

I. BACKGROUND

A. Overview

1. The 2007 Annual Report of the Japan Fund for Poverty Reduction (JFPR) is the seventh such report and covers the period from 1 January to 31 December 2007. The report describes the background and rationale, implementation progress, and achievements of JFPR.

2. JFPR was established in May 2000¹ and provides direct grant assistance to the poorest and most vulnerable groups in developing member countries² of the Asian Development Bank (ADB), while fostering long-term social and economic development. The grants target poverty reduction initiatives with direct participation of nongovernment organizations (NGOs), community groups, and civil society.

B. Objectives

3. The main objectives of 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. JFPR grants support a distinct set of priorities to create rapid results and ensure sustainability over the long term. JFPR provides financing for activities that have a strong relation to and enhance the effectiveness of projects financed by ADB. Typical activities include:

- (i) providing basic economic and social services to the poor, including pilot-testing activities such as community water supply and sanitation, small clinics, local product market facilities, and skills training centers;
- (ii) supporting 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;

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

² See Appendix 2 for the complete list of these countries.

- (iii) supporting NGO activities for poverty reduction and social development by carrying out projects in a participatory manner, facilitating community involvement in project implementation, building capacity at the grassroots level, and monitoring project progress; and
- (iv) building the capacity of local governments, community-based organizations, and local NGOs so they can design, implement, monitor, and evaluate projects and pilot test activities in conjunction with ADB-financed projects.

D. Types of Grants

5. There are two types of JFPR grants.

- (i) Project grants finance (a) relief measures, supporting improvements to services and facilities for poorer population groups, or reinforcing and 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, expanding the capabilities or coverage of institutions involved in social funding, or supporting local governments working with communities on ADB-funded projects and programs.

E. Focus

6. The directional guidance for 2007, as agreed by 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 partnership strategy or program, national poverty reduction strategy or paper, 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 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 (about \$92.6 million) to 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 to the JFPR. In March 2003, ¥7.1 billion (about \$59.9 million) was transferred to ADB, while in March 2004 and March 2005, an additional ¥2.6 billion (about \$23.3 million) and ¥1.9 billion (about \$18.0 million), respectively, were transferred. On 24 March 2006, the Government of Japan contributed \$15.5 million, bringing its total contributions to about \$360.4 million.

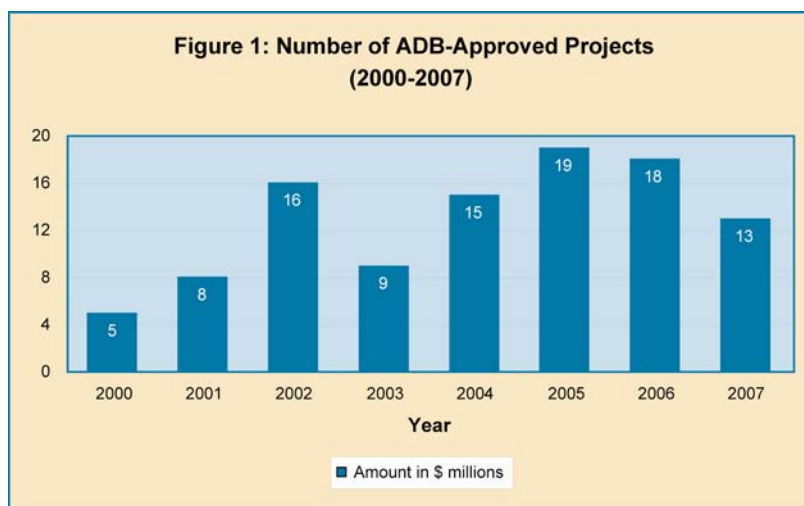
G. Commitments and Financial Status

8. By 31 December 2007, JFPR had committed a total of \$268.8 million for 105 projects. Of this amount, \$247.4 million for 93 projects was outstanding, i.e., letters of agreement (LOAs) had been signed. By the end of 2007, taking into account JFPR's income from investments, interest earned from the bank accounts, and Government of Japan-approved projects that were still awaiting ADB approval,³ about \$151.7 million was available for further commitments. Appendix 3 presents the audit report and financial statement for 2006 and 2007.

II. OVERVIEW OF JFPR OPERATIONS IN 2007

A. JFPR Processing and Approvals

9. In 2007, ADB approved 13 projects worth a total of \$22.0 million (Appendix 4—List of ADB-Approved Projects), bringing total ADB approvals to 103 projects amounting to \$266.3 million. Of the 103 projects, however, 5 projects worth \$9.9 million have been canceled. This amount has been returned to the uncommitted fund. Figures 1 and 2 show the number and amount of ADB-approved JFPR projects from 2000 to 2007. In 2006, 2 projects for Afghanistan totaling \$38.0 million were approved, thus, causing the noticeable increase in the amount of approvals for that year.



³ These comprise four projects worth a total of \$8.22 million.