF+, \$12.5 million was committed for Afghanistan, the Kyrgyz Republic, and Tajikistan in 2021 and \$5 million for the Maldives in 2022.

^b A total of \$38 million has been allocated for ADB. [Regional: Pacific Disaster Resilience Program Phase 4](#) (Contingent Disaster Financing).

^c The ADB. [Bangladesh: Emergency Assistance Project-Additional Financing](#) was signed on 29 June 2022.

^d The ADB. [Tonga: Nuku'alofa Network Upgrade Project](#) (under ADB. [Regional: Pacific Renewable Energy Investment Facility](#)) was signed on 8 December 2022.

Source: Asian Development Bank.

44. To boost flexibility and promote efficiency in the use of ADB resources under APVAX, a subregional allocation for the smaller Pacific island countries was established instead of individual country ceilings.¹⁸ As of 31 December 2022, Afghanistan,¹⁹ Tajikistan, and the Maldives had been allocated \$5.0 million each and the Kyrgyz Republic \$2.5 million from the DRF+ for COVID-19 vaccine support, and all allocations from the DRF+ have been committed. However, there have been no allocations made to date from the subregional allocation and there has been no further demand for APVAX financing from the smaller Pacific island countries, as bilateral donor partners have supported the countries with procurement and delivery of vaccines. The APVAX is operational for 36 months from Board approval until December 2023 and may be extended for up to 24 months subject to the outcome of a review and prior Board approval.

45. **Bangladesh Emergency Assistance Project (additional financing).** As of May 2022, Bangladesh received about 926,000 displaced persons from Myanmar in the Cox's Bazar district. Following a request by the Government of Bangladesh for grant support to provide basic infrastructure and essential services, ADB identified urgent interventions totaling \$200 million. The most urgent interventions were selected as the first phase of the Bangladesh Emergency Assistance Project

¹⁸ The smaller Pacific-island countries comprise the Cook Islands, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu, of which the Cook Islands and Palau are not eligible for ADF grants.

¹⁹ Through ADB. [Afghanistan: COVID-19 Vaccine Support Project under the Asia Pacific Vaccine Access Facility](#), approved 20 April 2021.

(EAP) for an ADF grant amount of \$100 million for (i) water supply and sanitation, (ii) disaster risk management, (iii) energy sources, and (iv) access roads.

46. The grant for the first phase of the EAP became effective on 1 October 2018, with the possibility of additional grant financing of up to \$100 million for the second phase, subject to the progress of the first phase, an assessment of needs, and the availability of additional grant funds.²⁰ The first phase of the EAP closed on 5 January 2023.

47. The government approached ADB in 2021 for processing of the second phase of the EAP comprising \$100 million of ADF grant support. Following the receipt of no-objection by ADF donors, ADB approved \$41.4 million in an ADF grant on 22 June 2022 (footnote 15), as an initial investment under the second phase of the EAP (“Phase 2.1”). The funding targeted direct COVID-19 response and water supply and sanitation for the displaced people, with the possibility of providing the balance of the requested \$100 million grant for the second phase, or “Phase 2.2”, at a later date.²¹ The grant amount was reduced from the requested \$100 million due to funding and grant eligibility constraints.

48. Of the total ADF grant amount, \$37.0 million was allocated from the DRF+. While disasters triggered by large cross-border movements of displaced people are eligible for DRF+ funding, Bangladesh did not meet the eligibility criteria for group B countries as approved for the ADF 13 period due to the absence of a sudden massive inflow of refugees within the last 12 months from the beginning of or during the ADF 13 cycle.

49. During the COVID-19 pandemic, IDA amended the eligibility criteria for the Window for Host Communities and Refugees under IDA19. According to these amendments, the first eligibility criteria was annulled for operations related to COVID-19 that benefit refugee and host communities; this equally applied to the DRF+ support, as it is aligned with the eligibility criteria for the IDA19 Window for Host Communities and Refugees, and the additional financing of the EAP was therefore eligible for funding from DRF+.^{22 23} Phase 2.1 will be implemented over 3 years until 30 June 2025. The feasibility of a Phase 2.2 to providing the balance of the requested \$100 million is currently under discussion.

²⁰ ADB. 2018. *Proposed Grant and Technical Assistance Grant People's Republic of Bangladesh: Emergency Assistance Project*. Manila.

²¹ In addition to the \$41.4 million ADF grant, the additional financing included \$30 million COL for rehabilitating a road section leading to the camps.

²² The first eligibility criteria for group A and B countries that are not eligible for ADF country allocations to be eligible for DRF+ resources and 100% grants is to demonstrate a sudden massive inflow of refugees, defined as receiving at least 250,000 new refugees or at least a number equivalent to 1% of its population within the last 12 months, from the beginning of or during the ADF 13 cycle.

²³ An additional amount of \$4.4 million was provided from savings and cancellation from previous ADF cycles, which required a waiver of the CAP for the ADF 13 Period by the ADB Board of Directors.

III. AFGHANISTAN AND MYANMAR

50. **Operations in Afghanistan and Myanmar.** ADB has put on hold regular operations in Myanmar (effective 1 February 2021) and Afghanistan (effective 15 August 2021).²⁴

A. Afghanistan

51. As part of the negotiations for the ADF 13 period, ADB and the ADF donors agreed to a continuation of the special support for Afghanistan that was included as part of ADF 12 (footnote 1, paras. 44–45). The special support was intended to enable ADB to provide about the same total amount of support to Afghanistan during the ADF 13 period as during the ADF 12 period (footnote 1, para. 87). This agreement on a special allocation to Afghanistan was further reflected in ADB's CAP for the ADF 13 period (footnote 14, para. 18 and Appendix 3).²⁵

52. In response to the deteriorating humanitarian situation in the country, ADB approved the Sustaining Essential Services Delivery Project (Support for Afghan People) for an amount of \$405 million ADF grant in January 2022, implemented through a novel financing arrangement, to enhance food security, provide core public health services, and sustain access to education.²⁶

53. Available Resources.

- (i) **Remaining country allocation.** The indicative country allocation for Afghanistan under ADF 13 is \$904 million. To date, \$405 million from the country allocation was committed to the Sustaining Essential Services Delivery Project (Support for Afghan People) (footnote 26), with \$499 million remaining available.
- (ii) **Savings and cancellations.** ADB's existing portfolio of grants in Afghanistan includes projects originally financed under various ADF cycles and with different closing dates. Projects expected to be closed during the ADF 13 period are anticipated to lead to savings and cancellations of \$624 million from uncontracted balances.²⁷

²⁴ ADB. 2021. [ADB Statement on Afghanistan](#). News release. 10 November; and ADB. 2021. [ADB Statement on New Developments in Myanmar](#). News release. 10 March.

²⁵ Given that it has not been possible to update the country performance assessment for Afghanistan during the cooling-off period (used in determining the amount of ADF resources available for carrying out special operations in Afghanistan), ADB has continued to apply the 2020 country performance assessment for the update of country allocations for 2023–2024.

²⁶ ADB. 2022. [Afghanistan: Sustaining Essential Services Delivery Project \(Support for Afghan People\)](#). Manila.

²⁷ In addition, \$413 million in savings and cancellations (comprising uncontracted balances of projects that close during 2025–2027) is expected to become available during the planned ADF 14 cycle.

54. **Use of funds.** ADB is exploring opportunities to provide further support for basic human needs, sustainable economic recovery, and livelihood development to the people of Afghanistan and payment to contractors and consultants for prior work based on assumptions on different trends in the development in the country and specific principles and considerations.

B. Myanmar

55. **Providing Essential Services for the People of Myanmar Project.** Myanmar is a COL-only group A DMC and an IDA gap country. As such, it is not eligible for ADF 13 grant country allocation but is potentially eligible for the thematic pool and the DRF+. Myanmar faces an unprecedented humanitarian crisis due to the combined shocks of the COVID-19 pandemic since 2020 and the events after 1 February 2021. ADB has designed a project to support the people of Myanmar with life-saving essential services and resilient community systems to help them address basic human needs. The expected outcome of the project is the alleviation of adverse effects of shocks on the welfare and livelihood of vulnerable people.

56. **Project design and implementation arrangements.** The expected outputs of the project are (i) access to essential health services for target populations enhanced, (ii) critical food and nutritional needs met, and (iii) household sustenance met and climate and disaster resilient community assets enhanced. The United Nations Office for Project Services (UNOPS) and World Food Programme (WFP) will be the grant recipients and the executing agencies for the project. Project implementation will be outside of the current de facto government systems by following the novel financing arrangement adopted by the Sustaining Essential Services Delivery Project (Support for Afghan People).

57. **Proposed financing.** The project is estimated to cost \$29.2 million, of which \$23.0 million is proposed to be funded by the ADF 13 thematic pool (\$15 million for regional health security under the RCI-RPG strategic area, and \$8 million under the DRR-CCA strategic area). The project will be co-financed for the amounts of \$3.0 million by the Japan Fund for Prosperous and Resilient Asia and the Pacific and \$3.2 million by the Government of Canada, respectively. In April 2022, ADF donors endorsed three waivers of the CAP for the ADF 13 Period to permit financing of the project from the ADF 13 thematic pool.²⁸

²⁸ These are (i) nearly 80% of the project cost is to be funded by the thematic pool; (ii) the allocation will be made outside the annual call for proposals; and (iii) three of the seven criteria in the scorecard will be excluded since they are irrelevant given that the executing agencies are UN agencies, and not the government. Approval of the ADB Board of Directors for waiver of such requirements and criteria to permit financing of the project from the ADF 13 thematic pool will also need to be obtained.

58. **Board consideration expected by April 2023.** Consideration of the proposed project has been deferred primarily due to clarification of ADB's right to investigate (if required) contracts or implementation of projects managed by UN agencies and by issues related to land ownership in connection with the project's livelihood and climate resilience activities.

59. For Myanmar, the ADF 13 donors' report (footnote 1, para. 104) and the CAP for the ADF 13 Period (footnote 14, para. 40) specify that the COL allocation will continue to be at least at a level similar to that under the ADF 12 corresponding to \$1,532 million to meet the country's development needs. Myanmar has therefore been allocated a lump sum of \$1,532 million during the ADF 13 period.

60. Myanmar's country allocation of \$1.532 million in COL remains available, but those resources cannot be committed to support activities in Myanmar under current circumstances. There is significant demand from other COL-eligible DMCs for additional COL resources, including as a result of (i) project cost escalations, and requests by DMCs for additional COL to finance increased development needs on the most favorable available financing terms; and (ii) actual and potential changes in country classifications.²⁹

61. **Proposed reallocation.** It is proposed that available COL resources from the country allocation be reallocated to the COL reserve for access by eligible countries to support additional financing needs on a project-by-project basis. This will provide flexibility to ensure maximum utilization of the reallocated amounts, and to respond to changes in country classifications and financing needs, based on demand identified through the WPBF.

62. The reallocation is proposed to be conducted in two phases: (i) the 2021–2022 allocation (\$766 million) is proposed to be reallocated in 2023, upon ADF donor endorsement; and (ii) the 2023–2024 allocation (\$766 million) is proposed to be reallocated in 2024, if ADB's operations in Myanmar remain on hold as of 31 December 2023.

²⁹ The classification of Fiji, Niue, and Cook Islands as group B countries is addressed in footnote 4. As a result of deteriorating economic circumstances stemming at least in part from COVID-19, further reclassifications during the ADF 13 period are possible, including a reclassification of Sri Lanka.

IV. IMPLEMENTATION OF THE TECHNICAL ASSISTANCE SPECIAL FUND 7

63. During the ADF 13 replenishment, donors agree to replenish the TASF for \$517 million—TASF [donor contribution]) for 2021–2024 (TASF 7)—including 10% for a new set-aside to support debt management in concessional assistance countries with high and moderate risk of debt distress.

64. During 2021–2022, ADB committed \$246 million from the TASF (donor contribution). This was split evenly between (i) transaction TA, including project preparation, project implementation support, and capacity building for executing and implementing agencies; and (ii) non-project-specific knowledge and support TA. In line with commitments made to ADF 13 donors, ADB will increase TASF support to capacity building and knowledge production. About \$140 million, or 57% of the TASF (donor contribution) committed during 2021–2022 was for capacity development and research.

65. **Commitments by country group.** Support to FCAS countries totaled \$11 million during the first 2 years of TASF 7.³⁰ Attaining the 50% target increase from ADF 12 level of \$41 million seems unlikely given that ADB assistance to Afghanistan and Myanmar remains on hold (para. 50). Options to provide TA support to Afghanistan—including to address basic human needs such as food security, health, education, and livelihoods—will depend on political developments in the country and close cooperation with other development partners. ADB may consider reallocating TASF resources that would have been prioritized for Afghanistan and Myanmar in 2023–2024 to other group A and group B DMCs if operations in these FCAS countries do not resume during the TASF 7 period.

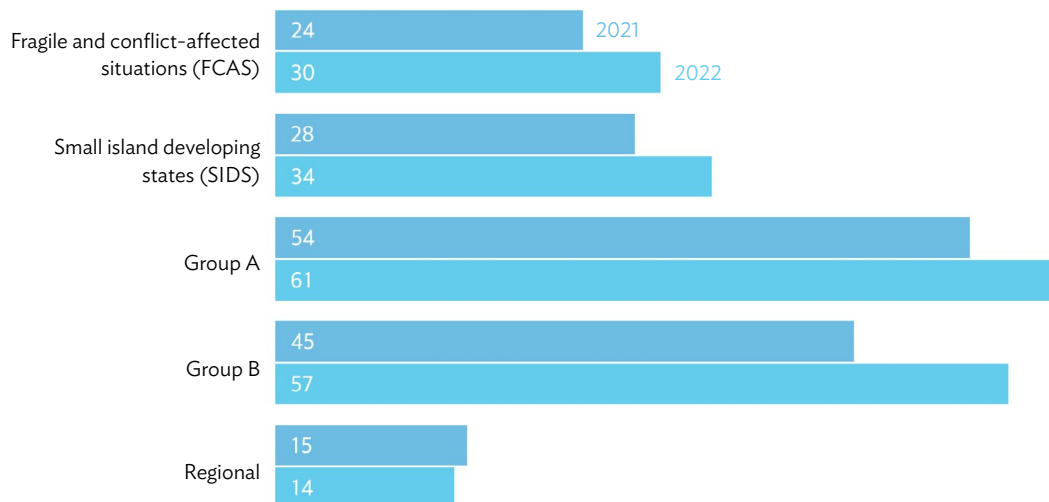
66. Commitment to SIDS totaled \$47 million.³¹ ADB needs to increase its commitments to SIDS to about \$70 million during the remainder of the TASF 7 period to achieve the target of a 40% increase from the ADF 12 level of \$83 million. ADB will monitor its TASF pipeline in SIDS (currently \$59 million during 2023–2024) and will seek to increase it further during country programming discussions in 2023 and 2024.

67. During 2021–2022, 100% of the TASF (donor contribution) supported FCAS, SIDS, and low-income and lower middle-income countries, against target of 100%. Excluding regional research and regional training, about 88% of new TASF commitments (from TASF [donor contribution] and TASF

³⁰ Consistent with the methodology for determining the baseline (i.e., commitments from country-specific TA only). If including the share of FCAS in regional TA, the total FCAS commitments were \$51 million.

³¹ Consistent with the methodology for determining the baseline i.e., commitments from country-specific TA and regional TA of the Pacific Department. If including the share of SIDS in regional TA of departments other than the Pacific Department, the total SIDS commitments were \$62 million.

Figure 2: Technical Assistance Special Fund (donor contribution), 2021–2022
(\$ million)



Note: Includes share of FCAS, SIDS, group A, group B and group C developing member countries in regional TA projects.
Source: Asian Development Bank.

resources from net income transfers from ADB's ordinary capital resources or TASF [income transfer]) supported FCAS, SIDS, and low-income and lower middle-income countries.³² The 88% allocation to the poorer and more vulnerable DMCs is higher than the TASF target of 84% even though the operations in Afghanistan and Myanmar were put on hold. ADB is on track to achieving both targets for TASF (donor contribution) and TASF (donor contribution and income transfer) support to more vulnerable DMCs and will endeavor to maintain this trend during the remainder of the TASF 7.

68. **Debt management.** About \$18 million in TA (donor contribution) supported debt management, or 38% of the target of at least doubling the TASF 6 level of \$24 million. Of the \$18 million, \$14 million came from the debt management set-aside. ADB experienced delays in the processing several TA projects, and is closely coordinating with DMC governments to have these TA projects committed in 2023. ADB will also seek to increase its pipeline of debt management TA during country programming discussions in 2023 and 2024.

69. **Recent reforms.** In 2021, ADB introduced a new principles-based allocation and cost-recovery framework and other reforms in its TA operations. In line with the request from ADF donors, the new TASF

³² This percentage refers to the share of new resources available during the TASF 7 period, excluding regional knowledge-sharing TA benefiting all DMCs (baseline was 82%). In 2021–2022, regional training and regional research totaled \$52 million, or 12% of the total TASF commitments, compared with a baseline of 13%.

allocation framework targets and ensures that the poorest and most vulnerable DMCs receive adequate TA resources by prioritizing the TASF grant requirements of FCAS, SIDS, and other group A DMCs.

70. In 2022, ADB began a pilot program for TASF cost recovery that is being tested from 2022 to 2024. Pilot cost-recovery TA included the preparation of Green City Action Plans in 14 cities in Malaysia; the preparation of an evaluation system and policies for rural green development in Guangdong province, the People's Republic of China; and support for the Xalq Bank in Uzbekistan to commercialize its operations.

71. ADB also introduced business process improvements to respond more quickly to clients' needs. These include reinforcing the One ADB approach in TA programming and preparation, introducing flexibility with respect to the activities that can be supported by TA, streamlining the approval process for knowledge and support TA, increasing the approving authority thresholds, and clarifying the use of the pilot-testing approach under TA. A new alert system was introduced to inform TA teams regarding TA that is progressing slowly. In line with ADB commitments to increase transparency, TASF commitments, including the breakdown of regional TA, are made available on ADB's intranet and summarized in the ADB Annual Report.

72. The workforce rebalancing framework is expected to enhance the quality of ADB's policy dialogue, operations, and knowledge solutions delivery by internalizing key operations skills that long-term individual consultants have provided under TA projects.³³ During 2022, focus areas included climate change and disaster resilience; FCAS; digital technology; gender; and social development (education, health, and poverty). For 2023, the focus areas will be climate change, safeguards, gender, and food security. ADB is developing systems for monitoring and recording staff-led TA operations to enable a comprehensive presentation of all of ADB's TA activities.

73. ADB will carefully monitor the implementation of the reforms introduced in 2021. It will continue to improve the quality of its TA operations, the efficiency of use of the TASF, and the business process under the new operating model. ADB will further strengthen TA design, and put in place robust mechanism to measure enhanced capacity and uptake of knowledge from TA. ADB will closely monitor the implementation of the new TA and TASF reforms; based on its experience, it may propose further refinements and/or new reforms for subsequent ADF cycles.

³³ ADB. 2021. [Workforce Rebalancing Framework](#). Manila.

74. **Outlook for remaining Technical Assistance Special Fund 7 and beyond.** ADB will continue to prioritize TASF support for the poorest and most vulnerable countries in the region, including FCAS and SIDS, and remain selective in supporting upper middle-income countries. The TASF will provide knowledge support to and finance the preparation of projects in the focus areas identified by the various sector directional guides, including addressing key sector issues such as policy, institutional, and regulatory reforms; undertaking upstream assessments, policy dialogue, and capacity building; and applying innovative technologies. TASF will support project preparation to help ADB attain its climate ambition, corporate targets in education and health, and other Strategy 2030 operational priorities.

V. UPDATE ON THE ASIAN DEVELOPMENT FUND 13 IMPLEMENTATION PLAN

75. An update of the ADF 13 Implementation Plan shows that targets for key actions are on track to be achieved during the ADF 13 period (footnote 1, Appendix 7). Interim achievements during the ADF 13 period were assessed by considering commitments made through funds from ADF 13 and previous replenishment cycles. The projections for commitments during the second half of the ADF 13 cycle are based on the 2023–2025 WPBF, which assumes a reallocation of ADF grants and COL to eligible countries. Highlights include the following:

- (i) The FCAS and SIDS approach was approved by ADB Management in the second quarter of 2021.³⁴ In May 2022, the first FCAS e-Annual Report was released,³⁵ providing an overview of 2022 FCAS activities and FCAS and SIDS performance, including the FSA indicators complementing the Development Effectiveness Review³⁶ and the Annual Report on Portfolio Performance.³⁷ In June 2023, the second FSA e-Annual Report will be available.
- (ii) The share of ADF operations in gender equality and gender mainstreaming was 98% (in volume of commitments) in the first half of the ADF13 period against a target of 60% over the ADF 13 period, while 10 projects were classified as having gender equity as a theme, against an overall target of 12 over the full ADF 13 period.

³⁴ ADB. 2021. *Fragile and Conflict-Affected Situations and Small Island Developing States Approach*. Manila

³⁵ ADB. 2022. Laying the Foundations for Greater Resilience in Fragile and Conflict-Affected Situations. *FCAS 2021 Annual Report*. Manila.

³⁶ ADB. 2022. *2021 Development Effectiveness Review*. Manila.

³⁷ ADB. 2022. *2021 Annual Portfolio Performance Report*. Manila.

- (iii) ADF financing for climate adaptation and mitigation accounted for 17% of total ADF commitments during the first half of the ADF 13 period against a target of 35% over the full ADF 13 period, while about 62% of ADF projects (by number) supported climate mitigation and adaptation against a target of 65% by 2024.
- (iv) About \$179 million in ADF grants supporting regional health security was committed during the first half of the ADF 13 cycle, mostly to help DMCs access vaccines. This has already exceeded the target of \$106 million for the full ADF 13 cycle.
- (v) All projects committed in the energy, water, sanitation and transport infrastructure-related subsectors in 2021 and 2022 met the G20 Principles for Quality Infrastructure Investment, in line with the target.³⁸

VI. FINANCIAL UPDATES

A. Asian Development Fund 13 Resource Mobilization

76. The ADF 13 totals \$4,081 million equivalent,³⁹ and includes funds from (i) donor contributions (\$2,361 million), (ii) OCR net income transfers (\$1,170 million), (iii) other sources from ADF 12 (\$337 million), and (iv) income from liquidity investments (\$213 million) (Appendix 2). After the pledging session in September 2020, three donors (Kazakhstan; Hong Kong, China; and Malaysia) indicated their intention to contribute to ADF 13, subject to obtaining the authorization of their respective legislatures, with the amounts to be confirmed. After incorporating the pledged contributions of Hong Kong, China and Malaysia, the total donor contribution increased from \$2,341 million at the conclusion of the replenishment discussions to \$2,361 million, thereby reducing the ADF 13 structural gap from 17.1% to 16.3%.⁴⁰ As of 31 January 2023, 32 donors (excluding Kazakhstan) had pledged to contribute to ADF 13.

77. ADF 13 became effective on 8 June 2021 when instruments of contribution for unqualified contributions deposited with ADB reached about \$1,571 million equivalent, or more than 50% of all pledged contributions, in accordance with paragraph 5(a) of the ADB Board of Governors' Resolution No. 408.

³⁸ G20 Osaka Summit. 2019. G20 Osaka Leaders' Declaration.

³⁹ Valued at the ADB Board of Governors' Resolution No. 408 exchange rates. Includes ADF resources of \$3,564 million and TASF allocation of \$517 million.

⁴⁰ Represents a cumulative effect of contribution share reductions by various donors over several previous replenishments. However, it does not cause a real financing gap to ADF.

78. **Asian Development Fund 13 installment payments.** As of 31 January 2023, 31 of the 32 donors had deposited their first and second installment payments in accordance with the agreed payment schedule. Moreover, seven donors—Brunei Darussalam, Luxembourg, the Philippines, Singapore, Spain, Switzerland, and Thailand—had deposited their remaining two installment payments (Appendix 2).

79. **Asian Development Fund 12 contributions.** As of 31 January 2023, all 32 donors had submitted their instruments of contribution for ADF 12, and 31 donors had paid all their installment payments. In 2021–2022, the United States made a cash payment of \$91.4 million in settlement of its outstanding balances to ADF 12 (50.26% of the second installment, 100% of the third installment, and 42.52% of the fourth installment). The remaining unpaid balance of the United States' ADF 12 contribution is \$27.2 million.

80. **Delayed payments and amount withheld.** When there is a settlement of delayed payments of the contributions and a corresponding release of amounts withheld on a pro rata basis from ADF IX and ADF X, these contributions will be added to the ADF 13 commitment authority. The remaining unpaid ADF IX–ADF 12 contributions of the United States totaled \$230.6 million,⁴¹ while the corresponding amounts withheld by France, Germany, and Türkiye totaled \$92.3 million (Appendix 2). Delayed payments of the contributions and amounts withheld on a pro rata basis limit the resources available for ADF operations.⁴²

B. Projected Asian Development Fund 13 Commitment Authority

81. **Financial resources for Asian Development Fund 13.** As of 31 January 2023, the ADF 13 commitment authority for operations (available funds for commitments net of the allocation for TASF and administrative expenses) for 2021–2024 was projected at about \$3,388 million (Table 6), which exceeds the amount of \$3,198 million at the replenishment conclusion by \$190 million. Additional financial resources include the (i) carryover from ADF 12 (item 1), (ii) settlements of delayed ADF 12 contribution payments (item 2.b), (iii) grant savings and cancellations in 2021–2022 (item 6) and (iv) additional contributions of \$20 million. The value of the total ADF 13 donor contributions decreased by \$201 million because of the weakness of the exchange rates of various contributed currencies (on 31 January 2023 compared with the ADF 13 exchange rates),⁴³ and the projected delayed ADF 13 contribution payments. Administrative expenses are also projected to increase by \$51 million as

⁴¹ Delayed ADF 13 installment payments are excluded since that the instrument of contribution has not yet been provided.

⁴² The resolutions authorizing ADF IX, ADF X, and ADF XI give members the right to reduce the availability of their installment payments on a pro rata basis if a qualified contributor has not paid its installment payment in full. This is generally known as the pro rata provision.

⁴³ Provided in the ADB Board Governors' Resolution No. 408.

compared to original projection. However, based on the CAP for the ADF 13 Period, resources available to implement the ADF 13 framework as of 31 January 2023 amount to \$3,197 million.⁴⁴

Table 6: Projected Asian Development Fund Commitment Authority
as of 31 January 2023 (\$ million)

Item	Total
A. Projected ADF Commitment Authority (A1 + A2 + A3 + A4 + A5 + A6 + A7)	3,785.3
1. Carryover of ADF 12 Commitment Authority	280.7
a. Grants approved but not yet signed	65.0
b. Resources available for approval ^a	215.7
2. Contributions Released for Operational Commitment ^b	1,684.9
a. ADF 13 contributions ^c	1,607.8
b. ADF 12 contributions ^d	77.1
3. OCR net income transfer ^e	1,169.7
4. Other sources from ADF 12 ^f	337.2
5. Income from liquidity investments	213.0
6. Grant savings and cancellations ^g	64.9
7. Credits from the Accelerated Note Encashment Program	34.8
B. Projected Administrative Expenses^h	397.3
C. Total Projected ADF 13 Commitment Authority (A – B)	3,388.0

ADF = Asian Development Fund, OCR = ordinary capital resources.

Note: Figures are indicative and are subject to (i) the uncommitted balance of past ADF replenishment resources, (ii) foreign exchange volatility, and (iii) actual receipt of payments.

^a Includes the balance of uncommitted savings and cancellations as of 31 December 2020.

^b Accelerated encashments are valued at exchange rates as of actual payment dates. All other payments are valued at exchange rates as of 31 January 2023.

^c Excludes a contribution from Kazakhstan, which has not yet pledged its ADF 13 contribution.

^d Represents payments from Indonesia and the United States.

^e Subject to the annual approval of the Board of Governors of the Asian Development Bank (ADB).

^f Resources earmarked for ADF 13 includes the ADF 12 set-asides for the Disaster Response Facility and reserves for changes in debt distress (ADB, 2020, Twelfth Replenishment of the Asian Development Fund and Seventh Regularized Replenishment of the Technical Assistance Special Fund, Manila).

^g Actual savings and cancellations as of 31 January 2023.

^h Administrative expenses in (i) 2021 are actual and (ii) 2022–2024 are projected.

Source: ADB Treasury Department.

⁴⁴ To derive an adjusted amount which is available to implement the ADF 13 framework based on the CAP for the ADF 13 Period, the following items are deducted from the projected ADF 13 commitment authority: (i) grants approved under ADF 12 but not yet signed (item A 1 a); and (ii) savings and cancellations, which were (a) uncommitted as of 31 December 2020 (which are part of item A 1 b and amount to \$61.6 million), and (b) generated under ADF 13 (item A 6). Allocation and commitment of these amounts fall outside the ADF 13 framework. The amount of \$3,197 million is close to the total grant amount of \$3,198 million envisaged under the ADF 13 framework at the replenishment conclusion.

VII. ISSUES FOR DONORS' ENDORSEMENT AND GUIDANCE

82. Donor endorsement is sought to reallocate:

- potentially available ADF resources under the DRF+, thematic pool, and debt distress reserve to eligible DMCs based on needs derived during the work program and budget framework (WPBF), 2024–2026 process, to meet cost overruns arising from among others, inflationary pressures exacerbated by the Russian invasion of Ukraine, and supply chain disruptions related to the impact of COVID-19. The reallocation will prioritize projects and programs that are on a critical path of design and implementation, including advanced contracting; and
- available COL resources from the country allocation for Myanmar to other eligible DMCs according to the following: (i) Myanmar's 2021–2022 COL allocation (\$766 million); and (ii) Myanmar's 2023–2024 COL allocation (\$766 million), provided that operations in Myanmar remain on hold as of 31 December 2023.

83. If the donors endorse the above proposed reallocations, ADB will subsequently seek approval of its Board of Directors for the proposal, including necessary waivers of the Concessional Assistance Policy for the ADF 13 Period.

Update on the Asian Development Fund 13 Implementation Plan

Key Action and Timeframe	Update as of January 2023
Focus Area: Fragile and Conflict-Affected Situations (FCAS)	
<p>1. The volume of ADF grants for FCAS countries during ADF 13 will be increased by 8% in comparison to ADF 12.</p> <ul style="list-style-type: none"> ■ Baseline: \$1,110 million (country allocations) during the ADF 12 period (2017–2020) as of April 2020 ■ Timeframe: 2024 	<ul style="list-style-type: none"> (i) The total volume of ADF grants for FCAS-classified countries in the first half of the ADF13 period (2021–2022) reached \$503 million (\$40 million in 2021 and \$463 in 2022), or 47% of the total ADF commitments for 2021 and 2022, and 42% of the available resources during the ADF13 period. (ii) Estimated commitments in 2023–2024 based on the work program and budget framework (WPBF) 2023–2025^a indicate that ADF grants for FCAS-classified countries will reach \$381 million, bringing the total expected commitments for the ADF13 period to \$884 million, which is below the target of \$1,193 million (8% increase from ADF12 FCAS commitments of \$1,104 million). The decline is attributed to ADB placing on hold its regular assistance to Afghanistan.
<p>2. TASF 7 support for FCAS countries will be increased by 50% in comparison to TASF 6 support under ADF 12.</p> <ul style="list-style-type: none"> ■ Baseline: \$53 million during the ADF 12 period as of April 2020^b ■ Timeframe: 2024 	<ul style="list-style-type: none"> (i) TASF 6 commitments to FCAS-classified countries during ADF 12 (2017–2020) were \$41 million, or an annual average of \$10 million. (ii) In 2021, commitments to these DMCs were \$6 million, or a 38% decline from the annual average during ADF 12. The decline is attributed to ADB placing on hold its assistance to Afghanistan and Myanmar. Of the \$7 million allocated to Afghanistan and Myanmar in 2021, only \$1 million was committed in 2021. (iii) In 2022, TASF 7 commitments to FCAS-classified DMCs were \$5 million, a 51% decline from the annual average during ADF 12. ADB's assistance to Afghanistan and Myanmar remained on hold in 2022. (iv) During 2021–2022, TASF 7 commitments to FCAS-classified DMCs totaled \$11 million, 41% less than the \$19 million committed during the first 2 years of ADF 12. As of the end of 2022, only 19% of the 2024 target had been achieved.
<p>3. A new FCAS strategic approach^c will be drafted by end of 2020 and approved in Q1 2021, including an operational implementation plan and provisions for monitoring and evaluating progress by the ADF 13 midterm review.</p> <ul style="list-style-type: none"> ■ Timeframe: 2020–2021 	<ul style="list-style-type: none"> (i) The FCAS and SIDS Approach (FSA) was approved by ADB Management in the second quarter of 2021 and presented at the ADB 2021 annual meeting. (ii) The FSA includes a results framework with 18 qualitative and quantitative indicators (13 CRF indicators disaggregated for FCAS and SIDS, and 5 new indicators) and 34 action trackers to monitor progress of the FSA action plan. Two results monitoring dashboards have been developed, one to track the results indicators and another to track the progress of activities under the 2021–2025 Action Plan. (iii) A dedicated FCAS and SIDS data visualization (DataViz) tool will provide FCAS and SIDS performance data. The web-based analytical tool was tested and improved throughout 2022; it will be internally released at the end of the first quarter of 2023, and updated quarterly. The DataViz provides FCAS and SIDS current and historical (10-year) portfolio information enhanced with interactive features to facilitate data analysis. (iv) In May 2022 the first FCAS e-Annual Report was released providing an overview of 2022 FCAS activities and FCAS and SIDS performance, including the FSA indicators complementing the Development Effectiveness Review^d and the Annual Report on Portfolio Performance^e. In June 2023, the second FSA e-Annual Report will be available.

Key Action and Timeframe	Update as of January 2023
<p>4. 120 ADB staff members will be offered training and workshops to gain deeper understanding of contextual issues, differentiated approaches and tools. Training needs assessments will lead-up to the design of training modules and capacity-building activities. An online resource center will serve as a hub for continuous knowledge dissemination and sharing.</p> <ul style="list-style-type: none"> ■ Baseline: not applicable; FCAS training will resume in 2020] ■ Timeframe: 2021 	<ul style="list-style-type: none"> (i) Two training modules were developed in 2021: an introduction to differentiated approaches in FCAS, and FCAS leadership training, which led to the development of a peer learning group. (ii) The 2-day training covers updated and new FCAS processes and procedures, case studies, real-life examples, group discussions, and exercises. Each session is available for 15–25 staff. (iii) Beginning in 2022 the training has been complemented by an online e-learning module that raises awareness on the classification methodology, DMCs' ADF eligibility, terminology, and the FSA. (iv) Following introduction of the differentiated FCAS training approaches in 2021, 105 staff have attended the over 20 hour sessions, online and in person. Since 2022 the module is offered in a hybrid mode to allow presenters and trainees to participate remotely. (v) In parallel, FCAS thematic trainings (in 2022 with the United Nations High Commissioner for Refugees) and webinars are held to raise awareness on FCAS and SIDS differentiated approaches.
<p>5. 60% of FCAS countries will have completed a fragility assessment (based on the new FCAS approach), which will inform the implementation of the existing CPSs and the preparation of new CPSs during the ADF 13 period (2021–2024).</p> <ul style="list-style-type: none"> ■ Baseline: not applicable as the new approach will be finalized by 2021 ■ Timeframe: 2024 	<ul style="list-style-type: none"> (i) Since the introduction of the FSA in 2021, ADB carried out FRAs in Afghanistan, Myanmar, Lao PDR and Timor-Leste, with findings incorporated in their CPSs. (ii) The CPSs for Myanmar and Afghanistan have been postponed as ADB assistance was put on hold effective from 1 February 2021 (Myanmar) and 15 August 2021 (Afghanistan). (iii) Further assessments were carried out for Afghanistan and Myanmar to provide context and first-hand information to tailoring the NFA interventions. (iv) The FRA approach is increasingly being adopted by non-FCAS countries experiencing fragility at the national or regional level to contextualize and tailor specific interventions. (v) Building on these efforts, an FRA handbook and template are being drafted with a chapter focusing on SIDS. The template(s) will be ready for adoption in 2023. FRAs will be gradually carried out for all Pacific island DMCs. (vi) By 2024, at least 10 out of 12 FCAS countries, excluding Afghanistan and Myanmar, will have an FRA to inform the existing CPS and support the preparation of a new CPS.
Focus Area: Small Island Developing States (SIDS)	
<p>6. The volume of ADF grants for SIDS under ADF 13 will be increased by at least 45% in comparison to ADF 12.</p> <ul style="list-style-type: none"> ■ Baseline: \$394 million (country allocations) during the ADF 12 period (2017–2020) as of April 2020 ■ Timeframe: 2024 	<ul style="list-style-type: none"> (i) The volume of ADF grants for SIDS in the first half of the ADF13 period (2021–2022) totaled \$151 million (\$75 million in 2021 and \$76 million in 2022) or 14% of the of total ADF commitments in 2021–2022, and 28% of the resources available during the ADF13 period. (ii) Projected ADF grants for SIDS in 2023–2024 from the WPBF 2023–2025 are expected to reach about \$683 million in commitments, bringing total expected commitments to \$835 million by the end of the ADF 13 period, 45% above the target of \$577 million, which is a 45% increase from the \$398 million ADF12 grant volume for SIDS).
<p>7. TASF 7 support for SIDS will be increased by 40% in comparison to TASF 6 support under ADF 12.</p> <ul style="list-style-type: none"> ■ Baseline: \$80 million during the ADF 12 period (2017–2020) as of April 2020^f ■ Timeframe: 2024 	<ul style="list-style-type: none"> (i) TASF 6 commitments to SIDS during the ADF 12 period (2017–2020) were \$83 million, or an annual average of \$21 million. (ii) In 2021, commitments to these DMCs were \$22 million, or an 8% increase from the annual average during ADF 12. (iii) In 2022, TASF 7 commitments to SIDS were \$24 million, or a 15% increase from the annual average during ADF 12. (iv) During 2021–2022, TASF 7 commitments to SIDS totaled \$47 million, which is 18% higher than the \$40 million committed during the first 2 years of ADF 12. As of the end of 2022, only 40% of the 2024 target had been achieved.

Key Action and Timeframe	Update as of January 2023
Focus Area: Infrastructure Investment	
<p>8. 100% of the infrastructure projects supported by ADF 13 will be fully in line with “G20 Principles for Quality Infrastructure Investment,” as measured using the 2019–2024 corporate results framework^g indicator “operations that are green, sustainable, inclusive, and resilient.”</p> <ul style="list-style-type: none"> ■ Baseline: not applicable ■ Timeframe: 2021–2024 	<p>All projects in energy, water, sanitation, and transport infrastructure subsectors met the minimum standards for quality in 2021 and 2022 and are expected to meet the standards in 2023.</p>
<p>9. ADB will support group A countries, where possible through targeted TA and/or investment projects on raising awareness and providing training on mainstreaming value for money into public procurement. ADB will support the development of a knowledge exchange network across these countries promoting life-cycle cost analysis and qualitative evaluation techniques and tools, with an emphasis on infrastructure procurement. At least five group A countries will be supported.^h</p> <ul style="list-style-type: none"> ■ Baseline: not applicable ■ Timeframe: 2024 	<p>(i) In 2021, ADB delivered 33 procurement capacity development programs in 16 group A DMCs (Afghanistan, Bhutan, Cambodia, Federated States of Micronesia, Kiribati, Kyrgyz Republic, Lao People’s Democratic Republic, Maldives, Marshall Islands, Myanmar, Nauru, Nepal, Samoa, Solomon Islands, Tajikistan, and Tonga). These focused on raising awareness and achieving value for money through procurement.</p> <p>(ii) As a result, in 2021, four projects (two in Solomon Islands and two in Tonga) used merit point criteria. Life-cycle cost was applied in 15 projects (1 in Maldives, 3 in Myanmar, and 11 in Nepal).</p> <p>(iii) The exchange network, through a memorandum of understanding with the United States Trade and Development Agency, was signed in 2022 and ADB is currently exploring some possible areas of collaboration.</p> <p>(iv) In 2022, ADB delivered 18 procurement capacity development programs in 8 group A DMCs (Bhutan, Cambodia, Kyrgyz Republic, Lao PDR, Maldives, Nepal, Tonga, and Tuvalu). These programs focus on Strategic Procurement Planning and cover other 2017 Procurement Framework-related topics to enhance the mainstreaming of value for money through procurement, such as contract management, and project processing and administration to improve project implementation efficiency.</p> <p>(v) Also in 2022, five projects (two in Solomon Islands, and one each in Tajikistan, Tonga, and Tuvalu) used the merit point criteria, while life-cycle cost was applied in four projects (two in Cambodia and two in Kiribati).</p>
Focus Area: Climate Change	
<p>10. The share of ADF 13 financing for climate adaptation and mitigation will be at least 35% (in volume).ⁱ</p> <ul style="list-style-type: none"> ■ Baseline: 23% on average during 2016–2019 ■ Timeframe: 2021–2024 	<p>(i) ADF financing for climate adaptation and mitigation accounted for 17% of total ADF commitments in 2021 and 2022.</p> <p>(ii) Projected commitments from the WPBF 2023–2025 indicate that ADF financing for climate adaptation and mitigation will account for 34% in 2023–2024, and 27% if including 2021 and 2022 actual operations, which is below the target of 35%.</p>
<p>11. At least 65% of committed ADF 13 operations (in number of projects) will support climate mitigation and adaptation by 2024.</p> <ul style="list-style-type: none"> ■ Baseline: 55% on average during 2016–2019 ■ Timeframe: 2024 	<p>(i) About 62% of ADF projects supported climate mitigation and adaptation in 2021 and 2022.</p> <p>(ii) Projected commitments from the WPBF 2023–2025 indicate that ADF operations supporting climate change mitigation and adaptation will account for 84% of 2023–2024 operations, bringing the total percentage to 75% if including 2021 and 2022 actual operations, which is above the target of 65%.</p>

Key Action and Timeframe	Update as of January 2023
<p>12. ADF 13 will continue to strongly promote gender equality with 60% of ADF 13 grants (in volume of commitments) supporting gender mainstreaming (classified “gender equity theme or effective gender mainstreaming) over the 2021–2024 period.^j</p> <ul style="list-style-type: none"> ■ Baseline: 55% on average during 2016–2019] ■ Timeframe: 2024 	<ul style="list-style-type: none"> (i) About 98% of committed ADF 13 grants in 2021 and 2022 (in terms of volume) supported gender equity and gender mainstreaming. (ii) For 2023–2024, 78% of the total projected ADF13 grants based on the WPBF 2023–2025 are expected to promote gender equality.
<p>13. Under ADF 13, with additional support from the thematic pool, the number of projects classified “gender equity as a theme” (GEN) will increase by a third in comparison to ADF 12.</p> <ul style="list-style-type: none"> ■ Baseline: 9 projects (2016–2019) ■ Timeframe: 2024 	<ul style="list-style-type: none"> (i) A total of 10 projects identified as having gender equity as a theme were committed in 2021 (5) and 2022 (5). (ii) Based on the WPBF 2023–2025, an estimated 16 projects supporting gender equity as a theme are expected to be committed in the remaining ADF13 period, resulting in a total of 26 projects, which is above the target of 8 (a one-third increase over the 6 operations under ADF12) or the target of 12 using the original baseline of 9.
Focus Area: Regional Public Goods	
<p>14. The number of operations addressing the provision of regional public goods^k financed by ADF 13 will double.</p> <ul style="list-style-type: none"> ■ Baseline: 6 operations during the ADF12 period (2017–2020) ■ Timeframe: 2024 	<ul style="list-style-type: none"> (i) Three projects (one in 2021 and two in 2022) supporting RPGs financed by ADF were committed in the first half of the ADF13 period. (ii) For the remaining ADF13 period, based on the WPBF 2023–2025, 12 projects are expected to support RPGs, resulting in an estimated total of 15 operations, which is above the target of 12 (based on a doubling of the 6 operations under ADF12).
<p>15. Support at least 4 countries to implement and/or update their national biodiversity strategies and action plans or similar action plans on terrestrial or marine ecosystem health, focusing on cross-boundary issues or impacts, through new ADF supported activities during ADF 13.</p> <ul style="list-style-type: none"> ■ Baseline: not applicable ■ Timeframe: 2024 	<p>Four countries (Cambodia, Nepal, Uzbekistan, and Vanuatu) were supported via five ADF grants (including two projects in Cambodia) supporting activities to improve management plans for terrestrial or marine ecosystem health.</p>
Focus Area: Regional Health Security	
<p>16. The volume of ADF grants for Regional Health Security during ADF 13 will be doubled in comparison to ADF 12.</p> <ul style="list-style-type: none"> ■ Baseline: \$53 million during the ADF12 period (2017–2020) ■ Timeframe: 2024 	<p>In the first half of the ADF13 period, \$179 million was committed for ADF grant operations supporting regional health security (\$106 million in 2021 and \$73 million in 2022). Projected ADF grants in 2023–2024 supporting regional health security are estimated at \$46 million based on WPBF 2023–2025, with a projected total of \$225 million for the entire ADF13 period. This is above the target of \$106 million (which is double the \$53 million volume of ADF grants during ADF12).</p>

Key Action and Timeframe	Update as of January 2023
Focus Area: Regional Health Security	
<p>16. The volume of ADF grants for Regional Health Security during ADF 13 will be doubled in comparison to ADF 12.</p> <ul style="list-style-type: none"> ■ Baseline: \$53 million during the ADF12 period (2017–2020) ■ Timeframe: 2024 	<p>(i) In the first half of the ADF13 period eight group A and B DMCs (Afghanistan, Cambodia, Kyrgyz Republic, Maldives, Samoa, Tonga, Tuvalu, and Vanuatu) were supported by ADF13 grants for strengthening health systems and enhancing universal health coverage.</p> <p>(ii) Based on the WPBF 2023–2025, the remaining ADF13 period is projected to have an additional five projects supporting health system strengthening for five group A and B countries, resulting to a total of 13 group A or B DMCs during the whole period of ADF13, exceeding the target of 8 DMCs..</p>
Focus Area: Universal Health Coverage	
<p>17. At least 10 group A or B countries will be supported by ADF 13 grants to improve health system, including introduction/enhancement of universal health coverage.</p> <ul style="list-style-type: none"> ■ Baseline: 8 group A or B countries (2017–2019) ■ Timeframe: 2024 	<p>(i) In the first half of the ADF13 period eight group A and B DMCs (Afghanistan, Cambodia, Kyrgyz Republic, Maldives, Samoa, Tonga, Tuvalu, and Vanuatu) were supported by ADF13 grants for strengthening health systems and enhancing universal health coverage.</p> <p>(ii) Based on the WPBF 2023–2025, the remaining ADF13 period is projected to have an additional five projects supporting health system strengthening for five group A and B countries, resulting in a total of 13 group A or B DMCs during the whole period of ADF13, exceeding the target of 8 DMCs.</p>
Focus Area: Private Sector Operations	
<p>18. Every \$1.0 of ADB Private Sector Window resources will mobilize approximately \$2.5 of private capital in group A countries.</p> <ul style="list-style-type: none"> ■ Baseline: not applicable ■ Timeframe: 2024 	<p>(i) There were three project approvals (in Cambodia, Maldives, and Lao PDR) financed by the PSW in 2022, totaling \$16.25 million; \$5.25 million of this amount has been committed.</p> <p>(ii) Current ADB PSW pipeline projects are expected to mobilize \$25.9 of private capital (including equity) for each \$1.0 of PSW funding (\$4.6 for each \$1.0 PSW funding excluding the Monsoon Wind Power Project in Lao PDR').</p>
<p>19. ADB operations in frontier economies and/or new sectors will reach 55% thanks to the support of the ADB-PSW and other instruments.</p> <ul style="list-style-type: none"> ■ Baseline: 48% (2016–2018) ■ Timeframe: 2024 	<p>(i) In 2022, 49% (18 out of 37) non-sovereign operations projects supported frontier economies and/or new sectors, less than the 57% (20 out of 35) in 2021.</p> <p>(ii) In December 2021, ADB committed regional TA to support private sector financial institutions in group A DMCs to assess and establish project pipelines that are suitable for financing under the PSW.</p> <p>(iii) In 2022, ADB PSW supported one project in frontier economies.</p>
<p>20. At least 50% of non-sovereign operations will be in the new sectors prioritized under the ADB-PSW proposal.</p> <ul style="list-style-type: none"> ■ Baseline: not applicable ■ Timeframe: 2024 	<p>(i) In 2022, 100% of ADB PSW projects were in new sectors.</p> <p>(ii) In 2022, about 56% of non-sovereign operations were in new sectors.</p>
Focus Area: Strengthening Debt Sustainability	
<p>21. TASF 7 resources supporting fiscal policy, debt management, and debt transparency will be at least doubled under ADF 13 in comparison to ADF 12.</p> <ul style="list-style-type: none"> ■ Baseline: \$24 million during TASF 6 (2017–2020)] ■ Timeframe: 2024 	<p>(i) During TASF 7, as agreed with ADF donors, ADB is setting aside about \$52 million to support debt sustainability (covering fiscal policy, debt management, and debt transparency).</p> <p>(ii) TASF 7 commitments supporting debt sustainability during 2021 were \$8 million or 33% more than the annual average during ADF 12 (\$6 million).</p> <p>(iii) TASF 7 commitments supporting debt sustainability during 2022 were \$6 million or 5% higher than the annual average during ADF 12 (\$6 million).</p> <p>(iv) In 2021–2022, of the available \$26 million TASF 7 resources, \$18 million was allocated to 18 TA projects to strengthen public debt management and promote debt transparency in Cambodia, Kyrgyz Republic, Maldives, Mongolia, Pakistan, and Tajikistan.</p>

Key Action and Timeframe	Update as of January 2023
<p>22. 100% of group A countries will be supported to implement debt management strategies, bolster fiscal risk assessments and debt management capacity, and enhance debt transparency through at least one TA or one project or policy-based lending.</p> <ul style="list-style-type: none"> ■ Baseline: not applicable ■ Timeframe: 2024 	<p>(i) A total of \$178 million of policy-based lending ADF grant commitments in the first half of the ADF13 period have been committed (\$15.7 million in 2021 for Kyrgyz Republic and Tonga, and \$162 million in 2022 for Kyrgyz Republic, Samoa, Solomon Islands, and Tajikistan) to help the governments foster economic recovery from the downturn caused by the COVID-19 pandemic, while adding urgent reforms to improve governance, fiscal management and buffers, and social protection mechanisms. These policy-based loans will help implement reforms to support and restore resilient and fiscally sustainable economic growth. The countercyclical support facilities particularly will support government priorities to help poor and vulnerable groups, promote food security and price stability, and support employment and affected businesses. This will contain the effects of the Russian invasion of Ukraine, which is compounding significant adverse social and economic impacts from the COVID-19 pandemic.</p> <p>(ii) In 2021, TA for Maldives (\$1.2 million) was committed to support domestic resource mobilization and public investment management. Meanwhile, regional TA (\$1.3 million) was committed to enhance tax transparency in Bhutan, Cambodia, Lao PDR, Maldives, Marshall Islands, Nepal, Samoa Solomon Islands, Tajikistan, Tonga, and Vanuatu.</p> <p>(iii) In 2022, TA for Lao PDR (\$2.5 million) and regional TA benefitting Kyrgyz Republic (\$525,000) and Tajikistan (\$400,000) were committed to help the governments and select public institutions improve debt management and transparency.</p>
<p>23. ADB will implement the Core Principles of Sustainable Financing in alignment with the IDA SDFP.</p> <ul style="list-style-type: none"> ■ Baseline: not applicable ■ Timeframe: 2024 	<p>ADB implemented the SDFP in 2021–2022 in alignment with IDA. During 2021–2022, 74 out of 80 identified policy actions in 18 concessional assistance countries were successfully implemented, while 1 policy action was deferred following a disaster. Five policy actions were not successfully implemented and resulted in penalties being imposed on two countries.</p>
Focus Area: Governance and Capacity Development	
<p>24. Analysis of existing problems and countries' potential to increase domestic resource mobilization will continue to be integrated into 100% of CPSs or country performance assessments (CPAs) of group A countries.</p> <ul style="list-style-type: none"> ■ Baseline: 100% ■ Timeframe: 2024 	<p>For all concessional assistance countries, the CPA assesses the overall pattern of revenue mobilization, i.e., revenue from all sources as it is collected and consists of assessments of tax policy and tax administration. The Pacific Approach 2021–2025^m issued in 2021 includes an analysis of existing problems and potential to increase domestic revenue mobilizations. CPSs for group A countries during the remaining part of the ADF 13 period will include analyses of domestic revenue generation.</p>
Focus Area: Technical Assistance Special Fund	
<p>25. 100% of TASF 7 will support low-income countries (LIC), lower middle-income countries (LMIC), FCAS countries, and SIDS; and 84% of the total TASF (including TASF 7 and TASF [income transfer]) will support LIC, LMIC, FCAS countries, and SIDS.</p> <ul style="list-style-type: none"> ■ 2019 Baseline: 100% (TASF 6) and 82% (TASF 6 and TASF [income transfer]) ■ Timeframe: 2021–2024 	<p>During 2021–2022, 100% of TASF 7 supported FCAS, SIDS, LICs, and LMICs; 88% of total TASF supported FCAS, SIDS, LICs, and LMICs, excluding regional knowledge TA benefitting DMCs.</p>

ADB = Asian Development Bank, ADB-PSW = Asian Development Bank–Private Sector Window, ADF = Asian Development Fund, CPS = country partnership strategy, DMC = developing member country, COVID-19 = coronavirus disease, CRF = corporate results framework, CPS = country partnership strategy, FCAS = fragile and conflict-affected situations, FSA = FCAS and SIDS approach, FRA = fragility assessment, IDA = International Development Association, Lao PDR =, LIC = low income country, LMIC = lower middle income country, NFA = novel financing arrangement, PSW = private sector window, SIDS = small island developing states, SDFP = Sustainable Development Finance Policy, TA = technical assistance, TASF = Technical Assistance Special Fund, WPBF = Work Program and Budget Framework

^a ADB 2022. [Work Program and Budget Framework, 2023- 2025](#). Manila.

^b The baseline was computed in April 2020 and assumed a pipeline of technical assistance that has evolved since then.

^c The new FSA approach will cover SIDS because FCAS and SIDS face similar challenges, and likely solutions for FCAS and SIDS are similar.

^d ADB. 2022. [2021 Development Effectiveness Review](#). Manila.

^e ADB. 2022. 2021 [Annual Portfolio Performance Report](#). Manila.

^f The baseline was computed in April 2020 and assumed a pipeline of technical assistance that has evolved since then.

^g ADB. 2019. [ADB Corporate Results Framework, 2019–2024: Policy Paper](#). Manila.

^h All ADF-financed investment projects must complete a strategic procurement planning exercise.

ⁱ Projects contributing to climate change adaptation will strengthen disaster resilience to the extent that they increase resilience to extreme weather events.

^j This ADF target is at least as ambitious as the institutional target in ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila, which is expressed in terms of the number of operations and covers both sovereign and non-sovereign operations to 2030.

^k This key action and corresponding baseline exclude operations supporting regional health security because key action #16 already tracks the volume of ADF grants for regional health security during ADF 13.

^l ADB. [Lao People's Democratic Republic: Monsoon Wind Power Project](#).

^m ADB. 2021. [Pacific Approach, 2021-2025. Pacific Approach, 2021-2025](#). Manila.

ⁿ Refers to share of new resources available during ADF 13, excluding regional knowledge TA benefiting DMCs.

Source: Asian Development Bank.

Financial Updates

Table A2.1: Asian Development Fund 13 Financing Framework
As of 31 January 2023

Donor	Exchange Rate	Contribution Share (%)	Contribution Amount		
			US Dollar Equivalent	Unit of Obligation	
A. Nonregional					
Austria	0.902570	0.74	20,965,144	€	18,922,510
Canada ^a	1.320520	3.33	93,810,155	Can\$	123,878,185
Finland ^a	0.902570	0.31	8,762,021	€	7,908,337
France ^a	1.000000	1.86	52,369,231	\$	52,369,231
Germany	0.902570	2.82	79,639,633	€	71,880,344
Ireland	0.902570	0.53	15,068,083	€	13,600,000
Italy ^a	0.902570	1.58	44,539,482	€	40,200,000
Luxembourg ^a	0.902570	0.20	5,502,227	€	4,966,145
Netherlands ^a	0.902570	0.61	17,072,914	€	15,409,500
Norway	9.085595	0.78	22,133,938	NKr	201,100,000
Portugal	0.902570	0.00	132,954	€	120,000
Spain ^a	0.902570	0.50	14,061,181	€	12,691,200
Sweden ^a	9.534856	0.78	22,133,450	SKr	211,039,256
Switzerland ^a	0.988456	0.91	25,756,562	SwF	25,459,229
Türkiy ^a	1.000000	0.08	2,121,710	\$	2,121,710
United Kingdom	0.770063	5.42	152,762,041	£	117,636,395
United States ^a	1.000000	6.19	174,440,000	\$	174,440,000
Subtotal (A)		26.64	751,270,726		
B. Regional					
Australia	1.458396	10.28	290,044,679	A\$	423,000,000
Azerbaijana	1.000000	0.07	2,000,000	\$	2,000,000
Brunei Darussalam ^a	1.000000	0.01	230,000	\$	230,000
China, People's Republic of	7.017538	4.25	120,000,000	CNY	842,104,560
Hong Kong, China	1.000000	0.57	16,075,272	\$	16,075,272
India ^a	71.317744	1.82	51,380,000	₹	3,664,305,687
Indonesia ^a	1.000000	0.43	12,000,000	\$	12,000,000
Japan ^a	109.010000	35.00	987,078,106	¥	107,601,384,296
Kazakhstan ^b					
Korea, Republic of ^a	1,171.020000	2.89	81,460,877	W	95,392,316,005
Malaysia	1.000000	0.12	3,500,000	\$	3,500,000
New Zealand ^a	1.540248	0.57	16,125,385	NZ\$	24,837,092
Philippines ^a	1.000000	0.11	3,147,300	\$	3,147,300
Singapore ^a	1.000000	0.15	4,232,506	\$	4,232,506
Taipei, China ^a	30.375295	0.40	11,174,627	NT\$	339,432,580
Thailand ^a	30.235967	0.09	2,420,461	B	73,184,973

Donor	Exchange Rate	Contribution Share (%)	Contribution Amount	
			US Dollar Equivalent	Unit of Obligation
Subtotal (B)		56.76	1,600,869,213	
C. Total Basic Contribution (A + B)		83.40	2,352,139,939	
D. Supplemental Contribution ^c		0.32	8,996,151	
E. Structural Gap		16.28	459,087,077	
F. Contribution Sharing Basis (C + D + E)		100.00	2,820,223,167	
G. Total Donor Contribution (C + D)			2,361,136,090	
H. OCR Transfer ^d			1,169,700,000	
I. Income from Liquidity Investment			213,000,000	
J. Others ^e			337,200,000	
K. Total Replenishment Size (G + H + I + J)			4,081,036,090	

ADF = Asian Development Fund, OCR = ordinary capital resources, US = United States.

^a Some donors indicated their intention to participate in the accelerated note encashment program: (i) Finland, India, The Netherlands, New Zealand, the Philippines, Spain, and Thailand to increase their contribution shares; (ii) Azerbaijan; Brunei Darussalam; Canada; France; Indonesia; Italy; Japan; Republic of Korea; Luxembourg; Singapore; Sweden; Switzerland; and Taipei, China to meet their contribution shares; and (iii) the United States with the option on the use of the investment income to be decided.

^b Kazakhstan has indicated its desire or intention to contribute to the replenishment, subject to obtaining the authorization of its legislature, with the amount to be confirmed.

^c Contribution from Germany in ADF 13 (€8,119,656).

^d Subject to the approval of the Asian Development Bank's Board of Governors.

^e Refer to partial releases of ADF 12 set-asides for Disaster Response Facility and changes in debt distress.

Source: Asian Development Bank.

Table A2.2: Status of Asian Development Fund 13 Contributions

As of 31 January 2023

Donor	Gross Contribution ^a		Net Contribution in Unit of Obligation ^b	Instrument of Contribution Deposited in US Dollar		Installment Deposited	
	US Dollar	Unit of Obligation		Unqualified	Qualified		
	A. Nonregional						
Austria	20,965,144	€	18,922,510	18,922,510	20,965,144		✓ ✓
Canada ^c	93,810,155	Can\$	123,878,185	120,545,862		93,810,155	✓ ✓
Finland ^c	8,762,021	€	7,908,337	7,743,403	8,762,021		✓ ✓
France ^c	52,369,231	\$	52,369,231	50,960,499	52,369,231		✓ ✓
Germany ^d	88,635,784	€	80,000,000	80,000,000	88,635,784		✓ ✓
Ireland	15,068,083	€	13,600,000	13,600,000	15,068,083		✓ ✓
Italy ^c	44,539,482	€	40,200,000	39,118,620	44,539,482		✓ ✓
Luxembourg ^c	5,502,227	€	4,966,145	4,733,729	5,502,227		✓ ✓ ✓ ✓
Netherlands ^c	17,072,914	€	15,409,500	15,000,000	17,072,914		✓ ✓
Norway	22,133,938	NKr	201,100,000	201,100,000	22,133,938		✓ ✓
Portugal	132,954	€	120,000	120,000	132,954		✓ ✓
Spain ^c	14,061,181	€	12,691,200	12,000,000	14,061,181		✓ ✓ ✓ ✓
Sweden ^c	22,133,450	SKr	211,039,256	211,039,256	22,133,450		✓ ✓
Switzerland ^c	25,756,562	SwF	25,459,229	24,774,375		25,756,562	✓ ✓ ✓ ✓
Türkiye	2,121,710	\$	2,121,710	2,121,710	2,121,710		✓ ✓
United Kingdom	152,762,041	£	117,636,395	117,636,395	152,762,041		✓ ✓
United States ^{c,e}	174,440,000	\$	174,440,000	174,440,000			
Subtotal (A)	760,266,877				466,260,160	119,566,717	
B. Regional							
Australia	290,044,679	A\$	423,000,000	423,000,000	290,044,679		
Azerbaijan ^c	2,000,000	\$	2,000,000	1,929,600	2,000,000		✓ ✓ ✓
Brunei Darussalam ^c	230,000	\$	230,000	219,236	230,000		✓ ✓ ✓ ✓
China, People's Republic of	120,000,000	CNY	842,104,560	842,104,560	120,000,000		✓ ✓
Hong Kong, China	16,075,272	\$	16,075,272	16,075,272	16,075,272		✓ ✓
India ^c	51,380,000	₹	3,664,305,687	3,565,887,200	51,380,000		
Indonesia ^c	12,000,000	\$	12,000,000	11,830,800		12,000,000	✓ ✓ ✓
Japan ^c	987,078,106	¥	107,601,384,296	104,706,907,059	987,078,106		✓ ✓
Kazakhstan ^b		T					
Korea, Republic of ^c	81,460,877	W	95,392,316,005	92,778,566,546	81,460,877		✓ ✓
Malaysia	3,500,000	\$	3,500,000	3,500,000	3,500,000		✓ ✓
New Zealand ^c	16,125,385	NZ\$	24,837,092	24,170,000	16,125,385		✓ ✓
Philippines ^c	3,147,300	\$	3,147,300	3,000,000	3,147,300		✓ ✓ ✓ ✓
Singapore ^c	4,232,506	\$	4,232,506	4,034,425	4,232,506		✓ ✓ ✓ ✓
Taipei, China ^c	11,174,627	NT\$	339,432,580	330,301,844		11,174,627	✓ ✓
Thailand ^{c,i}	2,420,461	B	73,184,973	71,219,320	2,420,461		✓ ✓ ✓ ✓
Subtotal (B)	1,600,869,213				1,577,694,586	23,174,627	
Total (A + B)	2,361,136,090				2,043,954,746	142,741,344	

US = United States.

^a Includes the investment income expected to be earned as a result of any accelerated encashment.^b Actual payment net of the expected investment income to be generated by the accelerated encashment.^c Some donors indicated their intention to participate in the accelerated note encashment program: (i) Finland, India, The Netherlands, New Zealand, Philippines, Spain, and Thailand to increase their burden shares; (ii) Azerbaijan, Brunei Darussalam, Canada, France,

Indonesia, Italy, Japan, the Republic of Korea, Luxembourg, Singapore, Sweden, Switzerland, and Taipei, China to meet their burden share; and (iii) the United States with the option on the use of the investment income to be decided.

^d Includes supplemental contribution of €8,119,656 (\$8,996,151 equivalent).

^e The United States received authorization for its contribution to Asian Development Fund 13 on 29 December 2022. Arrangements are being made to submit the instrument of contribution and make an installment payment.

^f Azerbaijan opted for the 3-year accelerated note encashment program, wherein 64.78% of the total net contribution has been received.

^g Indonesia opted for the 3-year accelerated note encashment program, wherein 66.67% of the total net contribution has been received.

^h Kazakhstan has indicated its desire or intention to contribute to the replenishment, subject to obtaining the authorization of its legislature, with the amount to be confirmed.

ⁱ The Asian Development Bank's Board of Directors approved the acceptance of Thailand's additional contribution on 13 July 2021 (Asian Development Bank. 2021. *Twelfth Replenishment of the Asian Development Fund and Seventh Regularized Replenishment of the Technical Assistance Special Fund: Additional Contribution by Thailand*. Manila).

Source: Asian Development Bank.

Table A2.3: Asian Development Fund
Delayed Payments and Amounts Withheld
(million)

Donor	Delayed Payment		Pro Rata Exercise ^a	
	Local Currency	US Dollar Equivalent	Local Currency	US Dollar Equivalent
A. ADF 12				
United States	\$27.2 ^b	27.2 ^b		
Subtotal (A)		27.2		
B. ADF X				
France			\$37.1 ^c	37.1 ^c
Germany			€37.7 ^c	40.9 ^c
Türkiye			TL1.9 ^c	0.1 ^c
United States	\$161.1 ^d	161.1 ^d		
Subtotal (B)		161.1		78.1
C. ADF IX				
Germany			€12.6 ^e	13.7 ^e
Türkiye			\$0.5 ^e	0.5 ^e
United States	\$42.3 ^e	42.3 ^e		
Subtotal (C)1		42.3		14.2
Total (A + B + C + D)		230.6		92.3

ADF = Asian Development Fund, TL = Turkish lira, US = United States.

Notes:

- Numbers may not sum precisely because of rounding.
- Amounts include the allocation to the Technical Assistance Special Fund.
- The United States' delayed ADF 13 payments are excluded because the instrument of contribution has not yet been provided.

^a Installment payments withheld for commitment based on the exercise of pro rata right (i.e., the resolutions authorizing ADF IX–XI give members the right to reduce the availability of their installment payments on a pro rata basis if a qualified contributor has not paid its installment payment in full).

^b The balance of the fourth installment (57.48%).

^c 100% of the fourth installment.

^d The balance of the third installment (39.75%) and 100% of the fourth installment.

^e The balance of the fourth installment (36.68%).

Asian Development Fund 13 (2021–2024) Midterm Review

This is part of a set of reports highlighting the progress in the commitment of the Asian Development Bank (ADB) to Asian Development Fund (ADF) 13 donors to expand support for inclusive and sustainable development in the poorest and most vulnerable countries of Asia and the Pacific. The reports have been prepared for discussion with donors during the ADF 13 midterm review.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members —49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



