

II. JAPAN SPECIAL FUND OPERATIONS IN 2004

A. Operational Highlights

3. As ADB continues to sharpen its strategies and policies to reduce poverty in the region and increase its development effectiveness, the JSF has continued to support its operations and particularly its TA program.

about 131 million people in an area of about 147,570 square kilometers. As high population density favors labor-intensive farming on fertile land and small-scale farming, agriculture continues to be a critical sector of the economy, generating about 30% of gross domestic product and employing about 70% of the labor force.

TECHNICAL ASSISTANCE APPROVALS (2004)

Between 1 January and 30 June 2004, ADB approved 4 technical assistance (TA) grants for JSF funding of \$2.6 million.

Between 1 July and 31 December 2004, ADB approved 67 TA grants for JSF funding of \$37.4 million.

1. Improving Rural Infrastructure in Bangladesh (Box 1)

4. Bangladesh is one of the world's most densely populated countries, with

5. Bangladesh is also one of the poorest countries in the world—about half of the population is poor. Economic development and poverty reduction are therefore overriding development priorities. With about 77% of the population and some 90% of the poor living in the rural areas, there is an acute need for employment-intensive activities in the nonfarm sector, effective education and health services, and better protection against natural disasters. Rural transport and market facilities must improve to meet these needs.

COMPARISON BETWEEN 2003 AND 2004 TECHNICAL ASSISTANCE APPROVALS

Period Covered	2003		2004	
	No. of Projects	\$'000	No. of Projects	\$'000
January–June	19	10,500.0	4	2,600.0
July–December	48	26,390.0	67	37,421.5
Total	67	36,890.0	71	40,021.5

Box 1: Second Rural Infrastructure Improvement Project, Bangladesh

The technical assistance (TA) addresses broader concerns of rural and social development besides road improvements. It also deals with specific problems that adversely affect the poor in especially disadvantaged parts of the Project, such as submersible access roads, which are subject to deep seasonal flooding. The TA is helping the Government draft a project proposal to augment rural livelihoods through improvements in rural infrastructure, reduce rural poverty, and strengthen local governance in Bangladesh. The ensuing Project will improve rural infrastructure in 23 districts in Rajshahi, Dhaka, and Chittagong divisions and increase economic opportunities for the rural poor by improving rural infrastructure. The Project will (i) build stakeholder capacity and strengthen local governance; (ii) upgrade rural infrastructure; (iii) provide income-generating activities for the rural poor; and (v) provide institutional support for effective management.

Source: ADB. 2004. *Technical Assistance to the People's Republic of Bangladesh for Preparing the Second Rural Infrastructure Improvement Project*. Manila (TA 4516-BAN, \$400,000, approved on 20 December 2004).

2. Improving Access to Basic Social Infrastructure in Azerbaijan (Box 2)

6. Despite the relatively rapid growth in gross domestic product per capita, many people in Azerbaijan have no access to adequate social infrastructure services such as drinking water and sanitation, education, and health care. These services have significantly deteriorated since independence in 1991. At the same

time, demand for these services is increasing, particularly in the urban areas. Internally displaced persons (IDPs) are among the most vulnerable segments of the population. About 382,000 IDPs are reported to live in temporary shelters with no access to basic services. Other vulnerable groups that also lack access to adequate social infrastructure are the unemployed, female-headed households, pensioners, and the disabled.

Box 2: Social Infrastructure for Internally Displaced Persons and Vulnerable Population Project, Azerbaijan

The Project is aimed at improving access to basic social infrastructure for vulnerable segments of the population, including internally displaced persons (IDPs), while at the same time building the capacity of local government and community groups to identify priorities, make strategic plans, and improve the quality and coverage of service. The Project involves (i) subproject investments in new, rehabilitated, or upgraded housing or municipal infrastructure (e.g., public schools, water supply, and sanitation) for IDPs; (ii) support for local initiatives to improve social infrastructure services, using a community-driven development approach; (iii) capacity building for municipalities, local executive committees, community groups, and other project partners; and (iv) support for project management.

Source: ADB. 2004. *Technical Assistance to the Republic of Azerbaijan for Preparing the Social Infrastructure for Internally Displaced Persons and Vulnerable Population Project*. Manila (TA 4478-AZE, \$500,000, approved on 14 December 2004).

3. Preparing the Gas Transportation Project Through Public-Private Partnership in Indonesia (Box 3)

7. Among Southeast Asian countries, Indonesia is particularly well endowed with natural gas resources. It has about 177 trillion cubic feet (TCF) in current reserves, half of those proven. At the current production rate (around 3 TCF per year over the last 7 years), the reserves are good for well over 50 years. About 70% of the gas produced is exported as liquefied natural gas and through

pipelines, and the rest is consumed by the country. While some major reserves are far from the main consumption centers, significant reserves in South Sumatra are less than 600 kilometers from the Jakarta area. Government reports indicate some 7 TCF of remaining reserves in West Java alone, although these have not been developed. This potential if realized, coupled with the South Sumatra reserves, should secure the gas supply to the Java market over the medium term.

Box 3: Gas Transportation Project Through Public–Private Partnership, Indonesia

In this two-part project, the scope of work in part A consists of assisting the Government of Indonesia in selecting an optimum gas transportation scheme for Java. The choice will be based on the findings of the gas sector development plan prepared with ADB assistance and the gas pricing and utilization study being done with the help of the World Bank. The potential for increasing the share of gas in the country's energy mix, using gas pricing and other appropriate policies, will be evaluated.

Subject to the conclusions of part A, detailed studies will be done in part B to formulate and implement the gas transportation project identified in part A. The gas market will be assessed, front-end engineering design will be carried out, environmental and social impact will be determined, and an “optimum” project structure and financing plan based on public-private partnership will be prepared.

Source: ADB. 2004. *Technical Assistance to the Republic of Indonesia for Preparing the Gas Transportation Project Through Public–Private Partnership*. Manila (TA 4360-INO, \$910,000, approved on 20 July 2004).

4. Preparing a Renewable Energy Development Project in Pakistan (Box 4)

8. Pakistan is a net importer of energy. Each year it imports \$3 billion worth of oil, or about 30% of total import value, for its energy needs. Oil imports place a heavy foreign exchange burden on the Government, particularly with the recent increases and continuous fluctuation in oil prices. Most of the oil is used to generate electricity. More than

70% of Pakistan's electricity comes from thermal sources, a little less than 30% is hydroelectric power, and less than 1% comes from renewable and other sources. Even with all its energy imports, Pakistan still faces a 20% shortage in power. To address this shortage and promote its decentralization policy, the Government of Pakistan has delegated authority to the provinces to develop up to 50 megawatts of generating capacity for their energy needs. Installing small-scale power generation technologies close to the load

being served (distributed generation) has significant advantages. It will not only help meet the power shortage but also

ensure more reliable and better-quality supply of power.

Box 4: Renewable Energy Development Project, Pakistan

The technical assistance is aimed at evaluating ways of developing renewable sources of energy, primarily wind and solar energy and thermal heating systems for domestic and industrial use, as well as bagasse cogeneration of power and possibly biomass energy.

Source: ADB. 2004. *Technical Assistance to the Islamic Republic of Pakistan for Preparing the Renewable Energy Development Project*. Manila (TA 4425-PAK, \$550,000, approved on 5 November 2004).

B. Recognition of Japan Special Fund Assistance

9. JSF grant recipients recognize the significance of JSF assistance. The Government of Japan, for its part, appreciates activities such as TA signing ceremonies, speeches, press releases, and printed materials that boost visibility for JSF financing, and encourages recipients to support efforts at greater visibility.

10. Two high officials from the Government of Viet Nam and ADB's country director participated in the signing ceremony at the State Bank of Viet Nam for the JSF-funded project

preparatory TA grant titled Rural Infrastructure for Sustainable Livelihood Improvement in the Central Region. The first secretary and head of the economic section of the Embassy of Japan witnessed the signing of the TA agreement. The TA will support improvements in rural infrastructure in the provinces of Ha Tinh, Nghe An, Quang Binh, Quang Nam, Quang Tri, and Thanh Hoa in the Central Region (Box 5) and thus help reduce rural poverty in Viet Nam.¹

¹ ADB. 2004. *Technical Assistance to the Socialist Republic of Viet Nam for Preparing the Rural Infrastructure for Sustainable Livelihood Improvement in Central Region Project*. Manila (TA 4440-VIE, \$800,000, approved on 19 November 2004).

11. In a speech at a 3-day high-level meeting on key Doha Round issues in Osaka, Japan, the chief economist of ADB's Economics and Research Department expressed deep appreciation for the "keen interest" shown by the local authorities in hosting high-level meetings on World Trade Organization issues and thanked the Government of Japan for its financial support, through the Japan Special Fund (Box 6).

12. A second best-practices dialogue was convened at ADB headquarters under

the third phase of the JSF-funded regional TA grant that is aimed at strengthening the institutional and technical capabilities of Asian domestic credit rating agencies in capital market development. The 1-day event, organized by ADB's Office of Regional Economic Integration, was attended by chief executive officers of domestic credit rating agencies in the region that are members of the Association of Credit Rating Agencies in Asia (Box 7).

JSF VISIBILITY

The Government of Japan (GOJ) appreciates the visibility generated by technical assistance (TA) signing ceremonies, which promotes public awareness of Japan Special Fund (JSF)-financed TAs and will help make the case for continuing support for JSF.

Based on experience during well-attended signing ceremonies, in particular, for TA projects for the Philippines, GOJ offers a few suggestions for further strengthening JSF visibility during signing ceremonies to be attended by local Japanese Embassy officials. Activities that will increase the visibility of this fund are the following:

Press Release: The attendance of the GOJ official is clearly mentioned in press releases. In this connection, the ten-day notice period is required for informing Tokyo, for the preparation of appropriate press releases, and other logistic and physical arrangements.

Speech: The signing ceremonies should be an opportunity for the GOJ representative to deliver a goodwill message.

Physical Arrangement: Appropriate seating arrangement for the representative of GOJ, the donor, should be provided.

Printed material: It is suggested to make appropriate but simple mention of the assistance from GOJ, through the JSF in the printed materials, for example, handouts, brochures, banners, etc. to be used and distributed in workshop and seminars.

Newsletter: Short articles regarding these activities may also be incorporated in the Resident Mission Newsletter. Site visits by GOJ/JSF authorities to specific TA projects may also be featured (see <http://cofinancing.asiandevbank.org/>).

Box 5: Rural Infrastructure for Sustainable Livelihood Improvement
in the Central Region Project, Viet Nam

ADB NewsRelease

VIET NAM RESIDENT MISSION, ASIAN DEVELOPMENT BANK

Agreement Signed for Grant to Develop Rural Infrastructure in Viet Nam's Deprived Central Region (4440-VIE)

HANOI, VIET NAM – ADB and the Government of Viet Nam today signed an agreement for a project preparatory technical assistance grant of US\$800,000 to develop a rural infrastructure project to improve livelihoods in remote deprived areas of the country's Central Region.

The grant, approved on 19 November 2004, is from ADB's Japan Special Fund, financed by the Government of Japan.

Signing on behalf of ADB at the ceremony, held this morning at the State Bank of Viet Nam, was Bradford Philips, Country Director, Viet Nam Resident Mission. Tran Minh Tuan, Deputy Governor of the State Bank of Viet Nam, and Pham Hong Giang, Vice Minister of Agriculture and Rural Development, signed on behalf of the Government. Also present at the signing ceremony was Mr. Yasukata Fukahori, First Secretary and Head of Economic Section, from the Japanese Embassy.



Box 6: Capacity Building of Developing Member Countries on Selected World Trade Organization and Doha Development Agenda Issues Project, Regional



**Today's
Event**

High-level meeting: WTO key Doha Round issues Osaka

The meeting aims to monitor the developments of the ongoing Doha Development Agenda, evaluate implications to DMCs of the Hong Kong Ministerial Meeting in December and enable DMCs to apply policy options learned. Senior trade officials from 27 DMCs will attend. Chief Economist Ifzal Ali will give the opening remarks. *Teruo Ujiie, 5904*

The high-level meeting on World Trade Organization (WTO) key Doha Round issues—the first activity under 6220-RETA approved on 21 December 2004: Capacity Building of Selected Developing Member Countries on WTO and Doha Development Agenda Issues, \$400,000 grant from Japan Special Fund, funded by the Government of Japan—was held in Osaka, Japan.

Among the resource persons were former US Trade Representative Carla Hills, Osaka Governor Fusae Ohta, and Chief Economist Ifzal Ali. Senior trade officials who attended the meeting included Azerbaijan Deputy Minister of Foreign Affairs Mamed Kuliyyev; Indian Undersecretary of the Department of Economic Affairs, Ministry of Finance, Ram Mohan; Nepal Joint Secretary, Ministry of Industry, Commerce and Supplies, Naindra Prasad Upadhaya; and Pakistan Joint Secretary for WTO, Ministry of Commerce, Qasim Mohammad Niaz.



Box 7: Association of Credit Rating Agencies in Asia (ACRAA) Best Practices Dialogue

The second best-practices dialogue was organized under 6191-RETA (Capacity Building of Selected Credit Rating Agencies in Asia, Phase III) approved on 11 October 2004 and funded with a \$300,000 grant from the Japan Special Fund. The following topics were discussed:

1. Role of Rating Agencies under Basel II: Issues in Harmonization and Mapping with Global Agencies
2. Cross-Sector Consistency of Ratings: How to Manage and Measure
3. "Through-the-Cycle" Rating: Striking a Balance Between Volatile Ratings and Insensitive/Inaccurate Ratings

Among the dialogue participants in the photo are Pranab Kumar Choudhury, ACRAA vice chairman and managing director of ICRA Limited, India (row 1, first from right); Suresh Menon, ACRAA Training Committee chairman and executive director, Rating Agency Malaysia Berhad (row 3, fourth from left); Rajagopalan Ravimohan, ACRAA Best Practices Dialogue chairman, and managing director and chief executive officer, CRISIL Limited, India (row 3, third from right); and Santiago F. Dumlaog Jr. (row 2, seventh from left), ACRAA secretary-general and president of Philippine Rating Services Corporation.

ADB participants in the photo are Pradumna B. Rana, senior director, Office of Regional Economic Integration (row 2, fifth from left); and Jiro Tsunoda, senior financial sector specialist (coordinator of 6191-RETA) (row 3, fifth from left).



C. Evaluation of Technical Assistance Projects Financed by the Japan Special Fund

13. In 2004, ADB's Operations Evaluation Department (OED) prepared two technical assistance performance audit reports (TPARs) on five advisory technical assistance projects (ADTAs) for the institutional strengthening of the power sector in Viet Nam and six ADTAs for fiscal management and tax administration in India. Four of the power sector ADTAs in Viet Nam (2345-VIE, 2346-VIE, 2888-VIE, and 2897-VIE)¹ were financed from the JSF, as were two of the ADTAs in India (2432-IND and 2943-IND).²

¹ ADB. 1995. *Technical Assistance to the Socialist Republic of Viet Nam for the Improvement of Financial and Accounting Systems of the Power Companies Project*. Manila (TA 2345-VIE, \$1,200,000, approved on 8 June 1995); ADB. 1995. *Technical Assistance to the Socialist Republic of Viet Nam for the Training in Distribution Planning Project*, Manila (TA 2346-VIE, \$247,000, approved on 8 June 1995); ADB. 1997. *Technical Assistance to the Socialist Republic of Viet Nam for the Improvement of the Power Sector Regulatory Framework Project*. Manila (TA 2888-VIE, \$800,000, approved on 7 October 1997); ADB. 1997. *Technical Assistance to the Socialist Republic of Viet Nam for the Commercialization of Power Companies Project*. Manila (TA 2897-VIE, \$900,000, approved on 20 October 1997).

² ADB. 1995. *Technical Assistance to India for the Capacity Building of Income Tax Administration Project*. Manila (TA 2432-IND, \$550,000, approved on 26 October 1995); ADB. 1997. *Technical Assistance to India for the Support for the Government of Madhya Pradesh Public Finance Reform and Institutional Strengthening*

14. TA 2345-VIE was consistent with the policy direction for the power sector that the Government of Viet Nam and ADB had agreed upon at approval. However, it soon became apparent that Electricity of Viet Nam (EVN) was less committed to the policy changes than expected. While internal management systems have been strengthened somewhat, many recommendations of the TA have not been implemented.

15. TA 2346-VIE was planned well and implemented successfully. Training participants surveyed said that the course was well designed and delivered. The use of real planning projects in the training was effective, and increased the useful output from the TA. However, the single software license provided to Power Company No.1 and Power Company Hanoi was probably inadequate for the effective follow-up of the concepts and techniques taught during the course. While the Operations Evaluation Mission (OEM) was told that the software was still in use, its effectiveness was unclear.

16. At TA approval in October 1997, the draft electricity law was expected to be

Project. Manila (TA 2943-IND, \$780,000, approved on 15 December 1997).

submitted to the National Assembly in 1998 and formally adopted in late 1998 or early 1999. Thus, TA 2888-VIE was considered timely because supporting regulations needed to be available at least in draft form when the National Assembly considered the law. However, the time frame of the TA was overly optimistic. This, combined with other factors, required a reduction in the scope of work. Furthermore, the consultant could not get the stakeholders to agree to establish an electricity regulatory framework. The TA only prepared a regulation on tariff reform that formed the basis for a similar draft regulation that was submitted to the National Assembly in support of the draft electricity law.

17. TA 2897-VIE was formulated to assist EVN in implementing the recommendations of TA 2345-VIE. While the terms of reference (TOR) appear to have been designed carefully to take into account the regulatory constraints on the operation of EVN, the consultant did not appreciate this fully. Some recommendations were useful and were implemented, but other parts of the consultant's report did not address the TOR directly and, as a result, could not be implemented.

18. The four JSF-financed TAs evaluated in 2004 supported ADB's policy dialogue with the Government of Viet Nam to strengthen and reform the power sector and thus minimize the risk that economic development would suffer from the absence of an adequate and cost-efficient electricity supply. The OEM rated the four TAs partly successful because the TOR (i) lacked clarity, (ii) had become less relevant by the time the TA started, and (iii) focused unduly on addressing constraints on EVN performance to the detriment of optimizing performance within the organizational structure.³

19. Both TAs in India were rated successful. TA 2432-IND on income tax administration established training centers that have built capacity and, more generally, enabled more systematic computerization and networking among income tax offices all over the country. TA 2943-IND in Madhya Pradesh triggered the computerization of budget and treasury functions, while also preparing the tax department for the introduction of value-added tax.⁴

³ ADB. 2004. *Technical Assistance Performance Audit Report on Advisory Technical Assistance for Power Sector Institutional Strengthening in Viet Nam*. Manila.

⁴ ADB. 2004. *Technical Assistance Performance Audit Report on Selected Technical Assistance*

20. TPARs are generally based on ADB-wide priorities, and on relevant and appropriate lessons for the design and implementation of TAs in a particular sector or country. TPARs assess implementation performance, evaluate the achievement and impact of the TA, and draw lessons from the experience to improve TA activities. Post-evaluated projects, programs, and TA operations are classified as highly successful, successful, partly successful, or unsuccessful. ADB's TPARs since 1995 are available online at OED's Web site at <http://www.adb.org/evaluation/reports.asp>.

D. Contributions from the Government of Japan

21. In 2004, the Government of Japan provided ¥2.7 billion, all in regular contributions, as its 16th annual contribution to the JSF. Since March 1988, Japan has contributed to the JSF ¥101.9 billion (about \$876.9 million), comprising ¥83.8 billion in regular contributions and ¥18.1 billion in supplementary contributions.

E. Balance of Contributions Available for New Commitments

22. Of the total contribution to the JSF as of 31 December 2004, \$808.4 million was used to fund TAs. As of 31 December 2004, TAs worth \$27.4 million had been approved by both the Government of Japan and ADB, but had not yet taken effect, and other TAs worth \$3.6 million had been approved by the Government of Japan and were being processed by ADB. At the end of 2004, the uncommitted balance available for new commitments was \$118.2 million.

F. Review of Activities

1. Total Approvals for the Year and Cumulative Totals

23. In 2004, the JSF provided about \$40.0 million for 71 country-specific and regional TAs (Appendix 2), compared with \$36.9 million in 2003. The 2004 JSF total represented about 20% of ADB's TA program that year. From 1988 to the end of 2004, \$891.6 million was committed under the JSF to finance 1,473 TAs (Appendix 3).

2. Total Approvals by Country

24. In 2004, the JSF provided \$32.3 million to finance 56 new country-specific TAs in 24 countries. Since its establishment, the JSF has supported 34 countries (Appendix 4).

3. Nature and Type of Technical Assistance Projects Supported

25. In support of ADB's goal of reducing poverty in the region, the JSF has made untied funds available for advisory, project preparatory, and regional TAs.

26. In 2004, \$14.6 million went to 28 advisory TAs, bringing the total since 1988 to \$411.9 million for 671 advisory TAs.

27. The JSF also provided \$17.7 million for 28 project preparatory TAs in 2004, for a total of \$374.0 million for 618 project preparatory TAs since 1988.

28. Fifteen regional TAs received \$7.8 million from the JSF in 2004. From 1988 to 2004, \$105.4 million was approved for 184 regional TAs.

4. Approvals by Sector

29. The JSF supports a wide range of sectors and subsectors (Appendix 5). In 2004, the agriculture and natural resources sector (16.1 % of total funding with 12 grants worth \$6.4 million) and the water supply, sanitation, and waste management infrastructure sector (15.5 % of total funding with 10 grants worth \$6.2 million) received the most support.

G. Financial Statements

30. Since 1997, explanatory notes to the JSF financial statements have been included in ADB's annual reports to show the actual and realistic JSF balances that are uncommitted to date and are available for the financing of proposed new TAs (Appendix 6).

H. Home Page

31. This report, as well as other current data, is available through the JSF Web site (<http://www.adb.org/jsf>). The Japanese translation will be available through the Web site of ADB's Japanese Representative Office (<http://www.adb.org/JRO/>).