

I. BACKGROUND

A. Overview

1. The 2005 Annual Report of the Japan Fund for Poverty Reduction¹ (JFPR) is the fifth such report and covers the period from 1 January to 31 December 2005. The report describes the background and rationale, implementation progress, and achievements of the JFPR.

2. The JFPR was established in May 2000 and provides direct grant assistance to the poorest and most vulnerable groups in developing member countries (DMCs) while fostering long-term social and economic development. The grants target initiatives in poverty reduction and foster the direct participation of nongovernment organizations (NGOs), community groups, and civil society.

B. Purposes

3. The main purposes of the JFPR are to:

- (i) provide direct relief to the poor and most vulnerable groups;
- (ii) use innovative methods in social development;
- (iii) apply community-driven, participatory approaches to achieve rapid results that create ownership by beneficiaries of development activities;
- (iv) support capacity building activities to build a solid foundation for sustainable development; and
- (v) promote cooperation with NGOs.

C. Activities

4. The JFPR grants support a distinct set of priorities to create rapid results and ensure long-term sustainability. The JFPR provides financing for activities that have a strong relation to and enhance the effectiveness of projects financed by the Asian Development Bank (ADB). Typical activities covered include the following.

- (i) Provision of basic economic and social services to the poor, including pilot-testing types of activities, such as community-level water supply and sanitation, small clinics, local product market facilities, and skills training centers.
- (ii) Support to social development funds that channel funding to small-scale programs such as child nutrition, reproductive health, skills training, and microfinance, which are targeted to benefit the poor and communities that are otherwise excluded from access to jobs and essential services.
- (iii) Support for NGO activities in poverty reduction and social development, by assisting NGOs with processing projects in a participatory manner, facilitating community involvement in project implementation, building capacity at the grassroots level, and monitoring project progress.

¹ The Government of Japan established a similar facility at the World Bank called the Japan Social Development Fund.

- (iv) Capacity building for local governments, community-based organizations (CBOs), and local NGOs for designing, implementing, monitoring, and evaluating projects and pilot testing activities in conjunction with ADB-financed projects.

D. Types of Grants

5. There are two types of JFPR grants:

- (i) **Project grants** finance (a) activities directly providing relief measures, supporting the improvement of services and facilities for poorer population groups, or reinforcing/reinvigorating social safety nets; or (b) innovation and testing of new approaches, particularly in the social sectors.
- (ii) **Capacity-building grants** finance capacity building and improvement measures, for example, to bolster local communities and NGOs through learning by doing, to expand the capabilities or coverage of institutions involved in social funding, or to support local governments working with communities on ADB-funded projects and/or programs.

E. Focus

6. The Directional Guidance for 2005, as agreed between the Government of Japan and ADB, stressed that JFPR grants should complement ADB-financed operations and programs compatible with the development objectives of the country support program, poverty reduction strategy paper/national poverty reduction strategy, poverty partnership agreement, or poverty reduction elements of the sector strategies. The grants should focus on activities that: (i) respond directly to the needs of the poorest and most vulnerable groups, through new and innovative methods; (ii) support initiatives that lead to rapid, demonstrable benefits with positive prospects of developing into sustainable activities; and/or (iii) build ownership, capacity, empowerment, and participation of the local communities, NGOs, and other civil society groups to facilitate their involvement in operations financed by ADB.

F. Japan's Contribution

7. In May 2000, the Government of Japan made an initial contribution of ¥10 billion (approximately \$92.6 million) to the JFPR. This was followed in March 2002 by an additional contribution of ¥7.9 billion (about \$61.1 million), and \$90 million transferred by the Government of Japan from the Asian Currency Crisis Support Facility (ACCSF) to the JFPR. In March 2003, ¥7.1 billion (about \$59.9 million) was transferred to ADB, while in March 2004 and March 2005, additional ¥2.6 billion (about \$23.3 million) and ¥1.9 billion (about \$18.0 million) were transferred. The total Government of Japan contribution as of 31 December 2005 was about \$344.9 million.