

## I. BACKGROUND

1. Established in March 1988, the Japan Special Fund (JSF), has actively pursued its mandate to support the efforts of the Asian Development Bank (ADB) to promote the social and economic progress of the Asia and Pacific region by contributing to the financing of ADB's technical assistance (TA) program in its developing member countries (DMCs) (Appendix 1). To assist the region in recovering from the currency crisis and in restructuring the affected economies, additional TA is being made available to enable governments of the region to plan, control, and sustain development projects and programs, particularly for weakened social infrastructure.

2. The JSF's role has become even more important since 1999, when ADB refocused its goals on poverty reduction. ADB's DMCs must now confront extensive poverty and its corresponding social ills. To respond to this challenge, the JSF has evolved into a significant partner in combating Asia's poverty and furthering ADB's development activities and plans to improve the quality of life in the region in areas such as health, education, and infrastructure improvement.

3. As administrator of the JSF, ADB processes TA proposals in batches during the year. Critical TA proposals needing urgent attention are processed on a case-by-case basis. The JSF has a two-step approval process, involving initial and final approval. After careful screening of suitable TAs by the Office of Cofinancing Operations, an initial approval is sought from the JSF authorities in the Government of Japan. The JSF authorities undertake a thorough review of the proposals and seek clarifications, as necessary, to gain a complete understanding of the TA proposal and to maintain project quality. The JSF authorities then advise ADB of the proposals receiving their initial approval. Once a proposal is reviewed and approved by an interdepartmental staff review committee, final approval for JSF financing is sought from the JSF authorities.