

II. OVERVIEW OF JAPAN SPECIAL FUND OPERATIONS IN 2001

A. Overview

5. This year, JSF continued to support ADB operations to reduce poverty and contributed heavily to the agriculture and natural resources, social infrastructure, and other sectors through preselected TA proposals by operational departments. During 2001, JSF provided \$53.8 million for 96 TAs on an untied basis, accounting for 37% of all TA approvals.

6. The different types of technical assistance financed by JSF as grants are project preparatory technical assistance (PPTA), advisory and operational technical assistance (AOTA), and regional technical assistance (RETA). A PPTA helps prepare the feasibility and detailed design of loan projects. An AOTA supports institutional strengthening, sector and policy studies, and capacity building that may or may not be project related. A significant number of AOTAs are attached to loan projects but the number of stand-alone AOTAs is increasing. A RETA addresses issues of regional or subregional interest, and assists a group of DMCs on specific issues.

7. In Bangladesh, for example, a PPTA was provided to help the Government prepare a feasible investment project to mitigate the effects of riverbank erosion threatening the Meghna-Dhonagoda Irrigation Project and Pebra Irrigation and Rural Development Project, which built flood protection embankments. In Cambodia, another PPTA will help the Ministry of Agriculture, Forestry and Fisheries plan and execute its statutory responsibilities in water resource management and development. An AOTA extended to Kazakhstan will help farmers fight locusts and another one in the Philippines will contribute to the improvement of the judiciary. An example of a RETA is the TA on Facilitating Cross-Border Trade and Investment for Small and Medium Enterprise (SME) Development in the Greater Mekong Subregion (GMS), which sought to evaluate, plan, and pilot-test fast-track investment approval procedures along the East-West Economic Corridor.

8. To help prepare a feasible investment project to mitigate the effects of riverbank erosion threatening Bangladesh's flood protection embankments, JSF is supporting the preparation of measures to serve as pilots for riverbank erosion control and management throughout the country to benefit many local communities living on the floodplains.

Box 1: Jamuna-Meghna River Erosion Mitigation, Bangladesh

The technical assistance will help the Government prepare a feasible investment project to mitigate the effects of riverbank erosion threatening the Meghna-Dhonagoda Irrigation Project and Pebra Irrigation and Rural Development Project flood protection embankments. The objectives are to (i) identify and design feasible structural measures to control riverbank, erosion which are sustainable and cost-effective for agricultural land; and (ii) prepare and implement systems for sustainable riverbank management, incorporating local participation in the institutional framework, monitoring, operation and maintenance, annual planning processes, and a cost-recovery mechanism.

TA 3659-BAN: *Jamuna-Meghna River Erosion Mitigation*, for \$1,000,000, approved on 28 May 2001.

9. In Cambodia, a TA to prepare a loan for the Northwest Irrigation Loan Project will support the goal expressed in the Government's Socioeconomic Development Plan II (2001–2005) of poverty reduction through participatory rural development. Irrigation is vital to rural development, and developing groundwater resources and affordable small- and medium-scale systems that can be managed by beneficiaries is important.

Box 2: Rural Water Supply and Sanitation, Cambodia

The technical assistance (TA) objective is to help the Government achieve its rural water supply and sanitation development targets by preparing a project that will improve access of the rural population, particularly the poor, women, and other vulnerable groups, to safe, sustained, and equitable water supply and sanitation services. The TA will also help improve sector policies and strengthen institutional capabilities.

TA 3688-CAM: *Rural Water Supply and Sanitation*, for \$700,000, approved on 23 July 2001.

10. To help Kazakhstan fight locusts, which are a major threat to agriculture, JSF has provided a \$700,000 TA grant to develop a program to monitor and control locusts. Locust infestation has been increasingly severe since late 1998, and the Government fears that an even more severe and extensive plague will ensue unless large-scale mitigative steps are taken in regions most prone to infestation.

Box 3: Technology and Institutional Development for Sustainable Locust Management, Kazakhstan

The advisory and operational technical assistance aims to help the Ministry of Agriculture and its agencies develop capacity and appropriate modern technologies by formulating an environmentally sound program for locust monitoring or locust control.

TA 3647-KAZ: *Technology and Institutional Development for Sustainable Locust Management*, for \$700,000, approved on 23 April 2001.

11. To help improve the Philippine judiciary by supporting its independence, accountability, impartiality, and competence, JSF has approved a \$1,200,000 TA to help (i) design a framework for the judiciary's fiscal and administrative autonomy, (ii) improve the appointment process and incentives system for judges, and (iii) strengthen the capacity of the Philippine Judicial Academy to deliver judicial training.

Box 4: Strengthening the Independence of the Judiciary, Philippines

The goal of the technical assistance (TA) is to help improve the Philippine judiciary by supporting its independence, accountability, impartiality, and competence. Under the TA, (i) a framework for judiciary's fiscal and administrative autonomy will be designed, (ii) the appointment process and the accountability and incentive system under which the judges and justices' function will be improved, and (iii) the capacity of Philippine Judicial Academy to deliver judicial training will be strengthened.

TA 3693-PHI: *Strengthening the Independence of the Judiciary*, for \$1,200,000, approved on 2 August 2001.

12. A RETA to evaluate how to improve investment opportunities by SMEs in a common economic space (GMS) and how to make proposals has been extended to the six countries that comprise the GMS. The RETA will also explore measures to ease investment in SMEs, by investors from within and outside the region.

Box 5: Facilitating Cross-Border Trade and Investment for Small and Medium Enterprise Development in the Greater Mekong Subregion

The components of the technical assistance are the following:

- (i) evaluation of the investment environment for small and medium enterprises (SMEs), and of investment in SMEs from investors within and outside the region;
- (ii) planning for increased regional capacity to collect, process, and disseminate investment-related information to facilitate investment;
- (iii) pilot-testing of fast-track investment approval procedures along the East–West Economic Corridor; and
- (iv) support for the Subregional Working Group on Investment and for the Greater Mekong Subregion (GMS) Business Forum as mandated by the Ministerial Conference of GMS.

TA REG-6020: *Facilitating Cross-Border Trade and Investment for SME Development. In the GMS*, for \$600,000 approved on 21 December 2001.

B. Recognition of Japan Special Fund Assistance

13. In 2001, JSF launched a visibility campaign to promote awareness of the fund's assistance. Several signing ceremonies attended by representatives from the Government of Japan, mostly from the Japanese embassy in the DMCs, have taken place, generating goodwill and strengthening the visibility of JSF assistance among the recipient governments and the donor.

14. During the year, JSF assistance received favorable reviews.

15. The first TA to East Timor funded through JSF was successfully designed and implemented a joint poverty assessment based on effective donor coordination and a

signed memorandum of understanding between the East Timor Transitional Authority, ADB, World Bank, and United Nations Development Programme. The TA will enable the East Timorese to make informed policy decisions, by improving the quality of poverty information available to them and enhancing their capacity to collect and analyze this information for their particular needs. This poverty assessment is the first step for a full collaborative poverty reduction strategy.

16. A well-attended signing ceremony of a TA project financed by JSF was held in September 2001 in Hanoi, emphasizing the objective of the Government of Viet Nam and ADB to provide rural children with better access to education. The guests were led by the deputy governor of the State Bank of Viet Nam, Tran Minh Tuan; vice minister of education and training, Nguyen Van Vong; the resident representative of ADB in Viet Nam, John Samy; and a representative from the Government of Japan.

17. During the ceremony, it was stressed that “enriched human capital may reduce poverty more sustainably than any other measures.” Investing in education strengthens the quality and productivity of the future labor force by developing the human mind, capacity, expertise, knowledge, and skills, and empowers the poor to boost their incomes and leave the pain of poverty behind.

C. Evaluation of Japan Special Fund-Financed Technical Assistance Projects

18. As provided by the agreement between ADB and the Government of Japan establishing JSF, a JSF team¹ participated in the supervision and evaluation mission of the Second Basic Health Services and the Prevention and Control of HIV-AIDS TA projects in Cambodia in October, which proved to be well implemented. To further systematize review and evaluation, the guidance and expertise from the Operations Evaluation Department (OED) will be sought, since it is mainly responsible for the preparation of TA performance audit reports (TPARs), which are prepared on a highly selective basis. TPARs are generally based on ADB-wide priorities, and on relevant and appropriate lessons for design and implementation of TAs in a particular sector or country. TPARs will assess implementation performance, evaluate the achievement and impact of the TA, and draw lessons from the experience to improve JSF’s TA activities. Postevaluated projects, programs, and TA operations are classified as generally successful, partly successful, or unsuccessful. ADB’s TPARs from 1995 on are available online at OED’s website at <http://adb.org>.

D. Contributions from the Government of Japan

19. In 2001, the Government of Japan provided ¥3.7 billion, all in regular contributions, as its 13th annual contribution to JSF. This brought Japan’s cumulative contributions to JSF to ¥94.3 billion (about \$813.5 million equivalent), comprising regular contributions of ¥76.3 billion and supplementary contributions of ¥18 billion.

E. Balance of Contributions Available for New Commitments

20. Of the total contribution received by JSF as of 31 December 2001, \$717 million had already been used to fund TAs. As of 31 December 2001, TAs totaling \$23.6 million had been approved by the Government of Japan and ADB, but had not yet become effective, and more TAs totaling \$3.4 million had been approved by the Government of

¹ Coordinator and staff

Japan and were being processed by ADB. At the end of 2001, the uncommitted balance available for new commitments was \$39.3 million.

F. Operational Highlights

1. Total Approvals for the Year and Cumulative Totals

21. In 2001, JSF provided about \$53.8 million for 96 TAs (including country-specific TAs and RETAs) (Appendix 2), compared with \$77.1 million the previous year. This total represents about 37% of ADB's total TA Program during 2001. From 1988 to the end of 2001, \$780.6 million under JSF was committed to finance 1,275 TAs (Appendix 3).

2. Total Approvals by Country

22. During 2001, JSF financed 76 new country-specific TAs in 24 countries for \$45.1 million. Since its establishment, JSF has supported 34 countries (Appendix 4).

3. Nature and Type of Technical Assistance Projects Supported

23. In support of ADB's goal to eradicate poverty in the region, JSF has made untied funds available for AOTAs, PPTAs, and RETAs.

24. In 2001, JSF supported 30 AOTAs for \$16.2 million. Since its inception in 1988, JSF has financed 597 AOTAs for \$375.4 million.

25. During 2001, JSF financed 46 PPTAs for \$29 million. Cumulative approvals of PPTAs from 1988 to 2001 totaled \$316.3 million for 526 TAs.

26. In 2001, JSF financed 20 RETAs for \$8.7 million. From 1988 to 2001, \$88.9 million for 152 RETAs was approved for JSF financing.

4. Total Approvals by Sector

27. JSF can support a whole range of sectors and subsectors (Appendix 5). Since JSF's inception, the sectors receiving the most support were agriculture and natural resources (28% of total funding, with 295 grants for \$192.7 million) and social infrastructure (22% of total funding, with 271 grants for \$155.9 million).

**Table 1: Japan Special Fund
Technical Assistance Grants by Sector, 1988–2001**

Sector	2000			2001			1988–2001		
	No.	\$'000	%	No.	\$'000	%	No.	\$'000	%
Agriculture and Natural Resources	20	14,050.0	21	20	13,108.0	29	295	192,725.5	28
Energy	6	4,164.0	6	5	3,040.0	7	125	71,963.4	10

Finance	11	8,065.0	12	2	1,000.0	2	63	38,766.0	6
Industry and Nonfuel Minerals	1	400.0	1	1	1,250.0	3	40	20,721.0	3
Social Infrastructure	24	16,624.0	25	17	11,015.0	24	271	155,933.0	22
Transport and Communications	15	10,809.0	17	12	6,270.0	14	177	113,025.0	16
Multisector	1	830.0	1	4	2,650.0	6	9	10,714.0	2
Others	16	11,085.4	17	15	6,800.0	15	143	87,823.2	13
Subtotal	94	66,027.4	100	76	45,133.0	100	1,123	691,671.1	100
RETAs	19	11,060.0		20	8,650.0		152	88,927.4	
Total	113	77,087.4		96	53,783.0		1,275	780,598.5	

RETA = regional technical assistance.

G. Financial Statements

28. Since 1997, explanatory notes to JSF financial statements have been included in ADB's annual report to show the actual and realistic balances available to finance new TA proposals under JSF (Appendix 6), providing a clear picture of the uncommitted JSF balances to date.

H. Home Page

29. Beginning with the 1997 JSF annual report, the English version of the JSF annual report has been made available through the ADB website under the Cofinancing Opportunities section. Copies of the Japanese version are available through the ADB-Japanese Representative Office.