



Japan Social Development Fund Annual Report

Fiscal Year 2003



THE WORLD BANK

Concessional Finance and Global Partnerships

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Message from the Chair,
JSDF Steering Committee



Completing its third year of operation, the Japan Social Development Fund (JSDF) has emerged as an effective grant facility to provide direct and intensive support to the poorest and most marginalized groups in developing countries. Originally established with a contribution from the Government of Japan to help mitigate the social consequences of the economic crisis in East Asia in the 1990's, the JSDF now provides grants to countries throughout the developing world. The JSDF operates alongside Bank operations by supporting innovative programs to build capacity, participation and empowerment of civil society and disenfranchised groups.

In Fiscal Year 2003, more than US\$16 million was approved for 15 project and capacity building grants, bringing total JSDF commitments to over US\$75 million for 69 grants. The great value of the JSDF is evident in its many positive outcomes. An impoverished mother in Sri Lanka, unemployed and feeling helpless received training and now earns a competitive annual salary as a community facilitator for a local project. A 14-year old Jordanian boy, one of nine children of an alcoholic father and a mother who works as a housekeeper, survived as a member of a street gang and a pickpocket until recruited by the Children At Risk grant which provided mentoring and vocational training that now enables him to support himself as an auto mechanic. In the Central African Republic, the family of an AIDS-stricken man received help through home visits by trained medical personnel, and started a vegetable garden with the support of the JSDF. These are some of the many encouraging accounts which have emerged over time from the JSDF experience which demonstrate that the Fund is touching the lives of the poor.

This year the JSDF continued to evolve. From the Special Window for Assistance to Afghanistan, a grant was approved to establish the country's first full-service financial institution. This grant will be able to finance more than 10,000 small loans, as well as training on how to administer and

extend financial services. Use of the JSDF Seed Fund, established in FY02 to support the participatory aspects of grant preparation, grew from 2 to 20 approved grants in its first full year of operation. Participation of and discussion with the intended beneficiaries – marginalized groups, NGOs, CSOs, local governments – in the design and preparation of JSDF grant proposals leads to greater ownership and sustainability of grant activities.

Strong participation and support of in-country counterparts is particularly notable in FY03. As JSDF grants have been successfully implemented, their expansion has been supported by both government and non-governmental organizations (NGOs). When child development funds were fully allocated under the Bulgaria Child Development and Disadvantaged Communities Project, the Government added state budget resources at nearly matching levels to expand the project's activities. In Indonesia, the JSDF Widows and Poverty Project so effectively supported female-headed households in areas of conflict that the Government provided funds to scale up the project to cover additional provinces. While in Jordan, the Ministry of Education is adopting a JSDF-piloted learning model as its education protocol for children at risk. These demonstrate the catalytic effect of this relatively new grant program.

From the start, the JSDF has aimed to reach beyond the limits of the Bank's lending instruments to effectively reach the poorest of the poor. Evidence in its third year shows that the program is living up to this objective and that it is through the constructive involvement of those most affected that sustainable progress is achieved. I'd like to take this opportunity on behalf of the Bank and of the grant recipients to thank the Government of Japan for its continued generosity.

Arif Zulfiqar

Director, Trust Fund Operations, and
Chair, JSDF Steering Committee

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Acronyms and Abbreviations

AFR	Africa Region
AIDS	Acquired Immunity Deficiency Syndrome
AKFED	Aga Khan Fund for Economic Development SA
APL	Adaptable Program Lending
CAS	Country Assistance Strategy
CAR	Central African Republic
CBO	Community-Based Organization
CDD	Community Driven Development
CFP	Concessional Finance and Global Partnerships Vice Presidency
EAP	East Asia and Pacific Region
ECA	Europe and Central Asia Region
FMBA	First Microfinance Bank of Afghanistan
FY	Fiscal Year
GDP	Gross Domestic Product
GNP	Gross National Product
GOSL	Government of Sri Lanka
HIV	Human Immunodeficiency Virus
IDP	Internally Displaced Persons
IEC	Information, Education and Communication
IFC	International Finance Corporation
IGA	Income Generating Activities
IMR	Infant Mortality Rate
JSDF	Japan Social Development Fund
JVNC	Japan Vietnam Northern Mountain Consortium
LAC	Latin America and the Caribbean Region
MDGs	Millennium Development Goals
MNA	Middle East and North Africa
MIS	Management Information System
MOE	Ministry of Education
MOF	Ministry of Finance
MOH	Ministry of Health
MOU	Memorandum of Understanding
MSD	Ministry of Social Development
NFE	Non-Formal Education
NGO	Non-Governmental Organization

NMPRP	Northern Mountain Poverty Reduction Project
PEKKA	Program Penguatan Perempuan Kepala Keluarga (Support to Female Headed Households – Indonesia)
PEM	Participatory Educational Methodology
PRSP	Poverty Reduction Strategy Paper
PIU	Project Implementation Unit
SAR	South Asia Region
SARS	Severe Acute Respiratory Syndrome
TFO	Trust Fund Operations
TM	Task Manager
TTL	Task Team Leader
VDP	Village Development Plan
VSHLI	Village Self Help Learning Initiative
YDC	Youth Development Center

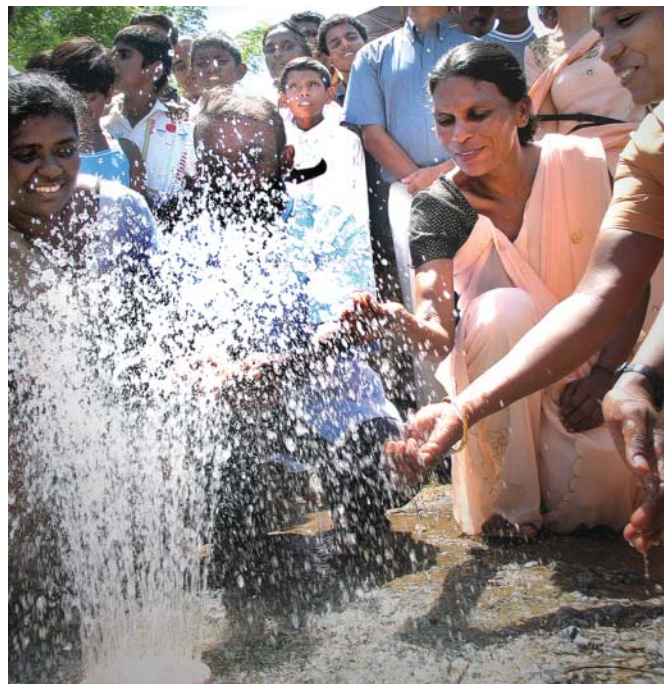
Overview of the JSDF



The Japan Social Development Fund (JSDF) was established by the Government of Japan in 2000 to provide direct assistance to the poorest and most vulnerable.

BACKGROUND

The Japan Social Development Fund was established in June 2000 as a mechanism for providing direct assistance to the poorest and most vulnerable groups in eligible countries of the World Bank Group. Now in its third year, the JSDF, while funding innovative activities to assist marginalized populations, complements the larger-scale Bank operations which commonly work on more systemic issues. One objective of the JSDF is to create partnerships between governments and non-governmental organizations (NGOs), community groups and civil society by making it possible for these groups to jointly design, implement and manage the grant-funded projects. Another aim of the JSDF is to build capacity at the local level and to involve the communities in



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Box 1

Purposes of the JSDF

- To support innovative programs which directly respond to the needs of the poorest and most vulnerable groups of society.
- To provide rapid and demonstrable benefits, which can be sustained, to the poorest and most vulnerable groups.
- To build capacity, participation and empowerment of civil society, local communities and NGOs.

their own poverty alleviation efforts. The main purposes of the JSDF appear in Box 1.

The JSDF became operational with the provision of JPY 10 billion (approximately US\$95 million) from the Government of Japan. This level of assistance has made it possible to support innovative projects that could not otherwise be financed by World Bank loans and credits. To date, the Government of Japan has approved more than US\$75.4 million in grant funding.

A high-level Steering Committee reviews JSDF grant proposals and recommends grants for approval by the Government of Japan. Invitations for proposals are extended three times each fiscal year. Proposals are submitted by World Bank Task Team Leaders for review by the Steering Committee on the basis of defined evaluation criteria. The Selection Criteria (see Box 2) summarize the main intention of the JSDF, that is, to support innovative activities, provide rapid benefits, target the most vulnerable and build capacity.

PROJECT AND CAPACITY BUILDING GRANTS

The JSDF supports two types of grants: project grants, which provide assistance directly to the poor, and capacity building grants, which provide assistance to

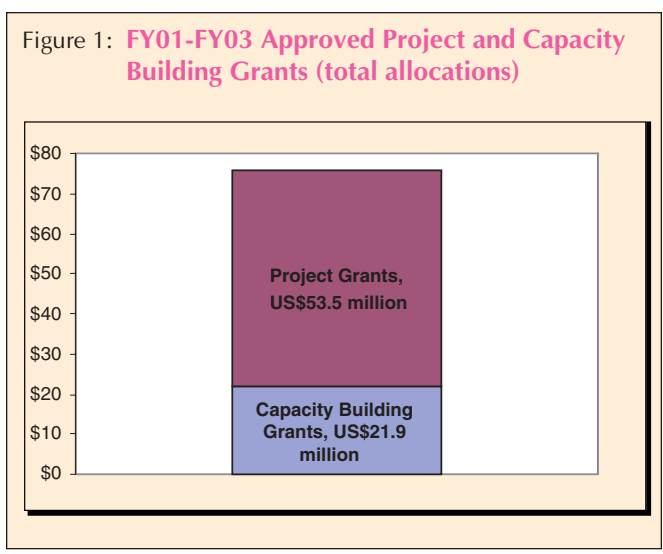
Box 2

JSDF Grant Selection Criteria

- Provide direct, demonstrable and rapid benefits to the poor and most vulnerable.
- Include the application of innovative mechanisms to provide direct assistance which cannot be financed through World Bank credits or loans.
- Encourage direct participation of community groups and/or NGOs, including Japanese NGOs, to encourage long-term sustainable development.
- Support and augment the Bank Country Assistance Strategy.
- Complement an existing Bank-financed project, either under preparation or implementation.
- Demonstrate commitment and ownership of the grant recipient.
- Provide tangible output/impact indicators and mechanisms for measuring outcomes and monitoring progress.

local communities, NGOs or local institutions for training or expanding their capacity.

Project grants are available to World Bank member countries whose 2002 per capita GNP as given in the 2003 World Development Report (WDR) did not exceed US\$1,435 to provide direct assistance to the poor. Capacity Building grants, available to both low and lower middle income countries as defined in the 2003 World Development Report, are intended to strengthen local communities or NGOs through training or expanding the coverage of social fund-type institutions. The project and capacity building grant allocations for FY01-03 are shown in Figure 1.



Over the years, capacity building grants have been steadily increasing as a percentage of total grants. In FY01, project grants accounted for 80 percent of the total approved, while capacity building grants comprised only 20 percent. In FY02, capacity building grants climbed to 39 percent and by the end of FY03, capacity building grants accounted for 44 percent of the total allocated, project grants accounting for only 56 percent. This trend is illustrated in Figure 2.

“The JSDF reaches beyond the limits of traditional Bank lending instruments to reach the poorest of the poor at the community level. The JSDF is the perfect mechanism for real involvement of the poor in capacity building, and in solving their own problems by giving them training and means for support.”

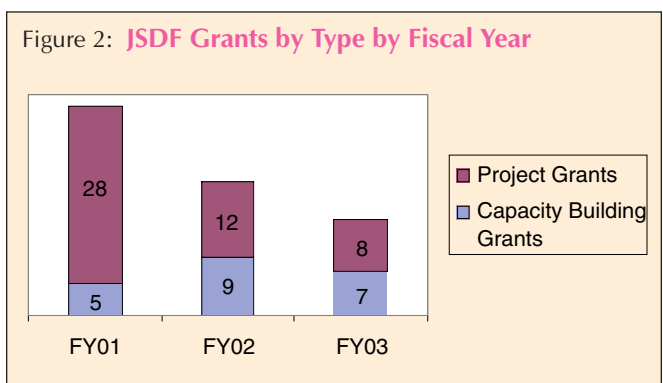
—A World Bank Task Team Leader

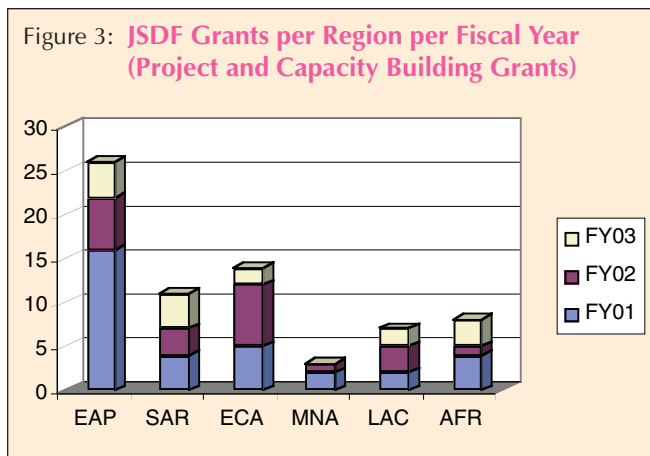
Reflecting the initial intent of the Program, to offset the ill effects on societies beset by the financial and economic crisis which struck East Asia in the late 1990’s, most of the approved funding was for countries in that Region. By the close of FY03 however, the JSDF is supporting poverty alleviation efforts throughout the developing world.

SUMMARY OF JAPAN SOCIAL DEVELOPMENT FUND ACTIVITY, FY01-FY03

During the FY01-FY03 period, JSDF grants were approved for projects in 44 low income and lower middle income countries covering a wide range of social development activities. JSDF grants have totaled more than US\$76.2 million for 89 project, capacity building and seed fund grants.

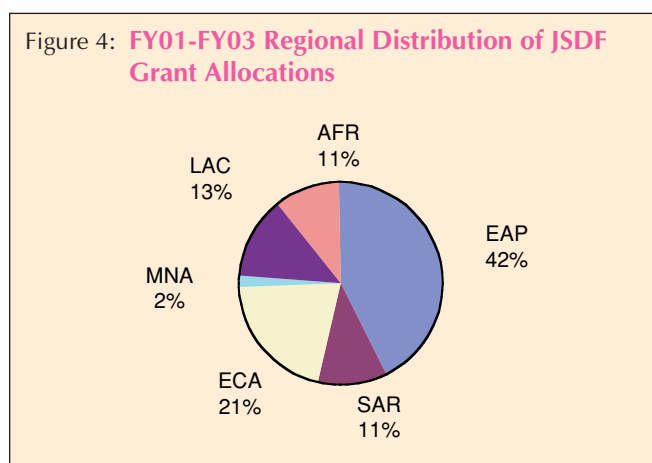
A strength of the JSDF is the wide range of sector activities which it has





supported, in keeping with its objective to be flexible and responsive to community needs and to operate at the local level. Although most funding has been allocated for grants related to social protection and development, JSDF has supported projects in health, education, human development, agriculture, infrastructure, legal reform and private sector reform. The status of the JSDF program to date can be summarized as follows.

- The Government of Japan has approved more than US\$75.4 million in allocations for 69 project and capacity building grants in 11 rounds of funding.
- JSDF grants have been approved to support projects in all six regions of the Bank. The East Asia and Pacific (EAP) Region has received an estimated 42 percent of approved funding for 26 grants totaling US\$32.2 million. Europe and Central Asia (ECA) received 14 grants for US\$15.5 million, representing 21 percent of total funds. Latin America and the Caribbean (LAC) received US\$9.7 million for 7 grants or 13 percent of total allocations. South Asia (SAR) and Africa (AFR) each received 11 percent of total allocations for 11 grants (US\$8.4 million) and 8 grants (US\$8.1 million), respectively. The Middle East and North Africa Region received US\$1.6 million for 3 grants or 2 percent of total allocations.
- JSDF grants have supported projects in agriculture, education, health, social welfare, law, urban and rural poverty, transportation and safe water. Sectors receiving the most support have been rural development (19 percent), social protection and development (20 percent) and education (14 percent).
- The *Special Window for Afghanistan*, founded in FY02, supports Afghanistan's reconstruction and transition toward political, economic and social stability. To

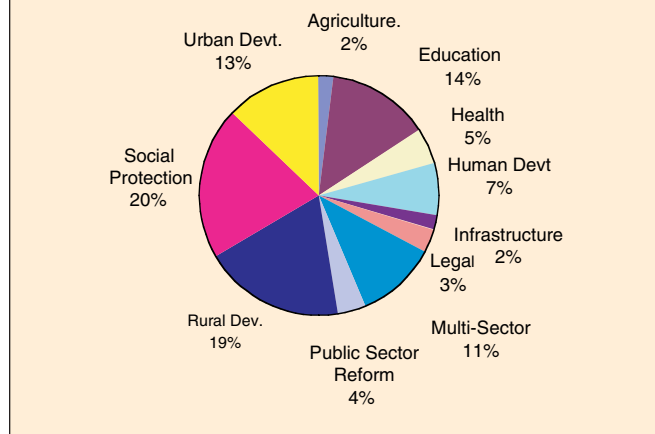


date, five grants have been approved for a total of US\$7.7 million.¹

- The *JSDF Seed Fund*, developed to fund Bank task teams' costs for participatory aspects of JSDF grant preparation, has funded 20 grants totaling US\$ 743,720.

Early grant results are showing the direct benefits of the program's innovative features. Several grants have experienced success beyond original expectations. One example is the Sri Lanka Village Self Help Learning Initiative which was piloted in three villages and later expanded to fifteen. Activities are being scaled up further under a Bank-funded project which will target 4,500 villages and is expected to reach about three million people. By providing support directly to the community, the grant has grown exponentially, reaching many more beneficiaries than initially anticipated. Providing support directly to those who are most in need allows them to improve their lives and the lives of those around them.

Figure 5: **FY01-FY03 Sector Distribution of JSDF Grant Allocations**



“The JSDF gives us flexibility to try innovative approaches in tandem with Bank lending. Often these are successful and have an overall enhancing effect on the development effort.”

—A World Bank Task Team Leader



Michael Foley/World Bank

¹ The Special Window for Afghanistan and the Seed Fund are described in further detail in Chapter 2.

Developments in FY03



In FY03, as Task Team Leaders discovered the value of the Seed Fund, its use grew significantly.

JSDF ACTIVITY IN YEAR THREE

In its third year, the JSDF continued to provide significant funding for programs designed to alleviate poverty and build communities' capacity to help themselves. Fifteen project and capacity building grants were approved in FY03 totaling about US\$16.5 million.² In addition, two grants were approved from the Special Window for Afghanistan, bringing the number of JSDF-funded projects in Afghanistan up to five for a total of about US\$7.7 million. The number of Seed Fund grants grew from 2 in FY02, the program's first year, to 18.³ JSDF-financed activities included, but were not limited to, assistance to rural communities, education interventions, empowerment of women and girls, and community driven development activities to improve social services.



Michael Foley/World Bank

² A list of FY03 JSDF grants by country and project type appears in Annex 1.

³ Seed Fund Grants approved in FY03 appear in Annex 2.

REGIONAL DISTRIBUTION

The East Asia and Pacific Region predominated in the regional distribution of JSDF funds in FY03 with about 37 percent of total funds awarded, followed by Africa (19 percent), South Asia (17 percent), Europe and Central Asia (14 percent), and Latin America and the Caribbean (13 percent).

Ethiopia was the largest grant recipient, receiving US\$1.96 million for the **Pastoral Community Support Project** whose objective is to support a capacity-building process aimed at facilitating direct and demand-driven investment to poor and vulnerable pastoralist communities in the lowlands of Ethiopia. Communities will receive assistance in producing fundable local development plans and micro-project proposals expected to result in significant increases in income, access to public services, and reduced vulnerability to drought.

The second largest grant recipient was Vietnam, receiving a US\$1.91 million grant for the **Early Childhood and Development Project** aimed at offering young children in the poorest communities an opportunity to reach their full potential. The intent is to develop a coordinated, comprehensive and low-cost model utilizing innovative strategies to improve environment, health and education services, along with knowledge and skills of parents, caregivers, community members and government leaders in supporting the development of young children.

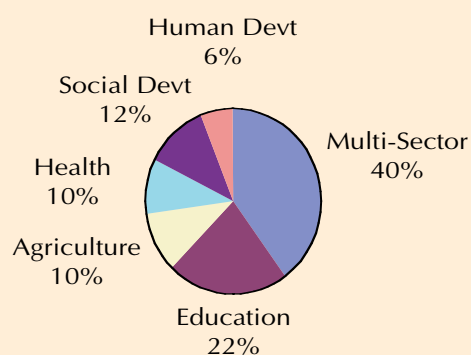
Sri Lanka was the next largest recipient in FY03, receiving a total of US\$1.9 million for two grants. The **Empowering the Poorest of the Poor Women and Young Girls Project** aims to assist the most vulnerable groups of women, those who are poor and unemployed, to build their knowledge and capacity to start up small businesses for income generation. The three main features of this project are: (i) to promote self-help, bottom-up activities for capacity building of the women, not only at the community level, but also at the “cross-provincial” level; (ii) to empower more poor women to take charge of their economic, social, and financial affairs through participation in selected community activities and outreach programs; and (iii) to promote “women-run” social and community-based organizations and small village-level sustainable banking through broad partnerships. The **Empowering the Rural Poor through Community Information and Learning Centers Project** will support a capacity building program for community leaders, to implement participatory methodologies for the use and dissemination of information regarding Community Information Centers in the poorest regions. Community trainers will inform target communities of the opportunities and resources available to them and assist the beneficiaries in setting priorities and developing business plans. The project will incorporate lessons drawn from other successful projects such as the Sri Lanka Village Self-Help Learning Initiative (see Chapter 3).

Table 1: **Regional Distribution of JSDF Grants approved in FY03**

Region	Round Nine		Round Ten		Round Eleven		Total FY03	
	Number of Grants	Amount (US\$)	Number of Grants	Amount (US\$)	Number of Grants	Amount (US\$)	Number of Grants	Amount (US\$)
AFR	3	3,189,630	0	0	0	0	3	3,189,630
EAP	2	2,407,740	1	1,827,474	1	1,910,800	4	6,146,014
ECA	1	1,015,500	1	1,192,300	0	0	2	2,207,800
LAC	0	0	0	0	2	2,099,000	2	2,099,000
MNA	0	0	0	0	0	0	0	0
SAR	3	1,857,070	0	0	1	956,560	4	2,813,630
Total	9	8,469,940	2	3,019,774	4	4,966,360	15	16,456,074

Three countries received JSDF grants for the first time in FY03: Ethiopia, Guatemala and Sao Tome and Principe. Ethiopia’s Pastoral Community Support grant is helping to sustain the lifestyle of nomadic farming groups who face significant environmental and cultural challenges and have little external support. The first JSDF grant for Guatemala, part of a regional grant including Honduras and Nicaragua, aims to increase the market viability of small farmers by associating them with specialty coffee businesses. The JSDF grant to Sao Tome and Principe is helping to build civic engagement and support community-driven development for better social services. Table 1 provides the JSDF grants approved by Region in FY03.

Figure 6: **FY03 Sector distribution of JSDF grant allocations**



SECTOR DISTRIBUTION

In FY03, multi-sector grants accounted for a significant portion of funding reflecting the interdependence of development issues. Five multi-sector grants were awarded for a total of US\$6.6 million (40 percent of FY03 allocations) to, *inter alia*, empower marginalized women and girls, strengthen community capacity in poverty analysis, planning, and project development, enhance livelihoods and improve the quality of basic service delivery.

Further analysis of the sector breakdown shows an emphasis on education, with three grants awarded for just over US\$3.6 million or 22 percent of the total amount allocated, and similarly for health and social services (3 grants for US\$3.6m). The remaining JSDF grants were approved for projects in agriculture (3 grants for US\$1.7m) and human development (1 grant for US\$0.9m).

JSDF SEED FUND

In March 2002, the Government of Japan initiated the Seed Fund to facilitate the participatory aspects of JSDF project preparation, which commonly involves discussions and participation of local civil society groups, NGOs and beneficiaries, and thus to maximize project effectiveness and the likelihood of sustainability. Task Team Leaders may submit applications for seed grants of up to US\$50,000 to support the preparation of JSDF proposals. Eligible expenditures include consultant services, including those of community consultation program experts, local consultant costs, and incremental Bank staff travel and subsistence directly related to the participatory aspects of grant preparation. Seed grant recipients are expected to submit well-developed JSDF grant proposals within 12 months of approval of the seed grant.

In FY03, 18 Seed Grants were approved, ranging in size from US\$25,565 (Uzbekistan Community-Based Water Supply Management Project) to US\$50,000 (Ghana and Mali Rural Communities and Global Market Linkages Project). Seven seed grants were approved for countries in the Africa Region, five for East Asia and Pacific, four for Europe and Central Asia, and one each for South Asia and the Middle East and North Africa.

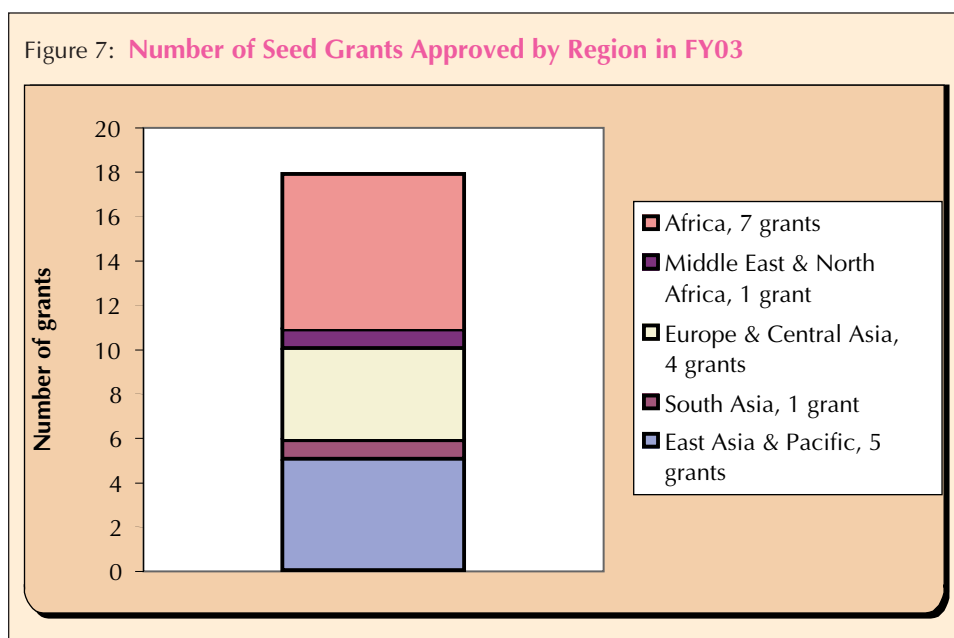
Figure 7 shows the allocation of seed fund grants approved in FY03 by region.

SPECIAL WINDOW FOR AFGHANISTAN

In FY02, the Government of Japan created the Special Window for Assistance to Afghanistan. World Bank data sources reflect the severity of the conditions in this war-ravaged country with a population of 28 million people. The 2002 infant

“The JSDF is unlike other Trust Funds in that the funds are intended to reach the poorest of the poor directly and not through other channels. It is easier to reach the grassroots level using a tool that is more flexible.”

—A World Bank staff member





Michael Foley/World Bank

mortality rate (IMR) was 162 per 1,000 live births, which is more than double the IMR average reported for South Asia. Only 13 percent of inhabitants have access to an improved water source. Malnutrition affects about half of the children under age five. Less than one third of the school-aged boys and fewer than five percent of the girls are enrolled in school. The maternal mortality ratio is estimated to be 1,900 per 100,000 live births and is among the highest in the world.

The Government of Japan contributed US\$18.3 million to the Afghanistan program, a three-year window of financial assistance, to support the country's reconstruction and transition toward political, economic and social stability. Like the JSDF grant facility, the support for Afghanistan funds both project and capacity building grants. Over the two years since the program was established, five grants have been approved, ranging from US\$500,000 to almost US\$3 million, for a total of about US\$7.7 million. In FY03, two grants were approved: **Creating Future Micro-Entrepreneurs**, a project grant for US\$2.98 million, which targets the economic needs of youth, and the **First Micro-Finance Bank of Afghanistan**, a capacity building grant for US\$0.65 million, aimed at providing financial services to the poor and underserved. These grants are described in Box 3.

FY03 JSDF Grants for Afghanistan

Project Grant: Creating Future Micro-Entrepreneurs – Targeting Youth (US\$2,979,690)

This grant aims to improve and promote the social and economic status of youth in Afghanistan by preparing them for a lifelong career and enabling them to earn income on a sustained basis. The grant targets those vulnerable groups of young people who could not have a normal life due to years of war and who missed the opportunity to become active and empowered members of society. The program seeks to mobilize young boys and girls (ages 12–28) for self-development. Limited experience with such programs exists in Afghanistan as donor assistance has been primarily focused on emergency relief programs.

The grant pioneers the development of local NGOs' expertise in youth programs. In phase 1, NGOs will provide necessary guidance and support to interested youth and facilitate basic training, both technical and informal, to further their capacity and help them explore their potential. In phase 2, each youth will be placed with institutions or agencies in the areas of their interest or at developmental and reconstruction projects underway in the country. In phase 3, those who show interest will be screened to evaluate their potential to start a business. During the screening process, the youth should provide a simple business plan. If selected, the program will help them start up their business by providing seed capital for their initial investment. To facilitate project implementation and to ensure program sustainability beyond the JSDF-funded initiative, several Youth Development Centers will be established for orientation, guidance, social gatherings, information exchange and skills training.

Capacity Building Grant: First Micro-Finance Bank of Afghanistan (US\$650,100)

This grant will contribute to a broad donor-supported program to build capacity for the First Micro-Finance Bank of Afghanistan (FMBA), the first full-service financial institution under the laws of Afghanistan. It was established with support of the Aga Khan Fund for Economic Development and the International Finance Corporation, the private sector arm of the World Bank Group. The FMBA should extend more than 10,000 micro and small business loans over the next three years to improve the livelihoods of the beneficiaries and their families.

The grant will finance the deployment of a Management Information/ Micro-banking System and will provide relevant training to staff of the FMBA in its use. The staff can then administer and extend financial services efficiently to micro-entrepreneurs, thus supporting scarce income-generating activities in Afghanistan's nascent post-conflict economy. The grant will also introduce international best practice in corporate governance, anti-money laundering and gender outreach.

JSDF Grants in Focus



“Everybody in the village must benefit. The emphasis is on community development.”

—A World Bank staff member

JSDF grants are Recipient executed. The Recipient can be central or local government, NGOs or community groups. Each grant is unique as it has been prepared with the participation of the direct beneficiaries according to their needs. The following profiles describe some of the challenges and adverse conditions that JSDF grants are intended to confront and resolve. This selection includes reports from the field and reflects the regional and sector diversity of the JSDF grant portfolio.

- **Vietnam, Northern Mountain Poverty Reduction Commune Program**
- **Indonesia, Widows and Poverty in Indonesia**
- **Sri Lanka, Village Self Help Learning Initiative**
- **Jordan, Mainstreaming Children At Risk**
- **Central African Republic, Reinforcing CAR’s HIV/AIDS Strategy in Communities**
- **Bulgaria, Child Development and Disadvantaged Communities**

The country profiles illustrate the performance of JSDF grants and results of implementation at the local level.

VIETNAM: NORTHERN MOUNTAIN POVERTY REDUCTION PROJECT

Amount of Grant: \$1,395,000

Grant Recipient/Executing Agency: Government of Vietnam, Ministry of Planning and Investment

Grant Objective: To accelerate rural development and eradicate hunger and fundamental poverty by creating opportunities, ensuring equity and reducing vulnerability.

The financial crisis of the 1990s took a serious toll on Vietnam’s economy. Severe poverty and the resulting social consequences affected most of the population, leaving ethnic minorities and women especially disadvantaged. Recent economic growth has led to widening urban-rural income differences and to growing income imbalances within the



Tran Thi Hoa/World Bank

rural sector. Poor people in remote areas in particular are being left behind. Vietnam's Government, committed to growth with equity, has proposed special programs for poverty reduction in remote and difficult mountainous areas, the country's poorest communities. This grant aims to support the objectives of accelerated rural development and targeted rural poverty reduction.

The project was piloted in twelve communities, two in each of the six targeted provinces. In each province, one of the pilot communities had only seasonal road access and was among the poorest communities in the province. The other pilot community had no road access, was comprised of ethnic minority peoples, a majority of whom had little education and poor health. The pilot commune program proposals were developed through a participatory process.

Results and Impact of the JSDF Grant

The grant was comprised of the following components: Community Development Methods, Plans and Management, Food Security and Cash Income Generation, Household Water Supply, Micro-irrigation, Education and Health, a Community Grant Program, and Participatory Monitoring and Assessment. These activities were the vehicle for building local capacity, generally improving commune living standards and ensuring the participation of the most disadvantaged population. The JSDF provided funding to train project staff and local officials for project purposes, primary school teachers, and village and commune health workers, to develop guidelines to target beneficiaries, to assist the communes to complete community development plans, and to develop methods and criteria for evaluating beneficiary participation in the design, selection and implementation of project activities.

Strengths of the JSDF Grant

Project design remained flexible during implementation so that it could be adjusted as needed and activities were piloted to ascertain those that would work best. The participatory process played a key role in the development of commune proposals for financing, strengthening the involvement of project stakeholders, and including beneficiaries and vulnerable groups in the planning process. The participatory monitoring component, carried out by NGOs, expanded the lessons learned on monitoring in the pilot phase during the first year of the follow-up project's implementation. Implementation was further strengthened by the Japanese Vietnam Northern Mountain Consortium (JVNC), a group of local NGOs which provide experience on issues related to community health.

INDONESIA: WIDOWS AND POVERTY IN INDONESIA

Amount of Grant: \$2,197,040

Grant Recipient/Executing Agency: Department of Home Affairs

Grant Objective: To support economic and social rehabilitation of widows and to address the devastating affects of large-scale civil conflict which plunged many families into poverty.

Until the JSDF Program for Female Headed Households started in 1999, no development project in Indonesia had ever worked with any widows, much less widows in areas of large-scale civil conflict. And yet the link between widows and poverty was well-known. Loss of an adult male to already poor families was economically devastating. Not only were families instantly plunged into poverty, but poverty became the fate of future generations. Equally tragic was the education lost, as children were pulled from school by mothers unable to pay school fees or needing them to work for family survival.

The number of female-headed households in the conflict areas was significant, making up as much as 15 percent of the total population. Not all of them were natural widows. Economic collapse following the East Asia crisis and the turmoil surrounding Indonesia's political transition had led to large-scale out-migration in search of work, and another million or so internally displaced people who had fled to places of safety.

In 1999, the Ministry of Home Affairs and the World Bank's social development team had an informal brainstorming session to work out basic principles of a program that could feasibly reach female-headed families. First, the project would have to be executed by NGOs, who had the experience and tools to work with widows. Second, the project would focus on overcoming the widows' isolation and help them organize into self-reliant groups. Third, donors would need to be patient as the widows themselves, not a pre-determined implementation plan,



Michael Foley/World Bank

would have to set the project's pace. Last, the project would need to be well documented so that the lessons learned could be shared and replicated.

The team approached the new JSDF program with some reservation. Even if the potential impact on the desperately poor was high, it was a risky project that would chart a great deal of unexplored territory over the next two years. At the time, the project could not be funded through traditional World Bank channels. The government resisted channeling development loans through NGOs. The relatively long period of time necessary for confidence-building among the widows was not compatible with standard project timetables. The project also required a few measures that even the World Bank had trouble with, such as allowing a small portion of the grant to go for local food purchases so that mothers could keep their children in school. But through goodwill on all sides, the grant agreement was signed.

Results and Impact of the JSDF Grant

From the beginning, the program was successful in surmounting potential barriers. The Ministry of Home Affairs signed a Memorandum of Understanding (MOU) with the National Commission on Violence Against Women, one of the country's national human rights organizations, to co-manage the program and ensure that the rights perspective received equal treatment with the project's development goals. As a result of this agreement, the project was able to get one of the best women's NGOs in the country to execute the newly-formed Program to Support Female

Headed Households or Program Penguatan Perempuan Kepala Keluarga, commonly known as the PEKKA project.

Under the initial JSDF grant, PEKKA operated in four provinces, each characterized by a different kind of conflict. Widows elected their own representatives to the program, each of whom received a full month of intensive training in community organizing and micro-credit management. The project team also developed a program of photo documentation – teaching the widows to use cameras – and cultural representation as tools for the project’s confidence-building program.

There were several challenges faced during implementation. In some areas many members dropped out of the groups because of community pressure. Some were harassed by other villagers who accused them of prostitution or witchcraft. In other areas the resumption of conflict forced PEKKA to delay operations.

However in most areas, PEKKA has been an unequivocal success. Baseline and follow-up surveys show that the poverty spiral has been halted. No PEKKA member’s children have been pulled out of school since the project started, and in most groups child enrollments rose. PEKKA micro-credit groups mobilize member savings before releasing any JSDF funds, so members already have their home businesses running by the time the grants arrive. On average, household expenditures rose and PEKKA families appear to eat a better diet than they did before joining the program.

The government is also very pleased with PEKKA and has expanded it to three more conflict provinces. PEKKA training methods are now feeding back into the



Michael Foley/World Bank

much larger community development projects that the Bank supports, to the point where the project management teams invite the widows' facilitators to join as training advisers.

Strengths of the JSDF Grant

Perhaps PEKKA's most significant benefits are more intangible. They are the widows' newfound confidence and pride in themselves which can manifest themselves sometimes in unexpected ways: Several of the widows' groups have turned down the micro-credit funds, saying the money should be used to help widows elsewhere because they can now stand up for themselves in village budget meetings.

In 2003, PEKKA organized a series of photography exhibitions that toured each of the PEKKA provinces. What the pictures show in some ways reflects the project and each had the same theme: showing widows working. Some were photographs of women planting rice, others were repairing a bridge, others were preparing meals for public feasts. Asked why they chose this theme, the widows had no problem explaining, "We wanted to show that no matter what they think, we, too, help our villages develop."

SRI LANKA: VILLAGE SELF HELP LEARNING INITIATIVE

Amount of Grant: \$750,000

Grant Recipient/Executing Agency: Mahaweli Authority of Sri Lanka

Grant Objective: To test a model of participatory development that would put decision-making and resources directly into the hands of the poor communities in three villages. The objective will be achieved by establishing village monitoring systems and funding basic community and social infrastructure subprojects and income generation activities.

The Village Self Help Learning Initiative (VSHLI) uses a Community Driven Development (CDD) approach intended to establish a sustainable development process to lead to poverty reduction. CDD is a development approach that aims to empower communities, allowing them to set their own priorities. The CDD framework links participation, community management of resources and good governance, building local level capacity to achieve identified goals, and holding those involved in decision-making accountable.

Recognizing the need for innovative solutions to reduce poverty, JSDF grant funds allowed the VSHLI program to be piloted in three villages of a North Central district of Sri Lanka. The pilot has successfully demonstrated that communities can articulate their needs and priorities, develop, implement and assume maintenance and ownership of infrastructure and income-generating programs, and contribute significantly from their own funds (30–50 percent) to the program costs.

"You know what's inside a glass of water, but not what's inside a pot of tea. We must be able to see through."

—A VSHLI participant on the importance of transparency in project implementation



Yosef Hadar/World Bank

The VSHLI has focused on the poor, especially poor women by providing direct financing to the community and ensuring flexibility and adaptability in fund allocation and other services. Its aim has been to promote transparency, openness and accountability through, among others, simple and clear rules and building partnerships for sustainability. By 2003, benefits of the results-oriented partnership were effectively shared with local officials, and the pilot was expanded from three to 15 villages.

Results and Impact of the JSDF Grant

Based on the promising results of the JSDF pilot, the Government of Sri Lanka requested the Bank's assistance to scale up the pilot across the poorest parts of the country. An Adaptable Program Lending (APL) operation is being prepared for long-term support to strengthen local communities' capacity to participate effectively in setting priorities, resource allocation, program implementation and maintenance. The APL is expected to cover 4,500–5,000 villages, or three to four million people, over a 12-year period.

Notably the locally-established steps for VSHLI implementation have been essential to the growth and development of JSDF grant-funded activities. The steps have provided a procedural structure for effective project implementation. The villagers have exhibited strong commitment to the project and ownership of results achieved.

Strengths of the JSDF Grant

A number of elements contributed to the project's effectiveness in each community giving very positive results for the VSHLI project. A major outcome was a high degree of community empowerment and ownership. Youth and women participated in most of the community activities, including as representatives on the Board of Directors. Women's groups became active, interacting with officials and government officers.

The communities gained confidence from developing and implementing their Village Development Plans. The communities themselves managed procurement, financial management and social auditing functions and learned how to resolve conflicts effectively. They also developed skills to deal directly with contractors, service providers and consultants, and successfully negotiated the terms and conditions of contracts. Finally, villagers developed satisfactory relationships with local authorities and have gained experience and voice in negotiating with the local bureaucracy and obtaining government services. Thus the VSHLI has been successful in cultivating local leadership skills. It has also developed para-professionals to provide services to their community and to other villages. A para-professional school has been established to offer training in, among others, social mobilization, community contracting, procurement, accounting, monitoring and social audits and conflict resolution to other villages. The intent is for this low-cost sustainable approach to be scaled up to the national level.

"Development must be selective: if you try to pick up too many oranges, they will all fall away!"

—A village participant of the VSHLI



Michael Foley/World Bank

Community commitment also resulted in significant cost effectiveness while villagers benefited from the project's income generating activities. Even the very poor villages contributed 30 percent of costs to their projects, and, in addition to the direct recovery of total investment costs, project costs were generally 30–50 percent below usual costs. Income generating activities supported by the savings and credit component included crop production, goat rearing, dairy farming, and broom manufacturing. The establishment of a computer center allowed a number of village youth to become computer literate and more involved in the project.

JORDAN: MAINSTREAMING CHILDREN AT RISK

Amount of Grant: \$994,860

Grant Recipient/Executing Agency: Government of the Hashemite Kingdom of Jordan/Questscope for Social Development in the Middle East

Box 4

Successful outcomes of the VSHLI Project

Training course yields a collateral income generation activity

The procurement committee in Ethumalpitiya is very particular about getting the lowest possible price on its products, and in some cases has used innovative means to extend what has been provided to them.

A food technologist was brought in to provide a “kitchen improvement program” for community women on how to keep their kitchens clean, organized and efficient, and on how to use energy saving methods. The women learned to bake cake without an oven, using heated sand. Having learned these methods, some of the women branched out into food-related income generating activities and started earning money through the sale of their preserves and cakes.

Business Skills and Quality Materials

Village women and committee members were among those who noticed that the VSHLI community hall roofing sheets began cracking shortly after installation. At the general community meeting the villagers, having put some of their own hard-earned money into maintenance of their community hall, berated the sub-committee for buying the substandard sheets.

The building committee returned the roofing sheets to the company themselves and demanded new ones. The building committee president reported that through this project, they had learned to ask for the best quality goods. The committee refused the 10 percent discount that some companies offered because they wanted to make sure they got the best quality. The committee president said that she gained a lot of technical experience through this project. “Now if she needs help for her house or wishes to help someone else, she knows how to look at estimates and what to ask for.” – A World Bank staff member in Sri Lanka.

Grant Objective: To build capacity of community-based referral and partner organizations including NGOs to help reintegrate children “at risk” into mainstream society. Previously, at-risk children have been virtually invisible to policy makers and NGO activists. By opening access to existing NGO services, the JSDF-financed program is helping to address the difficult issues facing the children.

Results and Impact of the JSDF Grant

In the Spring of 2001, the Ministry of Social Development (MSD) and Questscope (a local NGO) discussed financing possibilities with the World Bank, for expert assistance to solve some of the difficult social problems facing children and youth in Jordan. The overall context for youth in Jordan today is one of conflicting value systems and unprecedented social restlessness. The definition of children “at risk” (aged 10–18 years) as agreed with the Jordanian Ministry of Social Development, is children who come from broken families, are themselves or have a close family member in trouble with the law, attend irregularly or have withdrawn entirely from school, are compelled to earn an income at an early age, participate early in unprotected sexual activity or have suffered sexual abuse, or are victims of substance abuse.

The adopted methodology emphasized participation as a means for increasing the role of marginalized persons and communities in order to enhance their human rights, give them access to available resources, and to achieve equity in a sustainable manner. Communities were expected to be full-fledged participants in the project because mainstreaming at-risk children takes coordinated action on the part of many institutions and community members. The most essential element in this Project is the active cooperation of the Ministry of Social Development (MSD) with children. Key to this cooperation has been the establishment of a dynamic mentoring program integrated with referral agencies and with strong linkages to community organizations.

It was anticipated that 2,000 at-risk children would benefit from this program over the two years of the grant, but the mentoring approach has been adopted by the directors of the six participating centers of the MSD Juvenile Division, which will ensure that 12,000 children will benefit from the Project.

Strengths of the JSDF Grant

The development of “street education” or Participatory Educational Methodology (PEM) as a supportive sub-program to the mentoring program has also become an exciting component of this JSDF grant. PEM is based on the concept of restoring children to the learning process, moving through stages of dialogue, knowledge building, awareness creation and development of critical thought. The effectiveness of PEM in developing literacy in children has resulted in “street education” replacing the traditional literacy-training activities in all six Juvenile Centers and its endorsement by the MOE as a key methodology in the Non-Formal Education (NFE) program currently being developed has contributed to its success.



Julio Etchart/World Bank

This was among the first ventures by the World Bank, to design a non-traditional, bottom-up approach for child protection. The JSDF was an ideal mechanism for the task. The grant's objectives of integrating at-risk children into civil society and encouraging communities to participate in all aspects of project development provided the basis for serving this most vulnerable group. It is anticipated that identification and rehabilitation of at-risk children will gradually become a fully accepted responsibility implemented by the communities, families and social institutions.

CENTRAL AFRICA REPUBLIC: REINFORCING CAR'S HIV/AIDS STRATEGY IN COMMUNITIES

Amount of Grant: \$630,000

Grant Recipient/Executing Agency: Amis d'Afrique

Grant Objective: Strengthen grassroots communities at the district and village levels for the fight against HIV/AIDS by (i) training community leaders and elders in HIV/AIDS prevention, (ii) conducting Information, Education and Communication training on HIV/AIDS prevention in districts where there is heavy prevalence, and (iii) establishing an ownership strategy for communities.

Components of the JSDF grant include support for the provision of medical care by trained doctors and community health workers for patients with HIV/AIDS. Micro-grants are available for HIV/AIDS-affected families to develop small animal husbandry or vegetable gardens as a means of support.



Michael Foley/World Bank

The grant supports an Information, Education and Communication (IEC) component on AIDS prevention, targeting youths (9–24 age), an age group largely ignored by AIDS workers, and whose HIV/AIDS prevalence rates are experiencing an increase. IEC takes place through role playing, seminars, and “youth talks” in schools on how to prevent infection. Capacity building supports the involvement of local NGOs to provide awareness campaigns, enabling them to reach areas which are peripheral and underserved.

Results and Impact of the JSDF Grant

The local NGO *Amis d’Afrique* carried out most grant activities as planned until the March 2003 coup d’etat. Businesses were looted and hospitals were closed. For a prolonged period of time, those living with HIV/AIDS could not be reached by health workers. *Amis d’Afrique* helped to establish mobile teams to cope with the growing number of families affected by HIV/AIDS, to help teams to work in different sections of Bangui to improve their ability to work in this desolate situation, and to extend their reach for people who need help.

Strengths of the JSDF Grant

This grant is currently in the implementation phase. *Amis d’Afrique’s* high professionalism and excellent training have helped them to cope with the additional challenges of civil unrest, the growing number of refugees, and the tremendous increase in the number of people living with HIV/AIDS. The improved coordination among local NGOs and strong partnerships with all organizations working against formidable odds reflect the success of this JSDF grant.

BULGARIA: CHILD DEVELOPMENT AND DISADVANTAGED COMMUNITIES

Amount of Grant: \$1,050,000

Grant Recipient/Executing Agency: Ministry of Labor and Social Policy

Grant Objective: To achieve, through community-based child development programs, improved child welfare, reduced abandonment, and improvement in school performance among disadvantaged ethnic minority communities in Bulgaria.

Approved in FY01, the Bulgaria Child Welfare Project is among the first JSDF grants to complete implementation. It was given a notable rating of “Highly Satisfactory” upon its completion. The project was designed to improve access to the mainstream education system for children from marginalized and disadvantaged ethnic minority communities. The main barriers to education for minority children stem from poverty and lack of knowledge of the Bulgarian language. Because minority children could not speak the official language, most of them dropped out of school or were placed in schools for children with special education needs. School enrollment of Roma children is considerably lower than the national average.

Results and Impact of the JSDF Grant

To overcome these barriers, the JSDF Grant provided sub-grants to local NGOs to establish preschool and kindergarten programs for children from the poorest communities. Grant funds were used to prepare children for school, to enhance their Bulgarian language skills and to develop basic social skills. The grant provided basic health care and support to offset the costs of primary school, such as food and school uniforms, for the poorest of the poor. Funds



Curt Carnemark/World Bank

were also used for necessary local support such as restoring kindergarten classroom facilities with parents and community members contributing in-kind labor.

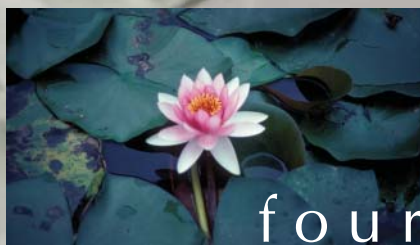
The project consisted of a community-based child development fund to appraise, design, promote and supervise small-scale sub-projects for the benefit of the disadvantaged communities. A monitoring and evaluation component was built in to so that improved program efforts could be incorporated as the project progressed. Other activities included baseline surveys, follow-up surveys, beneficiary assessments of all implementation sites, follow-up surveys and two annual audits.

Strengths of the JSDF Grant

Originally, eighteen child development sub-projects were planned, but as they were implemented and demonstrated their value, the Government of Bulgaria invested additional funds when JSDF funds were exhausted. Ultimately, 56 child development sub-projects were realized. Projects contributed to improved access to primary education for minority children, improved health status of children from ethnic minority communities, and increased awareness by parents and families of the value and benefits of literacy and education. In two years, 4,102 children and 223 community members benefited. The development objectives of the JSDF grant were met and exceeded. Preparatory school training was established for ten municipalities with the highest rate of ethnic problems, drop-out rates and placement of children in institutions.

Based on the positive outcomes of the pilot projects, the Government introduced mandatory preparatory classes for all children, approved a job description for the position of teaching assistant, secured budgetary resources for the 2004 fiscal year, and drafted preparatory school training programs. The results of this JSDF grant – lessons learned and the positive outcomes have been shared with other projects funded by the World Bank.

JSDF Governance Mechanisms



At the creation of the JSDF, the Government of Japan and the World Bank established a comprehensive governance structure to ensure transparent and efficient management of the JSDF.

GRANT QUALITY REVIEW AND APPROVAL PROCESS

Proposals for JSDF grants are first vetted by technical reviewers and endorsed by Country Directors and Sector Managers. The World Bank JSDF Steering Committee, established at the inception of the JSDF, is charged with reviewing the grant proposals. Proposals are either cleared with minimal revision for submission to Japan, returned to Task Teams for revision and resubmission, or rejected. The Steering Committee recommends those proposals which meet the JSDF criteria for approval by the Government of Japan. The Ministry of Finance of the Government of Japan approves, rejects or requests more information on proposal applications. Once approved by the Government of Japan, Bank Task Team Leaders are required to sign a Letter of Undertaking and to submit a procurement plan before a Grant Agreement is signed between the Recipient and the Bank.

GRANT IMPLEMENTATION AND REPORTING

JSDF grant implementation requires compliance with the Bank's Procurement and Financial Management Guidelines and is the same as that required for Bank loans and credits. The grant implementation period is a maximum of four years. Grants can be implemented by the central or local government, NGOs and/or community groups. World Bank Task Teams are required to submit grant progress reports, excerpts of which are available in the JSDF website.

COMMUNICATION PROCESSES

An annual report is submitted by the World Bank to the Japanese authorities to review the progress of grants financed by the JSDF and to ensure that the overall objectives of the Fund and the grants are being achieved. This report is also available on the JSDF website. Additionally, review meetings are conducted between Washington and Japan where JSDF grant proposals, approvals and process issues are discussed and proposed improvements are suggested.

JSDF Website

A website has been established to provide relevant information regarding the JSDF grant facility. The website is maintained by the World Bank and is available to the public at <http://www.worldbank.org/jsdf>.

Annex 1: JSDF Grants Approved in Fiscal Year 2003

Country (Grant Type)	Title of Grant Proposal	Grant Amount (US\$)	Grant Objective
Round Nine			
Cameroon (C)	Strengthening the Resource Assessment Base of Rural Communities	580,180	To obtain sustainable management by the rural communities of their natural resource-base, in particular non-timber forest products, sacred forests and traditionally protected species.
Ethiopia (C)	Pastoral Community Support Grant	1,960,000	To support a capacity building process aimed at facilitating direct and demand-driven investment to poor and vulnerable pastoralist communities in the lowlands of Ethiopia.
India (C)	Conflict Resolution for Natural Resource Management in India	206,325	To enable application of innovative and effective conflict resolution activities at the community level for more efficient use and sustainable management of natural resources for the rural poor.
Indonesia (P)	Education and Employment Opportunities for Undereducated Youth	1,106,950	To design and implement improved, community-based approaches for out-of-school education for undereducated youth related to employment.
Moldova (P)	Pilot Community Driven Development Project	1,015,500	To develop new/innovative types of social services and use lessons learned to further inform government policy development social care services.
Mongolia (C)	Community Mobilization for Sustainable Livelihoods	1,300,790	To enhance the livelihood, security and sustainability of poor and vulnerable groups in rural Mongolia.
Pakistan (P)	Enhancing Participation in Education Through Innovative Schemes for the Excluded & Vulnerable	706,500	To enhance the participation of the excluded population in schooling in select poorer districts, including Federally Administered Tribal Areas, through involvement of local institutions.
Sao Tome and Principe (C)	Building Capacity for Civic Engagement and Community Driven Development for Improved Social Services	649,450	To lay the foundations and test approaches for increasing the efficiency, impact and sustainability of social services by bringing state, civil society and local communities together in the development, implementation and monitoring processes.

Annex 1: JSDF Grants Approved in Fiscal Year 2003 (cont.)

Country (Grant Type)	Title of Grant Proposal	Grant Amount (US\$)	Grant Objective
Round Nine			
Sri Lanka (P)	Empowering Poorest of the Poor Women and Young Girls in Sri Lanka	944,245	To assist the most vulnerable groups of women, who are poor and/or unemployed, in building their knowledge and capacity, and in starting up small or micro businesses for income generation.
Round Ten			
Cambodia (P)	Public Education for Disadvantaged Children	1,827,474	To increase public education for disadvantaged children, improve quality education, and improve efficiency of public school management.
Kyrgyz Republic (P)	Pilot for Community Driven Village Investments	1,192,300	To develop and test feasible approaches to help rural communities, address locally identified poverty alleviation priority needs, and to empower poor rural communities by strengthening the capacity of local governments.
Round Eleven			
Guatemala, Nicaragua & Honduras (C)	Developing Central American Small Farmers links to Specialty Coffee Market	920,000	To assist targeted small farmer groups to increase their income by selling their produce to specialty markets through longer-term contractual arrangements with importers.
Peru (C)	Lima Rapid Empowerment Fund	1,179,000	To improve the quality of basic service delivery, community capacity in poverty analysis, planning, and project development, and introduce institutional and administrative reforms to increase engagement of poor residents in the local governance process.
Sri Lanka (C)	Empowering the Rural Poor through Community Information and Learning Centers	956,560	To support capacity building program for community leaders, to implement participatory methodologies for the use of Community Information Centers in the poorest regions.
Vietnam (P)	Early Childhood and Development	1,910,800	To establish replicable enabling environments in the most poor and vulnerable communities, which offer young children opportunities to develop their full potential through improvement of environment, health, and education services.
TOTAL FY03	15 PROPOSALS	16,456,074	

Annex 2: JSDF Seed Grants Approved in FY03

Country	Title of Grant Proposal	Grant Amount (US\$)	Approval Date
Yemen	Inclusion of Marginalized Children into the Mainstream Education System	39,600	8/14/2002
Indonesia	Fighting HIV/AIDS in Poor Communities	43,850	8/20/2002
Ghana and Mali	Rural Communities and Global Market Linkages Project	50,000	8/22/2002
Moldova	Strengthening Access to Justice for the Poor	32,330	9/16/2002
Congo	Community Action for Reintegration and Recovery: Addressing the Needs of Women and Street Children	45,000	9/26/2002
Nigeria	Community-Based Monitoring and Evaluation System for Enhancing Government Accountability in Nigeria	35,400	9/27/2002
Mali & Mauritania	Capacity Building of Civil Society in Provision of Legal Aid	48,000	10/17/2002
East Africa	Community Based Coastal Resources & Sustainable Livelihoods	45,000	12/23/2002
Indonesia	Semarang Participatory Watershed Management	36,000	1/7/2003
Indonesia	Engaging Civil Society and Local Stakeholders in Participatory Budget Planning and Monitoring	29,400	2/8/2003
Moldova	Community Based Land and Water Restoration	29,925	2/14/2003
Vietnam	Community Based Disaster Management Project	45,200	2/21/2003
Bangladesh	Local Governance and Accountability Mechanism	39,350	3/25/2003
Uzbekistan	Community-Based Urban Water Supply Management Project	25,565	3/25/2003
Armenia	Enabling Poor Households to Participate in Provision of Communal Heat Services	35,700	3/29/2003
Philippines	Empowering Vulnerable Groups to Participate in the National Anti-Poverty Program	35,700	6/11/2003
Cameroon	Institutional Development Support to Farmer's Organizations Project	30,700	6/11/2003
Eritrea	Pro-Poor Multi-Sectoral and Community-Based Road Safety System Development	42,000	6/26/2003
TOTAL FY03		688,720	18 proposals

Annex 3: Fiscal Year 2004 Annual Policy Document

JAPAN SOCIAL DEVELOPMENT FUND FY04 POLICY GUIDELINES AND PROGRAM ALLOCATION

1. Objective. To provide grants in support of innovative social programs to help alleviate poverty in eligible client countries of the World Bank Group.⁴ Grants approved under the program are subject to the criteria set forth in these Guidelines.

2. Focus. JSDF Grants complement Bank-financed operations and programs compatible with the development objectives of the CAS, PRSP or poverty reduction elements of Sector Strategies. The Grants are intended to focus on activities which: (i) respond directly to the needs of the poorest and most vulnerable groups; (ii) encourage the testing of innovative methods; (iii) support initiatives that lead to rapid, demonstrable benefits with positive prospects of developing into sustainable activities; or (iv) build ownership, capacity, empowerment and participation of local communities, non-governmental organizations (NGOs) and other civil society groups to facilitate their involvement in operations financed by the World Bank. Approximately 50% of total JSDF funds should go to eligible countries in East, South and Central Asia.

3. Grant Types and Country Eligibility. There are two types of JSDF Grants:

(i) **Project Grants finance:** (a) activities directly providing relief measures, supporting the improvement of services and facilities for poorer population groups, or reinforcing/reinvigorating social safety nets, or (b) innovation and testing of new approaches, particularly in the social sectors. Such grants may be made for activities in countries that are members of any of the World Bank Group entities and whose GDP per capita is \$1,435 as defined in the 2002 World Development Report.

(ii) **Capacity Building Grants** finance capacity building and improvement measures, e.g., to bolster local communities and NGOs through learning by doing, to expand the capabilities or coverage of social fund-type institutions, or to support local governments working with communities on World Bank-funded projects/programs. Eligible countries include the low-income countries and lower middle-income countries as defined in the 2002 World Development Report.

⁴Includes the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation, all referred to hereafter as the Bank.

4. Amount. JSDF Grants can range from US\$50,000 to US\$2 million. Under exceptional circumstances and after prior clearance by CFP a grant proposal of up to US\$3 million may be submitted for consideration. Proposals exceeding US\$2 million would be subject to higher scrutiny by the JSDF Steering Committee; the latter may request technical reviewers to verify the validity and viability of proposed activities and that their costing follows a disciplined process.

5. Funding Proposal. Grants are approved by the Government of Japan (GOJ) on the basis of a standard one-page Funding Proposal, available on the Bank systems. The Proposal contains basic data, overall development objectives of the grant, expected key performance indicators and expenditure categories. The concerned managing unit in the Bank must sponsor the activity and designate a Task Team Leader (TTL). Requests must be in line with the CAS objectives, as confirmed by the Country Director and the sector approach, confirmed by the Sector Manager, and are submitted to the JSDF Steering Committee through the Japan Trust Funds Administration unit after review by the Trust Fund Coordinators in the Operational Vice Presidencies.

6. Background Information. In addition to the one-page Funding Proposal, the complete application form includes supplementary information comprising a detailed description of the activities to be funded, a general plan for implementation, outputs and outcomes expected, a detailed budget and a checklist of questions to assist in evaluating the application's eligibility.

7. Checklist. All issues should be addressed and questions answered. Preference will be given to proposals which promote collaboration with local and international NGOs (preferably Japanese NGOs) and civil society organizations.

8. Eligible Expenditures. These include goods, small civil works, services, training and workshops. Procurement must follow Guidelines of the relevant World Bank entity. Requests may also include the cost of audits. Incremental costs (including staff costs) of the World Bank of up to 5 percent of the total grant amount may be requested mainly to facilitate community participation or NGO collaboration, but also for preparation and implementation activities in operations of unusual complexity or innovation which require Bank staff resources beyond those that can be financed by the regular administration budget.

9. Ineligible Expenditures. The following cannot be financed under JSDF: (i) pilot activities with no linkages to Bank-financed operations, (ii) academic research, (iii) government staff salaries, (iv) foreign training or study tours, or (v) purchases of motor vehicles.⁵

⁵ Exceptions on the purchases of motor vehicles may be warranted subject to justification provided in the proposal.

10. Schedule. The JSDF Steering Committee submits proposals to GOJ three times a year (see below). GOJ would confirm its decisions on proposals within four weeks from submission where GOJ is satisfied with the contents of the application. In case GOJ requires clarifications the final decision on the proposal may take longer.

11. Grant Execution Arrangements. Grants must be recipient-executed. Recipients of JSDF Grants may be governments (central or local), international or local NGOs, or other local community groups which the Task Team Leader has determined are financially sound, have a strong track record, and employ satisfactory arrangements for use and accounting of grant funds. In case the recipient or the implementing agency is an NGO or a local community group, it is required that the central or local government give its agreement to the arrangement. UN agencies may not be recipients of JSDF grants.⁶ The maximum grant implementation period is four years. The TTL of the Grant will carry out the Bank's fiduciary responsibilities for grant supervision, in accordance with Bank standards.

12. Progress Reporting. The Task Team Leader will be responsible for preparing annual Grant Status Reports, rating the status of grant implementation, documenting the acquisition of consulting services or other grant-financed inputs, as well as completion of deliverables. In addition, a *Final Progress Report* will be prepared at completion documenting actual cumulative inputs, outputs and outcomes through the grant implementation period.

13. Reallocation of Funds (Expenditure Categories). Reallocation of grant funds would be carried out as follows.

(i) For reallocations up to 30 percent of the amount for an approved expenditure category, TTLs should seek advice from the Legal and Loan Departments (for recipient-executed grants) in case an amendment to the grant agreement is required. This request need not be submitted to CFP.

(ii) For reallocation of funds to new eligible expenditure categories (see above), a request must be submitted to the Country Director for approval. The request should be cleared with CFP and the Legal and Loan Departments (for recipient-executed grants). The Bank may seek Japan's approval when the reallocation represents a significant portion of the grant as determined by CFP.

(iii) For reallocations of funds greater than 30 percent of the amount for an approved expenditure category, a request must be submitted to CFP for clearance. The Bank may seek Japan's approval when the reallocation represents a significant portion of the grant as determined by CFP.

⁶ UN agencies may participate in JSDF grant activities as consultants provided that the selection is in accordance with Bank Guidelines.

14. Changes in Scope of Grant Components or Project. If a change is needed in a grant component, the Legal Department should be consulted if any amendments/clearances are required:

(i) For small changes in the activities supported by the grant (e.g., a change up to 30 percent of the amount originally budgeted for a component is considered small), TTLs should consult Legal if an amendment is required. A request does not need to be submitted to CFP.

(ii) For significant changes in the grant components, the request must be approved by the Country Director and Sector Manager. The request should be cleared with CFP and Legal. Significant changes are defined as: (a) a change of more than 30 percent in the amount of a component; or (b) adding a new component. For significant changes in the Grant Development Objectives the request must be sent to CFP which will determine if GOJ approval is required. GOJ will approve/reject the request within four weeks of its receipt from CFP. The amendment should be cleared with CFP, the Legal and Loan Departments and approved by the Country Director.

15. Grant Cancellation Policy. The balance of grants is subject to cancellation under the following circumstances: (i) the grant agreement has not been signed within 12 months of the formal grant approval date, or (ii) there has been no implementation progress, including zero disbursements, for six months after signature of the grant agreement. A request should be submitted to CFP for exceptions to (i) and (ii).

16. Visibility. It is desirable that the Japanese Embassy be informed about a proposal at the time of submission and after the approval of the grant. Prior information sharing will help expedite the grant approval process. The Bank will also encourage signature ceremonies for JSDF grants in the field, with the inclusion of Japanese embassy officials. It will also encourage Bank staff in the field to invite local and international press to these ceremonies. Staff should aim to inform CFP at least ten days in advance of the signing ceremony. The Bank will also make efforts to expand the visibility of the JSDF Fund through continued widespread distribution of the JSDF Annual Report, inclusion of JSDF information in relevant Bank documents and occasional information sessions on JSDF for Japanese NGOs and the private sector.

17. Maintenance of Documentation. Operational departments will keep copies of documentation, related to JSDF grants, for example, Terms of Reference and consultant contracts, reports and other outputs prepared by consultants, status reports, etc., in accordance with the Bank's Administrative policies and procedures.

Schedule Proposed for FY04

Round	Announcement	Submission to Japan
Round 13:	October 2003	December 2003
Round 14:	October 2003	February 2004
Round 15:	February 2004	May 2004

Annex 4: FY01-FY03 Regional Distribution of JSDF Grants

Region	Fiscal Year	Number of Grants	Grant Amount (US\$)
East Asia and Pacific	01	16	19,347,600
	02	6	6,720,889
	03	4	6,146,014
	Subtotal	26	32,214,503
South Asia	01	4	2,483,323
	02	3	3,116,036
	03	4	2,813,630
	Subtotal	11	8,412,989
Europe and Central Asia	01	5	3,036,500
	02	7	10,259,875
	03	2	2,207,800
	Subtotal	14	15,504,175
Middle East and North Africa	01	2	574,435
	02	1	994,860
	03	0	0
	Subtotal	3	1,569,295
Latin America and the Caribbean	01	2	3,590,575
	02	3	4,027,800
	03	2	2,099,000
	Subtotal	7	9,717,375
África	01	4	3,886,780
	02	1	973,949
	03	3	3,189,630
	Subtotal	8	8,050,359
Total JSDF Grants	01	33	32,919,213
	02	21	26,093,409
	03	15	16,456,074
Total		69	75,468,696