

## Japan Special Fund Operations in 2007

### A. Operational Highlights

5. In January 2007, the Government of Japan contributed ¥3.3 billion (\$27.7 million equivalent) in new capital to the JSF, bringing its total contribution to ¥111.0 billion (\$956.4 million equivalent).
6. The JSF continues to make significant contribution to ADB's efforts to help its DMCs restructure their economies through TA projects. In 2007, the JSF financed 55 projects for \$43.1 million, or 18% of ADB's total \$243.4 million in TA funding approved during the year and 55% (\$22.4 million) of the year's total project preparatory TA (PPTA) approvals (\$40.6 million). Transport and communications received the most funding among the several sectors in which the JSF is active—with 11 grants worth \$10.4 million, or 24% of the total.
7. India was the largest recipient of the JSF's country-specific grants, benefitting from seven grants totaling \$6.8 million, or 18.8% of overall funding. It was followed by Viet Nam (nine grants, \$6.7 million, or 18.7% of the total) and the Lao People's Democratic Republic (Lao PDR), with three grants worth \$2.3 million, or 6.3% of the year's total. Through a JSF grant of \$1 million, ADB is financing a TA to prepare the Railway Sector Investment Program in India.<sup>1</sup> The largest TA approved, for \$2 million, went to Solomon Islands for the Domestic Maritime Support Project and Technical Support Program.<sup>2</sup> The JSF extended a \$2 million regional technical assistance grant to fund the Water Operators' Partnership in Asia Project.<sup>3</sup> It also provided \$1 million to Palau to help improve economic and infrastructure management—the country's first TA since becoming a member of ADB in 2003.<sup>4</sup>
8. **Special Evaluation Study.** In 2007, ADB's Operations Evaluation Department (OED) completed a major evaluation of the JSF—the first since the fund was established in 1988.<sup>5</sup> It was begun in 2006 at the request of the Government of Japan and was circulated to ADB's Board of Directors and management in September 2007.
9. The OED study of the JSF's performance included evaluation of 99 ADTA and 75 PPTA projects, representing 14% and 11% of the JSF's overall totals, respectively. It involved a desk review of JSF and Technical Assistance Special Fund programs and fieldwork in Indonesia, the Lao PDR, Mongolia, and Nepal. Overall, the study rated these JSF projects successful, based on the OED's four rankings of highly successful, successful, partly successful, or unsuccessful. Individually, 65% of the ADTA and 67% of PPTA projects were

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<sup>1</sup> ADB. 2007. *Project Preparatory Technical Assistance to India for Railway Sector Investment Program*. Manila. (TA4998-IND for \$1 million, approved on 29 November).

<sup>2</sup> ADB. 2007. *Advisory Technical Assistance to Solomon Islands for Domestic Maritime Support Project and Technical Support Program*. Manila (TA4980-SOL for \$2 million, approved on 11 October).

<sup>3</sup> ADB. 2007. *Regional Technical Assistance for Supporting Water Operators' Partnership in Asia Project*. Manila (TA 6396-REG for \$2 million, approved on 16 April).

<sup>4</sup> ADB. 2007. *Advisory Technical Assistance to Palau for Facility for Economic and Infrastructure Management Project*. Manila (TA 4929-PAL for \$1 million, approved on 14 May).

<sup>5</sup> ADB. 2007. *Special Evaluation Study on Japan's Funds: Japan Special Fund*. Manila (SES: REG 2007-12). Also available: [www.adb.org/Documents/SES/REG/SES-REG-2007-12/SES-REG-2007-12.pdf](http://www.adb.org/Documents/SES/REG/SES-REG-2007-12/SES-REG-2007-12.pdf)

rated successful, only slightly below ADB's target of a 70% successful rate for TA projects by 2010.

10. The study recommended that the annual report on the JSF produced by ADB include an assessment of effectiveness. Consultants on JSF-funded projects could be required to write two-page assessments of key successes and lessons learned. Translating these reports into the language of the project DMC, where necessary, would add value, the study said, and also promote the JSF more effectively in recipient countries. The profile of the JSF would also be augmented if ADB were required to focus it on particular programs at the country level.

11. The study submitted further recommendations for the Government of Japan and ADB to consider:

- ADB should develop strategies for the JSF and provide clear guidelines to staff in its use.
- ADB should be more realistic in assessing the time and resources needed to achieve results in some TA projects—particularly in areas like capacity development that require lengthier commitments through larger, longer TA and cluster TA projects.
- The Government of Japan should be closely involved at the TA concept and design stages to make the approval process more predictable and efficient.
- The bulk of funding should continue to go to PPTA and piggybacked ADTA projects, including those for capacity building but no target breakdown should be specified.
- Study tours should be permitted as eligible expenditures on a selective basis.

12. **Railway Sector Investment Program.** The inadequacy of India's transport infrastructure is constraining the country's growth. Transport infrastructure development programs are high priorities for the Government of India, making ADB's strategy of reducing poverty through infrastructure-led growth especially relevant. Through a JSF grant, ADB is financing a \$1 million PPTA for the railway sector investment program in India,

13. The impact of the PPTA will be to prepare a project to enhance the carrying capacity and organizational efficiency of Indian Railways by double-tracking existing railway lines in critical sections and electrifying other lines. It is also to prepare for efficiency improvements to enhance the commercialization of railway operations and decision making.

14. The outcome will be an agreed design for a proposed investment program, using the multitranche financing facility, and preparation of the first two loan tranches under this investment program.

15. The outputs of the PPTA are (i) reports on technical, economic, and financial viability of projects, (ii) efficiency improvement scheme development, (iii) environmental assessment, (iv) formulation of a resettlement plan and resettlement framework; and (v) social and poverty impact assessment.

16. **Domestic Maritime Support Project and Technical Support Program.** The ADB Solomon Islands country strategy and program supports the strategic plans of the

Government of Solomon Islands by (i) providing transport infrastructure and services and (ii) strengthening the enabling environment for private sector development. The \$2 million JSF grant for the TA to Solomon Islands for the domestic maritime support project and technical support program directly supports both objectives and is consistent with ADB's Pacific strategy for the new millennium.

17. The TA's impact will be increased efficiency, safety, and reliability in the transport sector, which will contribute to economic growth with improved distribution of benefits.

18. This is a combined PPTA and ADTA, with two outcomes expected. The PPTA outcome will be consensus on the design of the proposed domestic maritime support project. The outcome of the ADTA component will be an improvement in the capacity of the Ministry of Infrastructure and Development to plan, finance, and manage the implementation of recommendations from previous TA projects.

19. Improving transport infrastructure and services would give rural produce and commodities reliable access to domestic and international markets and contribute to (i) rebuilding rural economies, (ii) fostering private sector development and rural income opportunities, (iii) reducing migration of people in search of employment, and (iv) restoring basic social services in rural areas to provide better health and education. Making rural areas more accessible will also help reduce poverty.

20. The outputs of the TA are (i) completed design for the domestic maritime support project and (ii) institutional strengthening in asset management, technical resources, quality assurance, procurement, financial management, and transport planning.

21. **Japan Aids Efforts to Help Improve Water Services in Asia.** The Government of Japan is supporting efforts to improve the performance of water and wastewater utilities in DMCs in South, Central and East Asia by enabling them to reach more people, particularly those in impoverished areas, and improving their services to existing clients. Japan is extending a \$2 million JSF grant to fund the water operators' partnership in Asia project.

22. The TA will contribute to the attainment of the Millennium Development Goals by enhancing the performance of water and wastewater utilities, enabling them to reach more people and improving their services to existing clients.

23. The main outputs of the TA are (i) the establishment and operation of water utility networks, (ii) the development and implementation of capacity-building and twinning programs, (iii) the development and establishment of benchmarking systems, (iv) the adoption of change management processes that address specific areas of water utilities operations, and (v) a consensus on good practice institutional frameworks.



South Asian water utilities officials discuss strategies for continuous improvement during a benchmarking exercise.

24. **Palau's First TA Grant.** The Government of Japan and ADB will help the Republic of Palau improve economic and infrastructure management. The total TA cost is \$1.4 million. ADB will administer the project and provide \$1 million grant from the JSF, with the balance provided by the Government of Palau. The TA grant will help Palau update its master development plan and strengthen economic policy formulation and budget management.

25. The TA will help the Government of Palau achieve economic sustainability by improving its economic and infrastructure management. Component 1 will facilitate economic policy formulation and implementation for sustainable budget management. Component 2 will develop an infrastructure development plan for affordable infrastructure development and ongoing infrastructure operations and management. The cost of operation and maintenance of existing public infrastructure and the funding of new infrastructure will be key constraints on sustainable budget management and development planning. Component 2 focuses on providing the information necessary to support Component 1, while also preparing an infrastructure blueprint for further policy development in public utilities management.



"This grant marks the beginning of a long and valuable partnership, through which ADB will continue to provide support to Palau's development priorities," said ADB Vice President C. Lawrence Greenwood.

## **B. Recognition of Japan Special Fund Assistance**

26. To raise public awareness of the importance of the JSF and Japan's contributions to it, the Government of Japan encourages ADB to hold signing and launching ceremonies, press briefings, and other events with staff from the Japanese embassy in attendance. The outcomes would hold key to maintaining sufficient contribution from the Government of Japan.

27. The JSF team has been successful in raising the fund's profile through these efforts and making it better known. Recipient DMCs have recognized and expressed their deep appreciation for the support of the JSF and Japan on several of these occasions, including those shown below.

28. **Signing Ceremony for Supporting Second Generation of Capital Market Reform Program in Pakistan.** The ADB will lend Pakistan \$400 million to help it develop strong, functional capital markets, particularly in equity and long-term debt. To support the initiative, a TA grant of \$1 million to be financed by the JSF was approved by the ADB Board on 31 July 2007 and was signed on 6 September 2007 by Zafar Hasan Reza, Joint Secretary of the Economic Affairs Division of Pakistan’s Ministry of Economic Affairs and Statistics, and Razi-ur-Rehman Khan, Chairman of the Securities and Exchange Commission of Pakistan, which is also the executing agency for the Project.<sup>6</sup>



Joint Secretary of the Economic Affairs Division, Pakistan’s Ministry of Economic Affairs and Statistics, Zafar Hasan Reza (left), and Chairman of the Securities and Exchange Commission of Pakistan, Razi-ur-Rehman Khan (center), sign the TA letter agreement, witnessed by the Minister of the Embassy of Japan (Deputy Head of the Mission), Akira Mizutani (right).

29. The TA aims to (i) strengthen the enabling environment for institutional investors by developing a regulatory framework for employer-sponsored occupational pension schemes and drafting legislation for the regulation and supervision of non-bank financial companies, (ii) increase professional standards and the qualification of securities market participants by supporting the new Securities Institute of Pakistan, and (iii) enhance the strategic planning capacity of the Ministry of Privatization in support of a more capital market-oriented privatization approach.

<sup>6</sup> ADB. 2007. *Advisory Technical Assistance to the Islamic Republic of Pakistan for Supporting Second Generation of Capital Market Reform Program*. Manila (TA 4956-PAK for \$1 million, approved on 31 July).



Zafar Hasan Reza (left) shakes hands with Razi-ur-Rehman Khan (center) while Akira Mizutani (right) looks on.

30. **Signing of Two Project Preparatory Technical Assistance Projects to the Lao People's Democratic Republic.** A JSF grant of \$1.48 million for two PPTA projects was signed between the Government of the Lao PDR and ADB in Vientiane on 23 April 2007. ADB Country Director James Nugent, Vice Minister of Finance Viengthong Siphandone, and Vice Minister of Communication, Transport, Post, and Construction Sithong Thongkeo signed the TA letter agreement, witnessed by Japanese Ambassador to Lao PDR, Makoto Katsura, and senior officials from various line ministries.

31. The TA grant allocates \$500,000 to the small towns water supply and sanitation sector project.<sup>7</sup> The impact will be a contribution to the government's goal of providing 24-hour access to safe drinking water for 80% of the country's urban population by 2020. The outcome is an agreed sector investment project designed to develop water supply systems and improve sanitation conditions in about 20 priority small towns in the country's poor and poorest districts. It aims to reduce poverty and improve access to and the quality, reliability, and sustainability of water supply services and sanitation.

32. The other TA grant of \$983,000 for the cumulative impact assessment for the Nam Ngum 3 hydropower project will finance the first phase of project preparation.<sup>8</sup> The main impacts will be (i) to provide input to the sustainable development of the project, and (ii) to facilitate the implementation of an integrated Nam Ngum River Basin management plan.

<sup>7</sup> ADB. 2006. *Project Preparatory Technical Assistance to the Lao People's Democratic Republic for Small Towns Water Supply and Sanitation Sector Project*. Manila (TA 4875-LAO for \$500,000, approved on 22 November).

<sup>8</sup> ADB. 2007. *Project Preparatory Technical Assistance to the Lao People's Democratic Republic for Cumulative Impact Assessment for the Nam Ngum 3 Hydropower Project*. Manila (TA 4921-LAO for \$983,000, approved on 21 February).

The outcome will be identification of the cumulative environmental and social impact of the multiple hydropower developments in the basin so that mitigating measures can be designed.



ADB Country Director James Nugent (left), Vice Minister of Finance Viengthong Siphandone (center), and Vice Minister of Communication, Transport, Post, and Construction Sithong Thongkeo (right) sign two PPTAs to Lao PDR for \$1.48 million, witnessed by Japanese Ambassador to Lao PDR, Makoto Katsura, and senior officials from various line ministries.

33. **Regional Technical Assistance Seventeenth Tax Conference.** Senior tax officials from 32 ADB developing member countries took part in the Seventeenth Tax Conference, a small-scale RETA project financed with a \$150,000 JSF grant and held 8–11 October 2007 at the ADB Institute, Tokyo, Japan.<sup>9</sup> The participating DMCs were Afghanistan, Azerbaijan, Bangladesh, Cambodia, the People’s Republic of China, the Cook Islands, the Fiji Islands, India, Indonesia, Kazakhstan, the Republic of Korea, the Kyrgyz Republic, the Lao PDR, Malaysia, the Maldives, the Marshall Islands, the Federated States of Micronesia, Mongolia, Myanmar, Nepal, Pakistan, Republic of Palau, Papua New Guinea, the Philippines, Samoa, Singapore, Taipei, China, Thailand, Timor-Leste, Uzbekistan, Vanuatu, and Viet Nam. The conference was opened by Masahiro Kawai, Dean of ADB Institute and Toshiya Otsu, Director for International Issues on Taxation, Tax Bureau, Japan’s Ministry of Finance.

<sup>9</sup> ADB. 2007. *Regional Technical Assistance for Seventeenth Tax Conference Project*. Manila (TA 6406-REG for \$150,000, approved on 13 August).

34. The RETA project was designed to build capacity in public governance for tax policy and administration. The conference provided (i) a capacity-building opportunity through the exchange of views, experiences, and new knowledge in international taxation for policy design and administration, including experiences in tax reform; and (ii) a forum to encourage mutual understanding and cooperation among tax policymakers and senior officials from the DMCs, especially on emerging taxation issues.

35. The expected outputs of the RETA project were (i) an ADB webpage on the Seventeenth Tax Conference, (ii) key articles on the Seventeenth Tax Conference in the International Bureau of Fiscal Documentation Asia-Pacific Tax Bulletin, (iii) compilation of tax reforms updates prepared by DMCs, and (iv) publication of the proceedings by ADB Institute.



Toshiya Otsu, Director for International Issues on Taxation, Tax Bureau, Japan's Ministry of Finance (sitting 3rd from left), and Masahiro Kawai, Dean of ADB Institute (sitting 4th from left), with resource speakers and senior tax officials from ADB DMCs during the Seventeenth Tax Conference held 8–11 October 2007 at the ADB Institute, Tokyo, Japan.

**Seventeenth Tax Conference**

8-11 October 2007, ADB Institute, Tokyo, Japan

**Excerpt from the  
Executive Summary of Conference Proceedings<sup>10</sup>**

1. Tax office and ministry of finance officials from 32 developing member countries participated in the Seventeenth Tax Conference (the conference) to discuss the design and administration of income tax and value added tax (VAT) in the Asian and Pacific region. The conference, sponsored and organized by the Asian Development Bank (ADB), ADB Institute, the Tax Bureau of the Ministry of Finance, Japan and the Organisation for Economic Cooperation and Development, was financed through the Japan Special Fund, a unique grant facility funded by the Government of Japan to the ADB. The coordinator of the conference was Mr. Teruo Ujiie, Senior Capacity Building Specialist, Capacity Building and Training Division, ADB Institute.
2. Delegates were welcomed to the conference by Mr. Teruo Ujiie. Two sets of brief introductory remarks followed.
3. The first introductory presentation was made by Mr. Toshiya Otsu, Director for International Issues on Taxation, Tax Bureau, Ministry of Finance of Japan. Mr. Otsu welcomed delegates to the conference.
4. Mr. Otsu observed that tax issues had changed notably in the period of almost two decades since the first tax conference organized by ADB in 1991. The conference has become one of the region's established tax events, with an evolving role over this period. These years have seen rapid changes in cross-border trade and investment and in investors' ability to route investments through alternative channels. Unilateral responses to new problems are proving increasingly problematic and it is becoming increasingly clearer that bilateral and multilateral solutions are needed. The conference plays an important role in fostering needed regional cooperation.
5. The second introductory presentation was made by Mr. Masahiro Kawai, Dean, ADB Institute. Mr. Kawai reported to delegates on the findings of the most recent periodic review of its tax conferences which indicated the conferences had contributed to improvement in the effectiveness of tax policies and the efficiency of tax administration in participating countries. There is, he noted, a direct link between optimal tax policies and maximizing the effectiveness of tax administrations and economic development and poverty reduction. Different tax systems can have different impacts on the speed of economic development and the distribution of income and wealth in society. For example, the effectiveness of new VAT systems to offset declines in customs duty revenues will depend on the design and implementation of the consumption taxes.
6. Mr. Kawai noted that the globalization and regionalization of economic activities had led to the emergence of new issues and challenges, including the risks of greater international tax competition, tax evasion and avoidance stemming in part from exploitation of differences in bilateral tax treaties. In the absence of a global or regional forum of taxation, the tax conferences can play an important role in facilitating cooperation by regional tax administrators.

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<sup>10</sup> ADB. 2007. *ADB webpage on the Seventeenth Tax Conference*. Manila.  
[www.adb.org/Documents/Events/2007/Seventeenth-Tax-Conference/Executive-Summary.pdf](http://www.adb.org/Documents/Events/2007/Seventeenth-Tax-Conference/Executive-Summary.pdf)

36. **Customs Director General-Commissioner Meeting on Trade Facilitation.** Twenty-two senior officials attended the meeting held at the ADB Institute in Tokyo, Japan, 13-15 February 2007. They represented Afghanistan; Bangladesh; Bhutan; Brunei Darussalam; Cambodia; People's Republic of China; Fiji; India; Indonesia; Macao, China; Malaysia; the Maldives; Mongolia; Nepal; Pakistan; Papua New Guinea; the Philippines; Solomon Islands; Sri Lanka; Taipei, China; Thailand; and Viet Nam.



On behalf of Japan's Ministry of Finance, Yukiyasu Aoyama welcomes the participants and observers during the Customs Director General-Commissioner Meeting on Trade Facilitation.

37. This 3-day, high-level meeting focused on policy aspects of the World Trade Organization agreement on trade facilitation as well as practical ways to facilitate trade, including the use of information technology, partnerships with the private sector, and regional cooperation. The RETA project was introduced to help DMCs maximize the benefits of the agreement.<sup>11</sup>

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<sup>11</sup> ADB. 2006. *Regional Technical Assistance for Capacity Development of Selected Developing Member Countries on the Implementation of the Trade Facilitation Agreement of the World Trade Organization Project*. Manila (TA 6355-REG for \$450,000, approved on 23 November).



The Customs Director General-Commissioner Meeting on Trade Facilitation held 13-15 February 2007 at the ADB Institute, Tokyo, Japan was opened by Yukiyasu Aoyama, Director General, Customs and Tariff Bureau, Ministry of Finance, Tokyo (sitting 6th from left); Kunio Mikuriya, Deputy Secretary General, World Customs Organization, Brussels (sitting 7th from left); Masahiro Kawai, Dean, ADB Institute, Tokyo (sitting 4th from left); and Ursula Schaefer-Preuss, Vice President, Knowledge Management, ADB (sitting 5th from left).

### **Customs Director General-Commissioner Meeting on Trade Facilitation 13-15 February 2007, ADB Institute, Tokyo, Japan**

#### **Excerpt from the Executive Summary<sup>12</sup>**

1. The meeting was the first international forum to discuss trade facilitation after the resumption of the World Trade Organization (WTO) Doha Round negotiations.
2. In his keynote speech, Mr. Mikuriya highlighted the importance of the WTO trade facilitation agreement and welcomed the resumption of negotiations in Geneva. He emphasized that World Customs Organization (WCO) instruments, such as the Revised Kyoto Convention, would be a significant basis for the agreement. He also encouraged inputs from the Customs perspectives into the WTO trade facilitation negotiations which would be essentially important to realize effective and efficient trade procedures. Capacity building for better implementation of the agreement would also be indispensable. The WCO has also placed priorities on security issues, as well as on rule-making processes in the WTO; the former have resulted in the development of the WCO SAFE Framework of Standards (FOS). As the FOS has facilitation aspects, capacity building for the FOS will also prove beneficial in terms of trade facilitation. The WCO Authorized Economic Operators Guidelines also drew the attention of the participants.
3. Mr. Yukiyasu Aoyama of Japan Customs presented the ongoing efforts for further trade facilitation by Japan Customs. Customs administrations are pursuing several common policy objectives, including revenue collection, ensuring effective border controls and trade facilitation. Finding the right balance among the necessary measures to achieve these objectives is a challenge for all involved.

<sup>12</sup> ADB. 2007. *ADB webpage on the Customs DG-Commissioner Meeting on Trade Facilitation*. Manila. [www.adb.org/Documents/Events/2007/Customs-DG-Commissioner-Meeting/executive-summary.pdf](http://www.adb.org/Documents/Events/2007/Customs-DG-Commissioner-Meeting/executive-summary.pdf)

### C. Technical Assistance Completion Reports on Japan Special Fund-Financed Projects

38. In 2007, ADB rated 19 completed JSF-financed TA projects (Appendix 2), 12, or 63%, of which were rated successful or better, 6 partly successful (32%), and 1 unsuccessful due to lack of support from the executing agency.

### D. Evaluation of Japan Special Fund-Financed Technical Assistance Projects

39. As provided by the Agreement establishing JSF, the ADB is tasked as administrator with monitoring and evaluation of JSF-financed TAs. In September 2007, a technical assistance performance evaluation report involving two JSF-financed TAs (Environmental Monitoring and Management Capacity Building Project in the Kyrgyz Republic<sup>13</sup> and Strengthening Institutions Engaged in Environmental Protection Project in Uzbekistan<sup>14</sup>) was prepared by the OED to examine eight TAs supporting environmental monitoring and management in Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan. The report assessed the relevance, effectiveness, efficiency, and sustainability of the contribution to the countries' capability to manage their environment in the context of ADB's environment policy and international standards.

#### Kyrgyz Republic: Environmental Monitoring and Management Capacity Building

40. **Overall Assessment.** The rating for this TA was downgraded from "highly successful" in the completion report to "partly successful." The completion report rating was based on (i) implementation costs and schedule, (ii) strengthened capacity of the Ministry of Environmental Protection, and (iii) benefits from the training program. The operations evaluation mission found that many of the TA recommendations were not implemented because of changes in senior government positions, even though the TA was implemented on schedule and within the appraisal cost estimates. The training needs could have been better assessed at appraisal and the trainees received little value from the international training. Some monitoring equipment and vehicles provided under the TA had been transferred to another office during government reorganizations and the vehicles were no longer being used for the uses intended.

41. **Lessons.** The use of case studies, with active participation from TA beneficiaries, would likely have more impact than international training programs with higher average cost per participant. Structured, demand-driven training and study tours could build capacity but, before any training program is designed, a thorough, effective assessment of the training needs is critical. Planners should ensure that (i) the training can be applied to the home country, taking differences in such aspects as technology and capacity into consideration; and (ii) the trainees will be able to pass on lessons through similar training in their DMC.

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<sup>13</sup> ADB. 1997. *Advisory Technical Assistance to the Kyrgyz Republic for the Environmental Monitoring and Management Capacity Building Project*. Manila (TA 2934-KGZ for \$598,000, approved on 11 December).

<sup>14</sup> ADB. 1997. *Advisory Technical Assistance to Uzbekistan for the Strengthening Institutions Engaged in Environmental Protection Project*. Manila (TA 2859-UZB for \$675,000, approved on 8 September).

## Uzbekistan: Strengthening Institutions Engaged in Environmental Protection

42. **Overall Assessment.** Overall, the TA was rated “partly successful.” It was highly relevant at the time of its formulation and consistent with ADB’s operating strategies. It aimed to meet the country’s need to improve its institutional capacities for environmental protection in various ways. However, the TA’s diverse scope has limited its effectiveness. Although the TA produced its intended outputs, it did little to achieve the main objective—to build capacities to ensure effective national enforcement of environmental impact assessment procedures and to ensure compliance with new regulatory frameworks in priority areas. Little evidence was reported that the TA had made much difference at all, other than increasing exposure to international best practices. Few, if any, recommendations on organizational changes were implemented. The TA was rated partly efficient. It was completed with a minimum 5-month delay and TA execution was rated efficient. Most of the TA outputs were never or are no longer used and the impact of the training activities has been diminishing as trainees retire or leave the organization. The sustainability of TA results is rated unlikely.

43. **Lessons.** The TA needed (i) to be highly focused to be effective and workable, and (ii) to adopt a sequential approach to change based on the institutional realities in the DMC rather than applying a standard template. Both lessons can help meet client needs more effectively.

44. The TA’s scope covered too many diverse elements, with the result that limited resources were spread too thinly across a wide range of components. Indirectly, this may have prevented the consultants from conducting in-depth analyses in individual areas. The TA tried to address a wide array of problems without setting clear priorities. Capacity building appears in hindsight to have been the most urgent need, followed by environmental legislation, and then environmental monitoring. Environmental management for industries and mining was important but probably would have been addressed more effectively through a separate TA. The need to improve interagency cooperation and related institutional changes, true for many countries, is likely a long-term task that cannot be addressed with one TA.

45. This and other TA projects evaluated in the region indicate the importance of engaging international consultants with prior experience in the Central Asian republics and preferably Russian speaking. The main international consultant spoke and read Russian and most training was conducted in Russian. This helped improve TA effectiveness significantly.

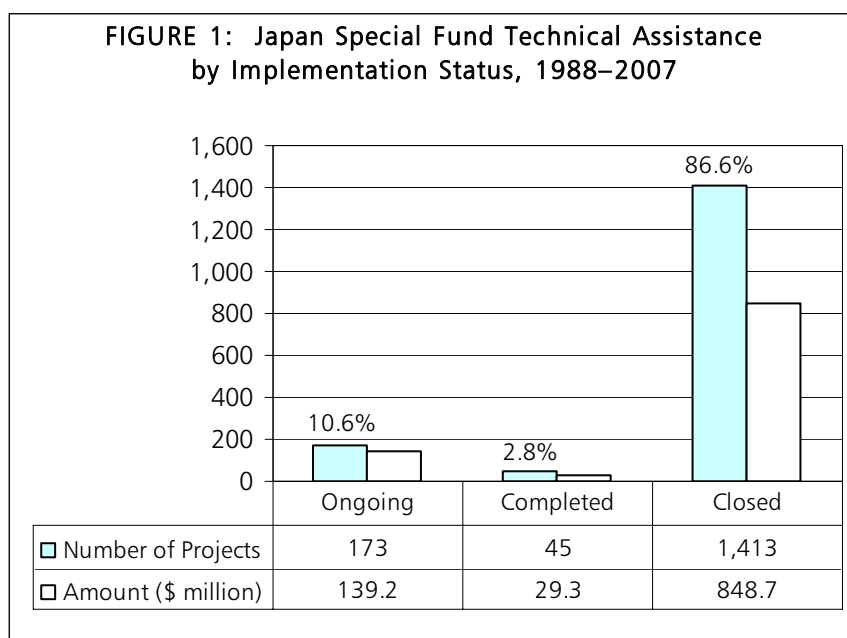
### E. Contributions from the Government of Japan

46. In January 2007, the Government of Japan provided ¥3.3 billion (\$27.7 million equivalent), all in regular contributions, as its 19th annual contribution to the JSF. Since March 1988, Japan has contributed ¥111.0 billion (\$956.4 million equivalent) to the JSF, comprising ¥92.9 billion in regular contributions and ¥18.1 billion in supplementary contributions.

## F. Review of Activities

47. The activities and accomplishments of the JSF since its inception in 1988 are summarized below. Graphs show cumulative JSF TA approvals (1988-2007) by status of TA implementation and by TA type, as well as the JSF's TA approvals in 2007 by fund source and by sector.

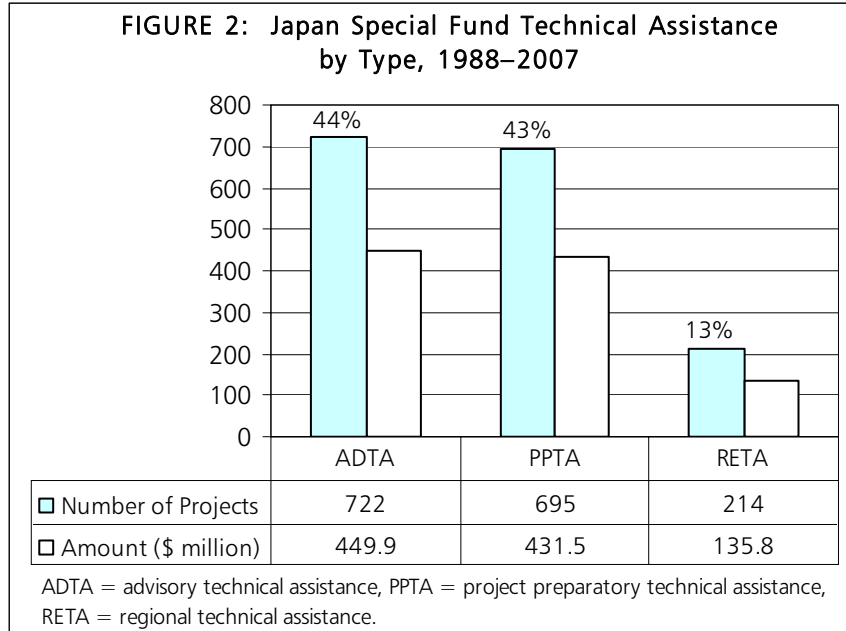
48. **Total Approvals for the Year and Cumulative Totals.** In 2007, the JSF provided about \$43.1 million for 55 country-specific and regional TA projects (Appendix 3), compared with \$56.6 million for 64 TA projects in 2006. The 2007 JSF total represented about 18% of the total amount of TA projects that were approved by ADB during the year. From 1988 to the end of 2007, \$1.02 billion was committed under the JSF to finance 1,631 TA projects. A total of 1,413 TA projects have been completed and closed (Appendix 4), 45 have been completed but not yet closed (Appendix 5), and 173 are ongoing (Appendix 6). (Figure 1)



49. **Balance of Contributions Available for New Commitments.** Of the total contribution to the JSF as of 31 December 2007, \$925.4 million was used to fund TA projects. As of 31 December 2007, \$20.1 million worth of TA projects had been approved by both the Government of Japan and ADB but had not yet taken effect; other TA projects worth \$12.9 million had been approved by the government and were being processed by ADB. At the end of 2007, the uncommitted balance available for new commitments was \$103.8 million.

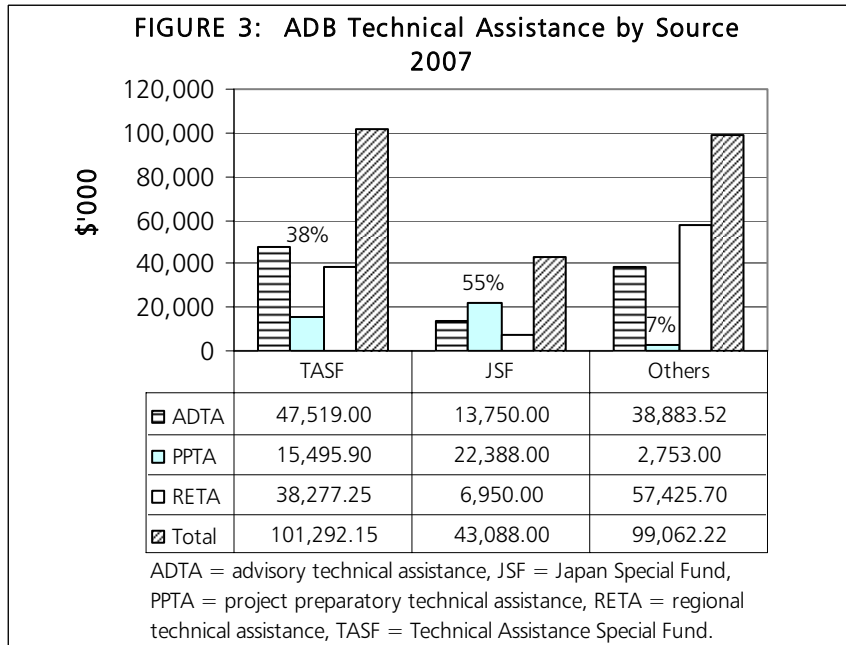
50. **Total Approvals by Country.** In 2007, the JSF provided \$36.1 million to finance 47 new country-specific TA projects in 20 countries. Since its establishment, the JSF has supported 35 countries (Appendix 7).

51. **Nature and Type of Technical Assistance Projects Supported.** 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 TA projects. (Figure 2)



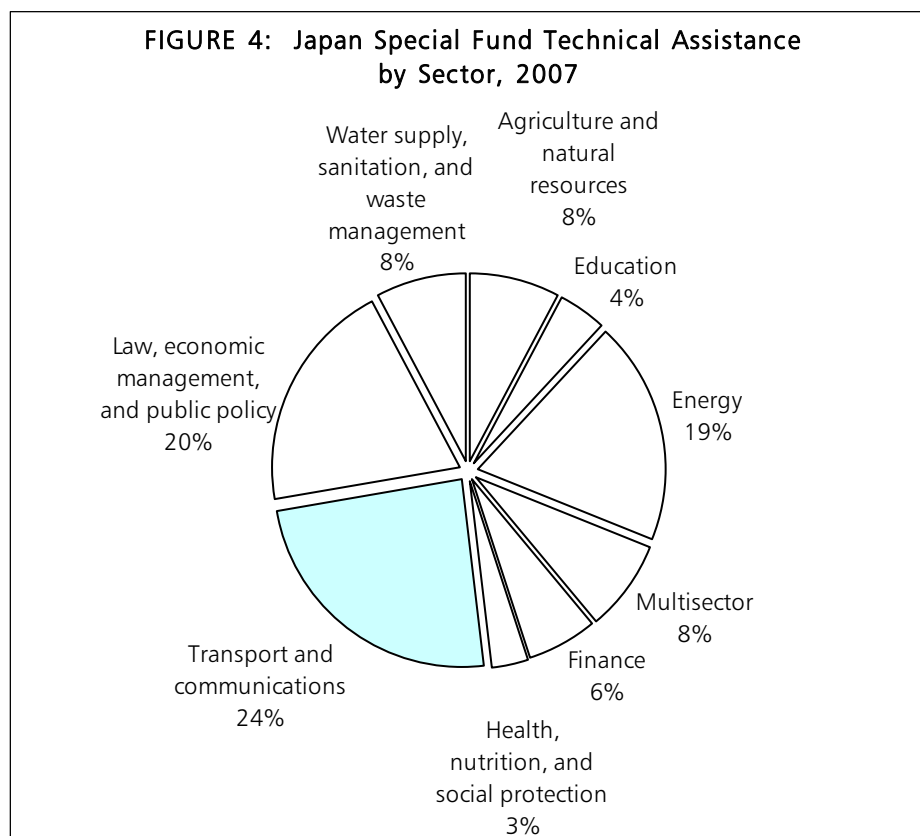
52. In 2007, \$13.8 million went to 17 ADTA projects, bringing the total since 1988 to \$449.9 million for 722 ADTA projects.

53. The JSF also provided \$22.4 million for 30 PPTA projects in 2007, for a total of \$431.5 million for 695 PPTA projects since 1988. It financed 55% of the total amount of PPTA approved by ADB during the year (Figure 3).



54. Eight RETA projects received \$7.0 million from the JSF in 2007. From 1988 to 2007, \$135.8 million was approved for 214 RETA projects.

55. **Total Approvals by Sector.** The JSF supports a wide range of sectors and subsectors. In 2007, these were led by: the transport and communications sector, which received 24% of total funding, comprising 11 grants worth \$10.4 million; the law, economic management, and public policy sector, with 20%, or 13 grants worth \$8.6 million; and the energy sector, which accounted for 19% of total funding, 10 grants, and \$8.3 million (Figure 4).



## G. Financial Statements

56. Since 1997, explanatory notes to the JSF audited financial statements have been included in ADB's annual reports to show the actual and realistic JSF balances uncommitted to date and available for the financing of proposed new TA projects (Appendix 8).

## H. Home Page

57. This report, as well as other current data, is available on the JSF website: [www.adb.org/jsf](http://www.adb.org/jsf). The Japanese translation will be available through the website of ADB's Japanese Representative Office: [www.adb.org/JRO](http://www.adb.org/JRO).