

**JAPAN SPECIAL FUND (JSF)
TECHNICAL ASSISTANCE AND RESOURCE ALLOCATION
2009 POLICY GUIDELINES**

1. **Objective.** To provide technical assistance (TA) grants to ADB developing member-countries (DMCs), or their agencies, to help prepare ADB projects or programs, provide sector- or economy wide context and for institution and capacity-building and knowledge management and support regional activities. Grants approved under the program are subject to the criteria set forth in these Guidelines.

2. **Priority Areas and Activities.** All sectors are eligible for TA grants financed by JSF. TA grants should fall under any of the following types¹:

- (i) *Capacity development technical assistance (CDTA)* - to undertake institutional and organizational capacity development and to support the implementation, operation and management of ADB-financed projects.
- (ii) *Policy and advisory technical assistance (PATA)* - to finance sector-, policy-, and issues-oriented studies.
- (iii) *Research and development technical assistance (RDTA)* - to address development issues of a global or Asia and Pacific – wide nature;
- (iv) *Project Preparatory TA (PPTA)* – TA to prepare projects for financing by ADB and/or other external sources.

When proposing these, please ensure that such TAs are listed in the Country Operations Business Plan (COBP) or Regional Country Operations Business Plan (RCOBP), whether approved as a stand-alone document or attached to the Country Partnership Strategy Paper (CPS) or the Regional Cooperation Strategy document (RCS) otherwise concept clearance should be obtained from the respective Vice President or the Managing Director-General. TA proposals other than those mentioned should be clearly linked to ADB's operations and must demonstrate value-added results from ADB's involvement. In addition, the use of JSF should be fully justified in the proposal. Studies or workshops will not be supported by JSF unless the activities contribute to strengthening partnership between Japan and the recipient DMCs. TAs deemed eligible for thematic Japanese Trust Funds, i.e. the Asian Clean Energy Fund (ACEF) and the Investment Climate Facilitation Fund (ICFF), shall be considered as candidates for ACEF or ICFF. Once proposals are submitted for ACEF and ICFF consideration, these are not supposed to be submitted to JSF simultaneously.

Any TA which will provide assistance to an individual entity other than national or local government will not be approved except in cases where such assistance will provide visible benefits to the society, such as environmental protection.

Priority will also be given to TA proposals which will enhance Japan's visibility in the region, particularly those which will involve Japanese aid agencies like JBIC or JICA, or Japanese NGOs. On the other hand, any TA proposal which will overlap with other Japanese bilateral assistance will not be supported by JSF.

¹ In July 2008, ADB approved the R-Paper *Increasing the Impact of the ADB's Technical Assistance Program* and implemented a TA reform initiative which included product reforms to improve the development effectiveness and strategic focus of TAs including changes in the nomenclature for TAs and identified three new types-research and development TA (RDTA), capacity development TA (CDTA) and policy and advisory TA (PATA). Project Preparatory TA (PPTA) type has been maintained. Procedural reforms to improve quality and ownership were introduced, as well as financial management improvements.

3. Funding Proposal and Amount. As early as during the concept stage and prior to entering it in the ADB's information systems, the proponent Department is requested to provide advance information to OCO indicating the title of the proposal, DMC recipient, amount and a one-paragraph description. The submission should identify and disclose any sensitive aspects as well as potential risks that may arise as a result of the project (e.g., adverse environmental impacts, resettlement, etc.). OCO will provide an initial assessment as to whether JSF funding could be considered. JSF grant proposals are approved by the Government of Japan (GOJ) in the form of a project profile submitted through the Office of Cofinancing Operations (OCO). The project profile contains basic data, purpose and specific TA components, and expenditure categories. For CDTAs, PATAs and RDTAs, a logical framework is also attached. The maximum amount per proposal is \$2 million, however, this may be exceeded where the need is justified and adequately explained.

Specific and concrete goals or objectives to be addressed by the TA, including measurable indicators (to the extent possible, quantitative indicators), should be described fully in the project profiles. Concomitant risks should also be mentioned. All TA proposals, except studies or workshops under Regional TAs, must be explained to, with a concept paper, and discussed with the local Embassy of Japan² at an early stage, i.e. before formal submission to OCO. Most importantly the project profile should include the details of such discussions. There may be some cases where the funding source has not been decided at the time of fact-finding mission and JSF financing is proposed later on. In such cases, proposals can be sent to the Embassy of Japan before submission to OCO, which should be mentioned in the project profile. In order to expedite the approval process, information sharing with JICA/JBIC local office is also recommended.

4. Eligible Expenditures. Eligible expenditures include: (i) consultant services and; (ii) non-consultant costs for local training, workshops, minimal equipment such as computers, etc., and operating costs essential to carry out the technical assistance, including rent of vehicles, if justified. Non-consultant costs which will not be paid through consultants, and therefore to be paid directly by the ADB or the Executing Agency and to be reimbursed by ADB later, shall be limited to 10% of the total grant amount. CDTAs should clearly indicate whether it is capacity building for the Executing Agency or stakeholders.

5. Ineligible Expenditures. The following are ineligible expenditures: study tours, foreign training, purchase of vehicles (except when the use of and the need to purchase or lease a vehicle is fully justified), salaries for civil servants in recipient countries, scholarships or long internships, detailed engineering, civil works and other related expenses.

6. Progress Reporting. The TA Supervising Unit (TASU) officer will be responsible for preparing progress reports and TA Completion Reports required by ADB, with copy to OCO.

7. Reallocation of Funds and Changes in Scope. Reallocations of TA expenditure categories and activities, including dropping or adding new eligible categories or activities, must be approved by the TASU Director or head and circulated inter-departmentally as per existing Project Administration Instructions (PAI), etc.. A request must be submitted to OCO which will determine if approval is required from GOJ.

² The list of Japanese Embassy focal persons is found in the Cofinancing Website which may be accessed through the ADB Portal.

8. Cancellation. In cases where a JSF-financed TA has not been signed 12 months after ADB approval or where a TA has not been implemented 6 months after the TA becomes effective, the TA should be cancelled unless the delay is justified.

9. Japan Visibility and Coordination with Local Embassy of Japan Officials. In order to ensure harmonization and coordination with Japanese policies, TASU officers are required to consult with the local Embassy of Japan about the TA proposal before submitting the Project Profile to OCO for processing. The concept paper/draft proposal must be explained to and discussed with the Embassy of Japan, with a brief summary which outlines the proposal. Documents should be submitted to the Embassy at least seven working days before the consultation to give the Embassy official time to consider them. Any comments made by the Embassy should be reflected and summary of the consultation should be included in the Project Profile submitted to OCO. This step is crucial as GOJ places importance on the comments of the local Embassy of Japan during the internal approval process. In cases where a meeting with the Embassy is not possible, email exchange, telephonic discussion or any other form of interactive communication may be used.

Once the proposal has been approved by ADB, TASU officer should inform the local Embassy of Japan about the approval. TASU officers are strongly encouraged to stage signing ceremonies related to the TA Letter of Agreement or launching ceremonies, etc. for JSF grants in the field, with the attendance of Japanese embassy officials. In coordination with the Resident Mission (RM), the TASU Officer should aim to inform the Embassy of Japan as well as OCO – which will alert the Japanese authorities in Tokyo -- at least ten working days in advance of the signing ceremony. The TASU officer should also draft a news release in consultation with the Department of External Relations and coordinate arrangements for the RM to invite the local and international press to these ceremonies. From time to time, the Embassy of Japan should be informed about project progress and milestones especially when major changes in scope and objectives are required. Throughout all phases of the project, from concept to completion, the TASU officers should answer inquiries from the Embassy of Japan regarding the project and discuss where necessary.

Decisions on any future JSF grant for a DMC would take into consideration the ADB's and recipient's efforts to comply with the above. In addition, OCO will promote the visibility of the JSF by: (i) informing Department Heads of the importance of signing ceremonies to Japanese officials and the public to ensure recognition and support for JSF funding; and (ii) continuing widespread distribution of the JSF Annual Report, inclusion of JSF information in relevant ADB documents, and occasional information sessions on JSF for Japanese organizations.

10. Maintenance of Documentation. Operational Departments will keep copies of key documentation, related to JSF grants, for example, Terms of Reference and consultant contracts, reports and other outputs prepared by consultants, status reports, etc., in accordance with ADB's document retention policy.

11. Schedule. OCO will submit proposals to GOJ four times in 2009 (see table below). OCO will announce the batch schedule and remind the deadlines in the daily electronic newspaper (ADB Today), ADB intranet, and the JSF website. GOJ will confirm its decisions on proposals (whether they are approved or rejected) within four weeks from OCO's submission to GOJ where GOJ is satisfied with the contents of the application. In case GOJ requires clarifications, the final decision on the proposal may take longer.

The schedule covers regular processing of TA proposals however a special batch for urgent proposals may be arranged. Additionally, these guidelines may be eased whenever ADB and GOJ consider it necessary and urgent for operational expediency.

Proposed 2009 Batch Processing Schedule	
Deadline for Submission to OCO	Timetable for OCO's Submission to GOJ
Batch I: 02 March	Batch I: 12 March
Batch II: 11 May	Batch II: 21 May
Batch III: 13 July	Batch III: 23 July
Batch IV: 14 September	Batch IV: 24 September

* An in-between batch may be arranged between the last batch in September and the next batch of the following year.

Operational Staff are encouraged to share the 2009 Policy Guidelines Document with Client Country Staff, including central ministries.

12. Fund Allocation. In 2009, \$60 million is the JSF indicative budget allocation for TA projects to be approved through 4 batches during the year. In addition, the Crisis Response Window can provide up to \$100 million over three years for JSF TAs and JFPR grants.