

50th Anniversary of Japan's International Cooperation

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**FASID International Symposium**  
**Prospects and Issues Facing Japanese ODA:**  
**In Search of New Approaches**  
**- Assistance with Due Respect to Ownership -**

**SUMMARY**

Friday, November 5, 2004

Venue: Elizabeth Rose Conference Hall, UN University, Tokyo

Co-sponsored by:

Ministry of Foreign Affairs, Japan

Foundation for Advanced Studies on International Development

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## **PROGRAM**

Chairperson: **Mr. Takamasa Akiyama**, Senior Advisor,  
International Development Research Institute (IDRI), FASID

### *<Part 1>*

**09:30-09:40**      *Opening address*---**Mr. Mutsuo Mabuchi**, Executive Director, FASID

### *<Presentations>*

- 09:45-10:05**      *Introduction---Brief History of Japan's ODA*  
**Mr. Yukimasa Fukuda**, Senior Deputy Director, IDRI, FASID
- 10:05-10:25**      *Keynote Presentation---Japan's ODA and Its Policies*  
**Mr. Noriki Hirose**, Deputy Director-General,  
Economic Cooperation Bureau, Ministry of Foreign Affairs of Japan
- 10:30-10:45**      *Expectations to Japan's ODA* (in video)  
**Mr. Richard Manning**, DAC Chairperson,  
OECD
- 10:50-11:10**      *Role of Infrastructure in International Development*  
**Mr. Tyrrell Duncan** , Senior Transport Economist,  
South Asia Department, Transport and Communications Division,  
Asian Development Bank
- 11:10-11:25**      *Coffee Break*
- 11:25-11:45**      *Redesigning the Development Assistance for Infrastructure*  
**Mr. Junichi Yamada**, Deputy Director General,  
Development Assistance Strategy Department, Japan Bank for International  
Cooperation (JBIC)
- 11:45-12:05**      *Ownership and Conditionality in Japan's Development Assistance*  
**Mr. Yasutami Shimomura**, Dean and Professor,  
Graduate School of Environmental Management, Hosei University
- 12:05-12:25**      *Japan's Technical Assistance for Policy Formulation and Institution  
Building*  
**Mr. Ikufumi Tomimoto**, Deputy Director, Planning and Coordination  
Department, Japan International Cooperation Agency (JICA)
- 12:25-13:30**      *Lunch*

- 13:30-13:50**      *Institutions and Capacity Building for Development in Bangladesh*  
**Mr. Quamrul Islam Siddique**, Former Executive Director,  
Dhaka Transport Coordination Board, Bangladesh
- 13:50-14:10**      *Thailand's Experiences with Japanese ODA and Its South-South  
Cooperation*  
**Mr. Banchong Amornchewin**, Director, Human Resource Development  
Division, Thailand International Development Cooperation Agency,  
Ministry of Foreign Affairs, Thailand
- 14:10-14:20**      *Presentation Summary*
- 14:20-15:00**      *Commentators' Comments \**
- 15:00-15:15**      *Coffee Break*
- <Part 2>
- 15:15-16:40**      *Free Style Discussion*  
Facilitator --- **Mr. Takamasa Akiyama**, Senior Advisor IDRI, FASID
- 16:40-16:50**      *Facilitator Summary*
- Closing*

**\* Commentators**

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|-------------------------------|---|
| <b>Mr. Yukio Yoshimura</b>    | Vice President and Special Representative, Japan, The World Bank      |
| <b>Ms. Akiko Yuge</b>         | Director, UNDP Tokyo Office   |
| <b>Mr. Grant Ehiobuche</b>    | Minister/Charge d'Affairs' Embassy of the Federal Republic of Nigeria |
| <b>Mr. Kiyotaka Takahashi</b> | Japan International Volunteer Center                                  |
| <b>Ms. Izumi Ohno</b>         | Professor, National Graduate Institute for Policy Studies             |

## **SUMMARY**

Chairperson: **Mr. Takamasa Akiyama**, Senior Advisor, IDRI, FASID

Mr. Akiyama welcomed participants and audience members, noting that FASID was very fortunate to have many distinguished speakers and commentators.

### **<Part 1>**

**Opening address---Mr. Mutsuo Mabuchi**, Executive Director, FASID

On the occasion of the opening of this symposium I extend a heartfelt welcome to all our guests. This year marks the 50<sup>th</sup> anniversary of Japan's affiliation with the Colombo Plan in 1954. This symposium is one of the events commemorating this anniversary. Over 50 years Japan's ODA has changed dramatically. The ODA amount peaked in 1997 and began to decrease from 2000, due to Japan's prolonged economic recession and criticism at home. Major donors including the US and UK have announced increases to their ODA, but this is unlikely to happen with Japan, so we have to concentrate on quality aspects. Japan has contributed a great deal to the economic development of Asian countries through ODA. Japan still needs to tackle such issues as institution building and capacity building, among other challenges.

Poverty reduction is a major goal for the MDGs and the PRSP, but the importance of growth cannot be overlooked. Japan's aid focuses on Asia. Over 50 years Japan has attempted to make a contribution to development assistance. As a pioneer of South-South Cooperation, Japan has been an inspiration to developing countries and has supported such initiatives as the Third Country Training Program. I am of the view that every developing country is able to help other developing country, building on their strengths. I hope this symposium will actually provide an opportunity to discuss these issues. We should be able to say that this symposium has contributed to the development in the international development community.

**Introduction---Brief History of Japan's ODA**

**Mr. Yukimasa Fukuda**, Senior Deputy Director, IDRI, FASID

The fifty years of Japan's ODA can be divided into following four periods.

#### **1954-1976 Groundwork:**

From the year of the commencement of ODA by joining the Colombo Plan starting with technical cooperation till the end of the war reparation operations in 1976 during which groundwork for the future ODA operations was set forth, organization-wise and instrument-wise which also continued in the subsequent periods. Japan started its international cooperation only after nine years after the end of the Second World War reflecting its serious intention to restore its honorable place in and to contribute to the international community as a peace loving nation.

#### **1977-1991 Planned Expansion:**

From the year after the war reparation operations in 1976 till the adoption of ODA charter in

1992 during which ODA expanded rapidly through a series of Mid-Term Targets (“ODA doubling plans”) consequently leading Japan to become the top donor surpassing all other major donors including U.S.A. in 1989. Geographical diversification was also enhanced during this period.

**1992-2002 Firming principles and policies:**

From the year of the adoption of the ODA Charter for the first time in 1992, articulating the basic tenets; humanitarian consideration, recognition of interdependence, supporting self-help, and environmental consideration, till the year before its revision in 2003 during which Mid-Term Policy on ODA, in 1999, and country assistance programming scheme, since 1998, were set forth ensuring ODA policy and implementation coherence. Popular participation and partnership with NGOs were also enhanced during this period. However, economic stagnation led to steady reduction of ODA budget since 1997 resulting in U.S.A. surpassing Japan as the top donor in 2001 after an interval of 10 years.

**2003 ~ Coping new era:**

New ODA Charter was adopted in 2003, 11 years after its first adoption in 1992, reflecting the new challenges surrounding ODA internationally and home with the objective of Japan’s ODA contributing to peace and development of the international community thereby ensuring Japan’s security and prosperity being articulated.

**Conclusion:**

The fifty years of Japan’s ODA can be summarized as a constant and dynamic process of improvement, coping with challenges of the times.

**Some key issues facing Japan’s ODA**

- Declining trend of ODA while most of other major donors are increasing their ODAs
- Declining trend of ODA loans in net term bringing down Japan’s total ODA
- Policy coherence of Japan’s ODA and other policies in Japan (MDGs Goal 8)
- Africa’s problems
- Budgetary support
- Strengthening of ODA Task Force in the field
- Shortage of experts (policies, institutions) etc.

***Keynote Presentation---Japan’s ODA and Its Policies***

**Mr. Noriki Hirose, Deputy Director-General, Economic Cooperation Bureau, Ministry of Foreign Affairs of Japan**

Thank you for giving me an opportunity to explain Japanese ODA policies and their background. In the ODA community it is difficult to discuss Japanese policy objectives, because much of the material is in Japanese. Japanese ODA policy objectives evolved over time and they evolved to basically reflect the international situation and public interest with the aim of contributing to the peace and development of the international community. This is implemented with the aim of securing the peace and prosperity of Japan.

Development and national interest were discussed in a Foreign Policy White Paper in 1980, in which humanitarian and moral requirement, interdependency and international peace and stability were identified as key to ODA. Faced with a large trade surplus, Japan started to untie the procurement of Japanese ODA. Japan began to give greater political emphasis in its ODA disbursement, as embodied in the provisions of the ODA Charter. The new ODA Charter was formulated in 2003 to address new international challenges, and the priority issues therein are defined as poverty reduction, sustainable growth, global and cross-border issues and peace-building. The basic policies of the new Charter are: help those who help themselves; maintain a human centered approach based on “human security”; social justice; mobilization of Japan’s experience and expertise; and partnership and collaboration with various development stakeholders.

From the perspective of development as a means of pursuing national interest, the ODA Charter states that “the objective of Japan’s ODA is to contribute to peace and development of the international community thereby ensuring Japan’s security and prosperity.” This is in accordance with the stated ODA policies of other countries.

Concerning international policy debates and Japan’s positions, it is true that Japan’s policies are different from the mainstream approach, which tends to be program-based. Japan’s policies are to promote poverty reduction through sustainable growth, with an emphasis on the role of infrastructure. Financing for development is also focused on by Japan, with the need for private investment and export being highlighted. Finally, Japan emphasizes the importance of aid effectiveness and donor practices. While poverty levels have remained at a high level in Sub-Saharan Africa, poverty in East and South Asia has declined over the last ten years. Also, income per capita is increasing rapidly in East Asia, but has actually declined in Sub-Saharan Africa. Growth in income reflects improvements in the East Asian development situation. However, it is not necessarily the case that increased aid will also result in an increase in the growth rate, as the experience of Sub-Saharan Africa demonstrates, where aid dependency has had a detrimental effect on growth rates.

Japan’s main emphasis is on poverty reduction and growth, and Japan contributes 34% of its total ODA to economic infrastructure with the aims of poverty reduction and growth in mind. It is not necessarily the amount of ODA that will sustain growth. Other factors to consider include good governance and the eradication of corruption. Figures show that international trade has been the most powerful source of growth in the past. In East Asia, development has progressed due to an improved investment climate and the promotion of foreign direct investment (FDI), which was supported by aid. Increases in FDI have expanded exports, which have also had a positive effect on development and further growth. There is an old maximum that one has to deplore not being poor, but being inequitable. If growth aggravates income distribution for a long time, there needs to be an alternative approach to realize sustainable growth. However, East Asia countries are more equitable than African or Latin American countries.

As a next step, it will be important to improve aid effectiveness and donor practices. This should be tackled through public financial management. Security is a major new challenge, and in that regard peace building is the first step toward development. Human security sheds new light on

the direction of individual and community-level development. Ownership and partnership have finally come into the spotlight, which is reflected in the new ODA Charter of Japan. A results-based approach needs also to be adopted.

Finally, public support is vital for ODA. In Japan, recession, mismanagement of public funds at the Ministry of Foreign Affairs and scandals reduced support for ODA. Efforts need to be made to be accountable to the public and gain their understanding. Japan faces many challenges, and it must now promote the Poverty Reduction Strategy through sustainable growth. It is also important to promote South-South partnership. Japan is also seeking to improve efficiency of ODA by utilizing country specific approaches and ODA Task Forces. Serious efforts must be made to build broad-based public support for ODA.

### ***Expectations to Japan's ODA (in video)***

#### **Mr. Richard Manning, DAC Chairperson, OECD**

Excellencies, ladies and gentlemen, I am really pleased to be able to participate by video link to this very important international symposium celebrating 50 years of Japan's development cooperation. I was at Foundation for Advanced Studies on International Development (FASID) about a year ago following the Third Tokyo International Conference on African Development (TICAD III) meeting and I know the important role that FASID plays in Japan in helping to develop policy and thinking around development cooperation. And it is through events of this kind that it can have a most powerful effect. So I very much welcome the opportunity to be with you, even if remotely today.

And indeed there is much to celebrate. Japan has been a major force over 50 years behind the progress of East Asia and Southeast Asia, which as we all know, has seen economic and social development at a rate never achieved elsewhere or in earlier times in human history. So Japan is directly associated with probably the largest development success in the world. I think we have also learned important lessons about the value of Japan's approach to cooperation, and let me just mention two or three of those.

I think it is fair to say that Japan's cooperation has always been marked by recognition that it is in fact cooperation—it is about two parties getting together; it is about respect for local views while being clear about Japan's requirements. I also think that Japan has always been very strong in emphasizing the self-help dimension required in developing countries and has understood, perhaps more than some other donors, that aid can only help those who fundamentally want to help themselves. Finally Japan has always been among the donors who most strongly emphasized the importance of growth in achieving development results. While the debates about the precise balance between economic growth and social progress remain ongoing after 50 years of development cooperation, I think everybody now accepts that if we do not get high and continuous growth, we cannot achieve the other objectives to which we are all committed.

In the space of that 50 years, Japan has risen from being a very small donor with a very unconcessional aid program to being, for much of the 1990s, the world's largest aid donor, and now the second largest aid donor and to providing its aid with an increasing measure of grant

support and much more concessional loans, with a reputation for untying a high portion of its aid program than it was the case for most other donors until recently, with a strong investment in South-South Cooperation, a leading role in International Development Association (IDA) and other soft fund replenishments of regional banks, which has often gone well beyond Japan's economic weight. And I am very pleased to see recently, some new initiatives around decentralization, building cooperation between the Japanese teams in country.

In the Development Assistance Committee (DAC), Japan is clearly a highly respected player. I remember well the discussions that took place leading up to DAC putting out the strategy for the 21<sup>st</sup> century—'Shaping the 21<sup>st</sup> Century'—which has been so influential since. And as a matter of record, it was Ambassador Hirabayashi and now your ambassador here in France, who was the man who first put on the table the idea of building this around specific, quantifiable, international development targets; the very idea that subsequently led to the world taking on the Millennium Development Goals (MDGs) as the key measure of development progress. Japan is strongly represented at our high level meetings and senior level meetings. We have an excellent delegate and I am very pleased that I am being joined in this symposium with Mr. Tomimoto who plays a key role as vice chair of the crucial Working Party on Aid Effectiveness.

It is interesting to see also how Japan is being influential in helping to shape the new agenda for our poverty network to look at some of these key issues around infrastructure, around agriculture, around the private sector in which Japan has such an important stake. But as Japan reflects on 50 years of progress in its development cooperation, we all know that there are huge challenges and we were able to look at some of those as a committee at the Japanese Peer Review last December.

The Peer Review very much welcomed the new Official Development Assistance (ODA) Charter, which Japan had agreed in the previous months. We regarded this as a very sound basis for considering the future of Japanese development policy. My one personal note of regret is that the charter did not itself build on Ambassador Hirabayashi's vision and does not refer specifically to the Millennium Development Goals. I will come back to that a little later.

The review looked very much at the implications of how to implement the charter and the implications they would have at the headquarters and at the field. And let me quote from the press release: "the discussion addressed questions relating to full integration of cross-cutting themes like poverty reduction into Japan's development strategy. It strongly encouraged Japan to increase its overall aid volume. It noted Japan's efforts to respond to crises. It urged the government to strengthen public support for sustained ODA and for achieving the Millennium Development Goals. The Committee encouraged Japan to consider raising the share of grant assistance in its ODA for low income highly indebted countries. Other key topics included the need to improve policy coherence for development across ministries, including the issue of agriculture. It also noted the utility of further streamlining and decentralizing Japan's aid management, along the lines of promising approaches now being tested in Tanzania and Vietnam, which will require more and higher level staff. In this regard, the Committee recognized Japan's support for coordination and harmonization of donor practices in developing partner countries."

And that press release had a very interesting title, which was ‘Japan strives to align policies and resources with new aid vision.’ And I suggest that an important part of looking forward to Japan’s cooperation is precisely how to bring these policies and resources in line with the excellent vision that the charter sets out.

As I reflect on some of these key issues that face Japan, there are four that seem to me of particular significance and several of which are clearly on the agenda of this conference. The first is that it is clear that there is declining demand for one of Japan’s key products, which is the loan assistance from the Japan Bank for International Cooperation (JBIC). What we are seeing is that at one extreme, there are countries graduating from the need for assistance of this kind, but at the other extreme, a significant number of countries which will remain aid recipients for an extended period, whose ability to sustain loans is such that they cannot take on new debt even on concessional terms in the near future. At the same time, these countries have a major need for some of the facilities that Japan, and JBIC in particular, is well known for; for example, for massively improved infrastructure. So I think Japan faces a really testing set of issues around what it is to do in countries where the loan instrument is unlikely to be useful in the immediate future, where the needs are great, and where there is a real need for the kind of assistance that Japan has proved very effective at providing elsewhere.

Secondly and linked to that is the issue of how Japan approaches issues around recurrent funding. It is clear to me that there is a category of countries, which, if they are to get close to the Millennium Development Goals, will need not only support of the traditional kind that Japan provided so successfully in Southeast Asia of capital projects for which the local authorities could usually cope with the operation and maintenance requirements. In these countries, there is going to be a need over an extended period for support for recurrent financing. And I think this is a difficult issue, not least in terms of Japan’s very commendable, as I have said earlier, emphasis on the self-help dimension of development. But I do think that we need to find ways forward to enable each country to find the right balance between new capital investment and the operation and maintenance costs that go with that. It does not mean to say that all donors have to provide general budget support. It does mean that between us, we have to provide countries with an appropriate mix of capital and recurrent finance within clearly defined and agreed sector strategies and an overall Medium-Term Expenditure Framework (MTEF), often linked to a Poverty Reduction Strategy (PRS) or other national strategy, which makes sense and gets these balances right.

The third area and it is squarely on your agenda—I very much welcome that—is the whole area around institutional development and technical cooperation. Here I think the whole donor community faces some important challenges in trying to achieve sustainable institutional development in very poor countries, with relatively low capacities, limited numbers of skilled people, and where the public sector is struggling to be a competitive employer in a globalizing skills market. I think that the traditional model that many donors including Japan have used over the years as an expert and a counterpart needs to be looked at afresh in the light of these more structural issues. I believe that further investment of thinking time by Japan, by the DAC, by donors generally, into how we get sustainable institutions in these poorer and weaker developing countries is a really serious problem. It has to start, I think, with a better understanding of the historical, political and political economy context within which these countries operate.

The final question and this is an obvious one is how we can build again strong public support for Japan to play its proper role as a really significant aid donor. Let me put this into context. In Monterrey in 2002, most of the members of the DAC committed themselves to very substantial increases in official development assistance. The Americans most notably introduced the Millennium Challenge Account; they introduced a new funding window of a very substantial size for HIV/AIDS and they are on course, they told me, to double their assistance over a relatively modest period. The whole European Union committed itself to reaching a figure of ODA as proportion of gross national income (GNI) of 0.39% in the year 2006, with each individual member of the then 15 reaching a level of 0.33% of their GNI. These are very important commitments and will mean that assistance from Europe will grow and remain significantly larger than assistance from the United States. Canada announced a program of increasing its aid by 8% a year. Japan stood out, one has to say, in Monterrey by being unable, for reasons that we fully understand, to announce a new quantitative aid volume commitment. This is not surprising after a decade of economic difficulty and a rapidly increasing budgetary problem.

So how can one rebuild support in Japan and how can we create the climate in which the Japanese Diet and the Japanese people will accept that Japan should again see its official development assistance on a rising trend? I think we have to emphasize the importance of achieving real results in development cooperation. That is why I welcome the renewed interest in Japan in seeing the Millennium Development Goals as a useful basis for building support for development in your country. More importantly, when the Millennium Project itself produces its report early in the New Year, this will be a powerful tool for advocacy in Japan as elsewhere.

Linked to that I think is the need to make the case for aid in terms of some of the global issues around security, around migration, around the environment, around HIV/AIDS—these issues that are of concern to the public of all countries in the Organisation for Economic Co-operation and Development (OECD), and in Japan, not less than others. I think there is an issue also for Japan around how far it can build a case around regional issues, whether we are talking about regional issues in East Asia or other conflict-prone areas of the world, the problems of Africa so far from the MDGs or wherever.

Finally, it does come back in many ways to how far the Japanese public and diet appreciate the significance of their aid program and, in particular, of a rising aid program, to whole perception of Japan's place in the world. Japan has come a very long way in the last 50 years. It is a heavyweight power in the world, in the OECD, and elsewhere. In the aid community, until the recent past, it was even the largest single aid donor well beyond, at that stage, its economic balance with the United States, now the largest aid donor. But we have all been conscious of the difficulty that Japanese governments have had in sustaining the case for aid in the last few years.

We are very concerned here in Paris to build support for larger aid programs worldwide. We see an increasing number of DAC members who have either reached the 0.7 target—there are five of those, or who have announced dates by which they hope to reach the 0.7% target and there are six of those including, most recently this year, both Spain and the United Kingdom. I think it is time for Japan to look seriously at what sort of objectives it credibly sets itself in the

medium-term for resuming the increases of aid for which it was famous in the past.

***Role of Infrastructure in International Development***

**Mr. Tyrrell Duncan, Senior Transport Economist, South Asia Department, Transport and Communications Division, Asian Development Bank**

Infrastructure is one of Japan's traditional strengths in development assistance and its decisions are important for the developing world and for the overall development of Japan's assistance program. Infrastructure is still very important, but the approach can be improved, including linking it to poverty reduction and country and sector strategies. Japan may wish to adapt its instruments from now.

For the ADB, transport and energy infrastructure account for more than half of total lending. Having adopted poverty reduction as its overarching goal, the ADB continues to emphasize the importance of infrastructure support. When donor countries adopted poverty reduction as their goals and when the UN adopted the MDGs, there was a concern about a lack of direct evidence for the causes of and remedies for poverty. Recently, the ADB, JBIC, DFID and the World Bank have been engaged in empirical studies on poverty reduction in China, India and Thailand to try to understand how infrastructure interventions had impacted poverty and by how much. These studies are available on ADB's website ([http://www.adb.org/projects/Trans\\_and\\_Energy/output.asp](http://www.adb.org/projects/Trans_and_Energy/output.asp)). Transport and energy were found to have a significant impact on poverty reduction. Infrastructure improvement results in lowered costs of transport, which has an influence on growth, and can also impact other areas such as education. Impacts vary however depending on resource endowments, institutional culture as to how infrastructure is used and the policies that exist in the beneficiary country. At the same time as improving infrastructure hardware, it is important to improve services to increase the contribution to growth that can be made by infrastructure.

Donors now recognize the importance of infrastructure and there seems to be growing consensus on the need for poverty linkage with infrastructure at the country/sector strategy level. Asian governments continue to emphasize the role of infrastructure, but it is also important to ensure that infrastructure is economically viable in order for it to be sustainable. Maintenance is also important and includes various issues such as funding. There are also issues of infrastructure governance that require attention in order to avoid road sector mismanagement and corruption.

In infrastructure, the ADB approach has been to move away from project lending towards providing support at sector level taking into account institutional and policy requirements. In transport in South Asia it has developed programmatic approaches that use triggers or road maps. For example, for its support to national highways in India, a trigger is agreed for before each loan can be finalized. The trigger for each loan involves making progress in addressing a major sector issue, such as increasing private sector engagement or implementing organizational change. The Road Map approach has been adopted in the road sector in Sri Lanka. This involves an agreed mid-term reform plan, with a series of loans attached to achievement of milestones in that plan. This type of approach should not conflict with the idea of national ownership. Reform programs must not be blueprints imposed from outside. That means that when trying to address

policy issues, donors need to attach importance to engaging in processes of patient dialogue and persuasion with governments in order to draw up and implement mutually agreeable reform programs. Another area of emphasis is sub-regional cooperation, one example being the cooperation in the Greater Mekong Subregion. Donors with a comparative advantage can play a value-added role in sub-regional cooperation.

Infrastructure donors now need more capacity for implementing social and environmental safeguards interacting with NGOs and civil society. With regard to financing, needs for financing are enormous, but the ODA percentage devoted to infrastructure is small and private sector financing is still limited. A key question for the future is how to attract more private finance. In order to attract further investment it is important to consider if the playing field for investment is at level for all players, and what the private sector's appetite for risk is. Since the private sector will not meet all of the financing gap, there is also a need to develop new public sector financing strategies, such as greater use of user-pays approaches.

In conclusion, it is important to note that infrastructure is important for growth, but it is a necessary but not a sufficient condition. Policy and institutional changes are needed and in this respect donor financing can have an important demonstration effect on the sector. There are subregional opportunities for cooperation. The question for Japan is not whether to support infrastructure, but rather, how to support it better. Japan needs to build on relationships with recipient countries to make changes to its infrastructure development assistance. This may require associated organizational changes and strengthening of capacity in Japan's international development agencies. Linkage with the research community and the private sector may also need to be considered.

### ***Redesigning the Development Assistance for Infrastructure***

**Mr. Junichi Yamada, Deputy Director General, Development Assistance Strategy Department, Japan Bank for International Cooperation (JBIC)**

According to a press release of the Development Assistance Committee of the OECD released in April 2004, Japan's Official Development Assistance in 2003 reached US\$8,911 million. This is a decrease by US\$372 million from the previous year's US\$9,283 million. Although Japan has kept the second largest donor position for the past three years, some experts worry that a further drop in rank may occur with other countries surpassing Japan given the current situation in which France increased its ODA by 34%, Germany by 26% and the UK by 25%. One of the factors of the decrease in Japan's ODA is the negative growth of ODA loans.

Three recent facts have been the cause behind the decrease of the ODA loans. The first is that the Asian Economic Crisis in the late 1990s has been settled in Southeast Asia, the main playing field of Japan's ODA loan operations. The second is budget problems for specific countries, such as Indonesia and the Philippines. Indonesia had to go to the Paris Club for its debt problem in the early 2000s, while the Philippines aims to balance its fiscal budget by reducing foreign borrowing. Neither of them can absorb as many loans as they used to in recent years. The last cause is the increase in reflow of loans.

The majority of Japan's ODA loans have been allocated for infrastructure development. More

than two thirds of Japan's total ODA loans in the past three years have gone to sectors related to infrastructure. Infrastructure is necessary for sustainable development. Infrastructure contributes to improving the investment climate to attract private investment, including FDI, which is important for economic growth. There have been many observations that development in the power sector has helped induce private investment, including FDI, and led to economic growth. Infrastructure also helps the poor directly and indirectly. For example, the National Highway No.5 Construction Project in Vietnam, for which JBIC financed ¥20,961 million for the construction of a 93km-long road in 1996, has reduced poverty in the area along the highway by 54%, while the average reduction in Vietnam is 36%.

The World Bank estimates that an additional US\$50 billion per year is essential to achieve the MDGs through the development of primary education, health, water supply and other infrastructure. Another estimate of the World Bank paper shows that US\$233 billion is necessary annually for new investment and US\$232 billion for maintenance.

On the other hand, investment for infrastructure by IFIs decreased following the Asia Economic Crisis, and maintained the same level until 2001. Why have donors reduced their commitment amount to infrastructure development? At the DAC Network on Poverty Reduction (POVNET) meeting which was held last March, donor countries mentioned several responses to the above question.

- 1) Program aid has substituted project aid, since project aid has not stimulated the investment in other sectors as expected.
- 2) Tied aid regulations by the OECD's Export Credit Group have constrained project aid, with which some donors aim to promote its exports.
- 3) Past project aid fell into the "white elephant" category, which contributed nothing to the poor.
- 4) The donor side over-evaluated the private sector's contribution to infrastructure development and left it in the hands of the private sector in the 1990s.
- 5) The donor side has strengthened social sector investment to achieve the MDGs in the most recent years.

After the Monterrey Consensus of March 2003, the World Bank announced an Infrastructure Action Plan to increase its commitment share of infrastructure investment from 24% to 42%. JBIC also declared "Development of Infrastructure for Sustainable Development" as one of the priority areas of its operation. Under its new medium-term strategy covering the next three years, contribution to economic growth through infrastructure development will remain a priority area.

In 2003, both the World Bank and JBIC as well as the Asian Development Bank launched a flagship study on infrastructure in the East Asia and Pacific region. The three banks have shared the view that infrastructure is key for the development of the region. One of the objectives of the study is to highlight the important role that infrastructure can play in reducing poverty and achieving the MDGs by supporting economic growth and improving access to services. The following, among others, represents what is different in essence from the old-fashioned assistance for infrastructure: 1) central planning is important; 2) subsidies are necessary; and 3) it is important to pursue the private sector, but also to be realistic. There have been several innovative ideas to mobilize funds for infrastructure in recent studies and discussions.

New ideas for infrastructure investment have been tried by JBIC and other agencies in many sectors and countries. We have to push infrastructure development to achieve sustainable development. However, assistance should not be carried out in the same old-fashioned manner. It should be pro-poor, policy-oriented, well designed for service delivery, and include a participatory approach and capacity building.

The objective of infrastructure development is not merely building facilities. The service provided by the facility should be taken into account. From the viewpoint of service delivery, facilities should be designed for an effective delivery especially for the poor. In this context, there are a number of Japanese projects that are innovative cases from which we can learn lessons in the area of pro-poor growth, including the Transport Master Plan in the Greater Cairo region in Egypt and the Agrarian Reform Infrastructure Support Project in the Philippines.

In the area of contributing to a policy framework JBIC has been continuously assisting the energy sector in Indonesia for the last three decades. As JBIC has close contacts with the other export credit agencies (ECAs) and private investors through non-ODA loans as well as Government of Indonesian (GoI) through ODA loans and non-ODA loans, JBIC had arranged a framework for dialogue among the various stakeholders—GoI, private investors, ECAs and JBIC. After a long discussion not only of the regulatory framework of IPP but also settlement of individual projects, stakeholders reached a common ground. In 2003, the Government of Indonesia could finally declare an end to the restructuring problem of Independent Power Producer projects. This case has been reported as one of the synergy strengths of the merger of the Exim-Bank of Japan and the OECF. Efforts are also underway among JBIC, the World Bank and ADB to promote a better regulatory framework to the Government of Indonesia.

In the area of mobilizing private sector funds, JBIC concluded an MOU with USAID for the mobilization of private funds to initiate water and sanitation projects in Philippines rural communities. The ODA-funded portion can be used for a non-profitable facility such as a water filtration plant, and the privately-funded portion can go to profitable facilities such as distribution and operation systems. USAID promotes private investment through a guarantee facility of up to 50% of the investment. This cooperation is a part of the “Clean Water for People Initiative”, a joint endeavor between the governments of Japan and the United States (US) launched in September 2002 at the Johannesburg Summit.

In the area of local capital markets, the Government of Japan proposed the Asian Bond Markets Initiative (ABMI) in December 2002. Discussions have been underway among the governments of ASEAN member states, Japan, China and Korea. Conceived as a means to prevent another Asian currency crisis, ABMI aims at developing Asian bond markets to facilitate the ability of private investors to tap into the high level of savings accumulated in Asia for their investments in the region. Thus, ABMI discussions have been focusing on how to foster and invigorate securities markets in Asian countries. Under this Initiative, JBIC is promoting the development of local capital markets by utilizing its non-ODA facilities.

### ***Ownership and Conditionality in Japan's Development Assistance***

**Mr. Yasutami Shimomura, Dean and Professor, Graduate School of Environmental Management, Hosei University**

Japan's aid philosophy has two facades: to support developing countries' endeavors to graduate from the status of aid recipients and to improve living conditions and reduce poverty. Supporting economic independence and graduation include an emphasis on self-help efforts, which are linked to paying respect to the recipient's initiatives and ownership. There has been long-term criticism of Japan's aid for being passive in its attitude. At the same time, however, Japan has high regard for recipient's ownership.

Concerning the issue of ownership, Japan believes that ownership should not be nominal but real. Ownership should be based on the initiative of a developing country based on social, cultural and historical assets. The steering wheel should be in the hands of developing countries. A test of "true" ownership is whether a developing country is able to choose an alternative, which is not compatible with the consensus among the donors. If the answer to this question is "yes," then the recipient has true ownership.

Japan's experiences of aid conditionality consist of economic conditionality and political conditionality. In terms of economic conditionality, Japan has worked in partnership with Bretton Woods institutions and political conditionality was introduced with the adoption of the ODA Charter in 1992. There is skepticism, however, among Japanese experts, towards the effectiveness of the Washington Consensus prescription. They are concerned that insufficient attention to the real sector is being paid, particularly to production and infrastructure.

The ODA Charter gives political conditionality to Japan's ODA and since the late 1990s there has been a remarkable evolution in political conditionality through the application of the principles of the Charter. Questions remain, however, over political conditionality as to intervention under donor dominant relations, the existence of double standards, and discretionary changes in criteria.

This raises questions of good governance, and the following questions need addressing: (i) Is it possible to prove the causality between governance and development by standard regression analysis? (ii) Is it possible to explain the past Asian experiences? (iii) Is it realistic to expect an ordinary developing country to meet very broad requirements? We should be cautious about the application of governance-based political conditionality.

I would like to propose two hypotheses. A small number of critical governance elements could ensure good performance in development, and in doing so it would be important to pay attention to endogenous elements of good governance in developing countries.

To respect ownership and assist governance is difficult to achieve but the central principle must be based on "true" ownership. It is critical to listen to the voices of developing country people and learn from the wisdom of developing societies. In addition it is critical to understand the role of governance through the accumulation of specific case studies. An in-depth study is required to understand the role of governance. It is important to nurture indigenous elements of good governance, being embedded in individual societies. Recipients must also be furnished with knowledge and information about alternatives and governance-based selective aid should be

avoided.

***Japan's Technical Assistance for Policy Formulation and Institution Building***

**Mr. Ikufumi Tomimoto, Deputy Director, Planning and Coordination Department, Japan International Cooperation Agency (JICA)**

Technical assistance projects have tended to be very traditional, but technical assistance for Policy Formulation and Institution Building (PFIB) focus on issue-oriented approach, that will impact at a higher level. Issues facing traditional technical assistance are the limited impact on individual projects, the focus in the past on technical transfer to counterparts. There is also a lack of human resources for planning and other issues.

Technical assistance is required for PFIB to tackle issues of structural adjustment lending, to share the knowledge and experiences in Asia and Japan and to achieve regional economic cooperation in such forums as the World Trade Organization (WTO). It is important to target policy issues, respect dialogue and ownership and to not impose "universal models." Japan has implemented technical assistance for PFIB in Vietnam, Laos, Myanmar and Mongolia for economic policy and planning, and in Indonesia, Malaysia, Cambodia and China for legal/tax/customs systems. Training courses are also held in Japan.

With regard to the MDGs, at the stage of MDG+5, Asia is on track, but Africa is not on track. Donors are now discussing the possibility of MDG-oriented PRS. In February 2003 in Rome a high-level forum met to discuss harmonization and alignment. The Japanese government presented three principles: ownership and partnership, country-driven process, and diversification of modality. There will be a further high-level forum in Paris in March 2005 on aid effectiveness and the message will be the necessity to use ODA more effectively on the policy and strategy level. In October 2004, a preparatory workshop on aid effectiveness was held in Bangkok.

It is important to discuss the possibilities for ODA in Africa. Human security issues to consider include the reduction of down-side risks, support for failing states and weak partners, linking post conflict and development, and the need to incorporate human security in all ODA programs. Another important issue is capacity development and the move from capacity building to capacity development. It is important to emphasize capacity development at the individual, institutional and societal level. There are new emerging donors among developing countries and South-South Cooperation should also be encouraged. A recent project in Tanzania has proved most successful, jointly funded and supported by owners and donors alike.

In conclusion, technical assistance in Africa is a new frontier for Japan and there is a need for further human resources and for research and education. Efforts for knowledge creation are further required and aid coordination with other donors is prerequisite.

***Institutions and Capacity Building for Development in Bangladesh***

**Mr. Quamrul Islam Siddique, Former Executive Director, Dhaka Transport Coordination Board, Bangladesh**

Japan is a major development partner for Bangladesh, being the second largest donor next to the World Bank. Japan is a country that made a remarkable change from aid recipient to aid provider. Its ODA design was based on its own experience of hardship and efficiency and its strategy now supports self-reliance and sustainability of recipients. Japan's ODA emphasizes efficiency, transparency, public participations, ownership, peace and security. Japan's ODA has also been responsive to the changing development needs. Over a period of just over thirty years from 1971, Japan has provided US\$6.5 billion to Bangladesh, with a grant to loan ratio of 1.65:1. Assistance has been strategically aimed at sustainable development and poverty reduction, with a focus on institution building, capacity development, knowledge transfer, mutual learning and long-term benefits.

Bangladesh has one of the highest density populations in the world; three times that of Japan, but a per capita GDP of US\$450, 90 times less than Japan. There is a growth rate of 4.8% on average, but a rate of 7 to 8% is required in order to attain the MDGs. Investment accounts for 23.2% of GDP. Bangladesh is increasingly integrating with the global economy and trade accounts for 31% of GDP, with aid share to GDP declining. Infrastructure facilities have been substantially improved, thanks to Japan, the ADB and World Bank. Bangladesh has attained self-sufficiency in food production and the economy has been liberalized. The official government policy is "Growth-oriented poverty reduction."

In Bangladesh, policy reforms have been key towards growth, stability, and poverty reduction. Agricultural policy reform has been instrumental in achieving self-sufficiency in food production, through the introduction of new technology, deregulation, crop diversification and non-farm activities. Industrial policy has also been reformed, including denationalization, divestiture, privatization and financial restructuring. Trade policy has been to remove all anti-export biases and to liberalize trade. Infrastructure policy has aimed at creating rural growth centers, the improvement and expansion of an extensive road network and the improvement of rural electricity supply. Reforms have also been instituted in financial, macroeconomic, human development, education, health and population, and social safety net policies.

Such policy shifts have required decentralization of policy making and enhancements in professionalism. A monitoring system has also been established and a structure for informal decision-making has also been set up. Leadership, teamwork and a sense of mission have also been crucial. On the macro-level, conducive factors have been effective in the sphere of state mechanisms and institutions, rule of law, regulatory framework, provisioning of basic social services and committed visionary leadership.

Areas where Japanese ODA could contribute more are measures to promote growth, given that a level of 7 to 8% growth is required in order to attain the MDGs and PRSP goals. In addition, further infrastructure development needs exist, and there is scope for private investment. It will be important to consolidate past gains in human development and to address cases of poor governance due to weak institutional capacity.

From the Bangladesh side, the government is called upon to provide a homegrown policy and strategy with vision to ensure growth with equity. Strong political commitment is also required that encourages people's participation and ownership. There is a need to implement leadership

with the three C's – concern, commitment and competence. Japanese ODA could facilitate the process of sustainable development. It could also invest in homegrown priority sectors to ensure ownership. Further cooperation needs to be made in the field in institution building, capacity development, know-how and mutual learning. The ODA philosophy of Japan needs to continue to be pursued with transparency, efficiency and people's participation.

***Thailand's Experiences with Japanese ODA and Its South-South Cooperation***

**Mr. Banchong Amornchewin, Director of Human Resource Development Division, Thailand International Development Cooperation Agency**

Japan is Thailand's top donor and has maintained that position since the 1980s. It has had a major impact on Thailand's development. Development cooperation began 50 years ago. In recent times Thailand is moving to graduate from the position of ODA recipient and is moving towards South-South Cooperation. The Thai Government's new policy is to move from the concept of a donor-recipient relation to one of "partnership" cooperation. Thailand is hoping to join the DAC in the near future.

Concepts for Japan-Thailand Partnership include consensus building, mutual benefit role sharing. Both countries engage in joint formulation of policy, as well as implementing joint monitoring and evaluation activities.

Thailand's key factors for success in implementing the technical cooperation program have been emphasized on the following aspects:

**a. Absorptive Capacity**

To maximize the ODA support, it is necessary for the recipient countries to prepare themselves both human resource and institutions/agencies to be ready and prompt for attaining the know-how. The agencies have to assign their counterpart at some certain levels to make sure that their staff are appropriate in terms of qualification and educational background. In addition, technology transfer should appropriately meet the need.

**b. Ownership**

As we all know that ODA should not be considered as a free gift. On the contrary, development cooperation requires strong commitment from the recipient. In doing this, the investments in facilities, building, land and operation costs are necessary measures. Thailand has paid for expatriates who work under the ODA program in a number of items such as secretary, driver, housing rent, fuel, medical care, and accommodation when he/she has to work outside the regular sites. This would of course encourage the learning process to be more meaningful for both sides.

**c. Technical Assistance Plan**

The technical cooperation should have a clear destination. To achieve certain objectives, good short, medium, or long-term plans are needed. This would provide a clear framework for monitoring and evaluation of the success. In case of Thailand, the National Economic and Social Development Plan was a requirement for technical assistance from Thailand's development partners. The advantage of this technical assistance plan is that Thailand could mobilize the concerted efforts and resources for development program effectively. Furthermore, the progress of cooperation could be measured against the plan as well.

**d. Focal Point**

To consolidate ODA resources, it is needed to have an agency to act as a focal point for cooperation and administration. This focal point should play a crucial role in planning, monitoring, and evaluating the ODA performance. Besides that, the focal point could play a significant role in selecting and scanning the appropriate cooperation program, setting the rule and necessary guideline for other agencies. In Thailand, the Department of Technical and Economic Cooperation, Ministry of Foreign Affairs was the prime agency to be a focal point.

With regard to South-South Cooperation, Thailand started providing technology assistance for other developing countries in 1955. The purposes are to exchange knowledge and experiences pertaining to economic development, technical cooperation and science and technology, to promote technical cooperation between Thai agencies and institutions in developing countries and to enhance the internationalization of Thai institutes. Focus countries for Thailand are neighboring countries, including Laos, Vietnam, Cambodia and Myanmar. Thailand has an International Cooperation Program (TICP), a Partnership Program and Regional Cooperation initiatives. In bilateral programs, direct assistance is provided to development partners and Technical Cooperation among Developing Countries (TCDC) programs are being promoted.

The Japan-Thailand Partnership Program was initiated in 1994 with an initial time frame of five years, but Phase II is now being implemented, on the principles of equal partnership, equitable cost sharing and joint program formulation. Thailand expects that its programs in conjunction with UNDP will facilitate dissemination of Thai development expertise and knowledge to other countries in the south, as contribution to the achievement of the MDGs.

In the future, Thailand will move towards becoming a knowledge-based society, and will promote more South-South Cooperation. It will continue to engage in strategic partnerships and functional multilaterally, following best practices and sharing know-how with other countries.

### ***Commentators' Comments***

**Mr. Kiyotaka Takahashi**, Japan International Volunteer Center

In our program today we heard from Mr. Hirose about the challenges facing ODA. We are a NGO and we have a different perspective. We have to reconsider how to get the people's trust and support in order to increase and expand ODA. I would like to hear Mr. Duncan's comments on NGOs from the perspective of the ADB. I would also like to hear JBIC's view from Mr. Yamada. The problem is the gap between people and policies and the key is to raise awareness in the developed world. Mr. Shimomura's presentation was most pertinent to NGOs and I agree with his comments on development discourse and what constitutes true ownership.

**Mr. Grant Ehiobuche**, Minister/Charge d'Affairs, Embassy of the Federal Republic of Nigeria

I would like to express gratitude to the government and people of Japan for Japan's development assistance. Listening to the presentations this morning, I can tell you that in Africa we tend not to appreciate the concepts of self-help and self-reliance, but we are also aware that the world is continuing to globalize and the world is growing increasingly interdependent. A question that arises for Africa is how it can help itself when it is in abject poverty and is in a state of complete helplessness. There is a need to increase Japanese development assistance to Africa and it should

be focused on assistance to the most helpless and heavily indebted countries of Africa. We need measures to empower civil societies and enable them to lift themselves from the shackles of poverty. Africa needs help to assist it in breaking free from the vicious circle of poverty.

**Mr. Yukio Yoshimura**, Vice President and Special Representative, Japan, The World Bank

I would like to speak on the issue of infrastructure as it is one of the big issues that Japan and the World Bank faces. I would like to comment on the orientation of infrastructure projects within the World Bank. In July 2003 the Infrastructure Action Plan was passed by the Board of Directors and has resulted in a greater commitment by the World Bank Group to investment in infrastructure lending. When we talk about the renewed focus on the infrastructure sector, this does not mean going back to the old days of traditional infrastructure funding. When dealing with infrastructure projects with environmental, social and economic impacts, the World Bank has been the leader in implementing social and environmental impact safety nets. The importance of infrastructure was underlined by Mr. Yamada and Mr. Duncan and they demonstrated that we need greater financing for infrastructure projects, for which we will need investment from the private sector. However, it should be pointed out that the private sector alone is incapable of providing the funding needs for infrastructure projects. Public financing of infrastructure projects will remain central. In order to meet the enormous needs for infrastructure in developing countries, however, it is also clear that private financing must be more mobilized. This is a major challenge for the World Bank Group.

In addition to the national level approach, there is also a need for cross-country and sub-sovereign level provision of infrastructure services. Both cross-country and sub-sovereign level financing is a challenge for the World Bank, which typically provides loans and grants only to sovereign governments. On the sub-sovereign level, small-scale providers of infrastructure have long existed to fill in the demand that larger providers have been unable to provide. In cross-border instances, pipelines and transport networks, for example, do not allow for a simple national-level finance approach. There have been successful cases of cross-border financing however.

I feel that the World Bank Group has made progress in addressing the challenges of infrastructure development. Lastly, I would like to remind you that as elaborated by Mr. Duncan and Mr. Yamada, JBIC, ADB and the World Bank are conducting a collaborative flagship study, "Infrastructure Development in East Asia and the Pacific: The Way Forward", in an attempt to address the remaining challenges of infrastructure development.

**Ms. Akiko Yuge**, Director, UNDP Tokyo Office

I would like to discuss the global macro framework within which ODA operates. Looking at the global level, there are a number of events approaching, including the five-year review of the Millennium Declaration and the MDGs. For developed countries the focus will be on the contribution each has made towards the achievement of the MDGs. The importance of MDGs is well-recognized by many groups, but their importance has not yet permeated the Japanese society. If Japan is serious about its support to the MDGs, then the MDGs need to be embraced by the Japanese society as their own agenda and efforts are needed to move forcefully ahead.

Since Japan took the lead in formulating the predecessor of the MDGs it would be appropriate for Japan to take the lead in promoting the MDGs.

Concerning conflict prevention, Japan has focused on peace building in recent years and one area that needs more attention is conflict prevention. Japan is tackling conflict prevention as a major challenge and it should take a leadership in this area. Conflict prevention elements should be incorporated in all development assistance projects.

**Another point is the importance of strengthening public support for ODA. In order for Japan to remain a leader in ODA in the long-run, ODA should gain more understanding of the public. Raising public support is a challenge that needs to be addressed.**

**Ms. Izumi Ohno**, Professor, National Graduate Institute for Policy Studies

I would like to discuss how to interpret Japanese and East Asian development success. It is encouraging to hear that some countries like Thailand are now graduating from aid recipients and becoming donors. This is a powerful message to today's developing countries. One of the reasons for the East Asian development success has been the integration of aid into business networks and investment. I would like to discuss how Japanese ODA has worked in this process.

Trade and investment-driven development has been one of the main features of East Asian development. It is fair to say that within East Asian governments, there existed a certain level of policy and decision-making capacity. This is why these governments have encountered less problems in dealing with aid harmonization, institutional and policy coherence than Sub-Saharan African countries today face. While Japanese ODA primarily focused on hard aspects of infrastructure, this had been effective because the governments could integrate such investments into their national development plans and growth strategies. There was a virtuous cycle with ODA supporting hard infrastructure, and business and trade creating growth by using the infrastructure under the largely favorable policy environment. How this growth pattern can be replicated to other countries is the question that we should address.

In order to support today's late-comer countries, it is crucial for Japan's aid to take an integrated approach. Many countries face more serious capacity constraints than their East Asian counterparts. So, ODA must include both soft and hard aspects. This raises the question of whether Japan should involve itself more in policy issues. In the case of Thailand, a certain level of capacity already existed and the Thai government was able to formulate and adopt necessary policy measures to complement infrastructure investments. However, in many other countries this basic capacity does not exist. In this regard, Mr. Tomimoto's presentation was interesting, as it covered technical assistance in policy formulation and institution building.

Finally, we must consider how to make grant aid more effective, by strengthening policy analysis. At present, limited attention has been paid to the policy aspects in the provision of grant aid. This point is particularly relevant since grant aid is a key instrument for supporting low-income countries in Sub-Saharan Africa.

<Part 2>

***Free Style Discussion***

Facilitator --- **Mr. Takamasa Akiyama**, Senior Advisor, IDRI, FASID

In summarizing the presentations and subsequent comments, Mr. Akiyama noted that most presenters had mentioned the issue of Japan's focus on infrastructure, pointing out that the World Bank and other organizations had recognized that there is not sufficient infrastructure in some developing countries. He also raised the issue of conditionality of aid and asked participants for further discussion on issues of political conditionality. One of the major problems Japanese ODA faces is the clarification of a vision for the future, taking into consideration such issues as conditionality, South-South Cooperation, partnership, ownership, etc.

Mr. Siddique noted that one issue in ODA implementation is that of competitive bidding. He noted that the World Bank and other organizations give local companies a 15% margin in competitive bidding and if Japanese companies were to establish local companies, they would be more successful in local bidding. He urged Japanese companies to become more endogenized to ensure quality in implementation of ODA infrastructure contracts.

Mr. Yamada agreed that Japanese private companies are losing interest in ODA tenders due to competitiveness from companies from other countries. He explained that this was why the Japanese Government allocated 600 billion yen in tied loans for Japanese companies at the time of the Asian economic crisis. While it is desirable to raise the visibility of Japanese products and technology, it is also important to promote local companies and technologies.

Mr. Banchong noted that the key point for effective ODA implementation was strategy. One priority is for donors to ensure that technical assistance is complementary to development plans in the recipient country. He urged caution when considering strategy, noting that if an awareness of recipient country strategy is lacking, any training or technical assistance would not be fruitful. He stressed the importance of an holistic approach.

Mr. Fukuda asked Mr. Banchong whether he was suggesting that donors should coordinate among themselves in order to provide an effective package. He suggested that recipient countries are also in the best position to coordinate with donor countries.

Mr. Banchong responded that in the case of Thailand, a technical assistance plan is drawn up by Thailand itself and the donors have to rely on that, which also results in duplication being avoided. In many countries there is a lack of planning on both sides.

Mr. Sanjib, a participant from Bangladesh asked if JBIC faces problems with budgets in implementing loans in Bangladesh and he asked a question about timely completion of ODA projects in countries like Bangladesh, and pointed out that delays in completion consume more money than originally budgeted.

Mr. Yamada responded that the problem in implementing development assistance strategies in Bangladesh was concern over repayment of loans. He noted, however, that foreign reserves are increasing in Bangladesh, and exports are increasing due to FDI. In response to the second

question, efforts are always made to identify problems in governance and avoid delays in completion of projects. He noted that while a commitment of new projects may be postponed, ongoing projects should not be stopped under normal situation.

Mr. Siddique noted that Bangladesh had never defaulted on loan payments. He urged Japanese companies to look into Bangladesh's investment in infrastructure policy, noting that this policy allows any foreign company to engage in infrastructure projects.

Mr. Akiyama noted that many countries are not in a position to guarantee that they would not default on loans. He stressed the importance of planning, strategy and coordination within a recipient country.

Mr. Mabuchi noted that discussions had focused on the bilateral dimension. He pointed out that the title of the symposium was "In Search of New Approaches" and asked if participants had views on Japan's future role in the international development community and the required tools to put Japan's development assistance message across to the world. He suggested that Japan could be in a position to commit itself to the promotion of South-South Cooperation and increase assistance to developing countries which strive to give aid to other poorer developing countries. He expressed the hope that every developing country should join in the efforts to achieve MDGs through such South-South Cooperation.

Mr. Shimomura agreed that Mr. Mabuchi's point was very important when considering Japan's future policy agenda. One of the possible contributions to be made by Japan is the development concept of South-South Cooperation. Having said that, the idea of South-South Cooperation reminds me of some contradictions in Japanese aid policy, namely the attitude towards aid for China. There have been strong criticisms that China is giving aid to other developing countries and experts urge a cut in Japan's development assistance to China. This issue is a serious political one and one that the Japanese government should address.

Mr. Yagi of FASID asked if governance was not the most important element, what factor would enhance the success of development activities. Another question regarded "true" ownership as discussed by Mr. Shimomura, and Mr. Yagi stated his doubts as to whether true ownership could become a reality, given interference by donor countries. The traditional sense of technical cooperation is also in question.

Mr. Shimomura responded that every businessperson and aid officials as well as NGO members recognize that to get things done in Asia is much easier than getting things done in Sub-Saharan Africa. One of the differences is the concept of governance and governance is very important. However, he did not agree with the standard argument of governance in the international aid community. His point was that the standard set of governance elements might have positive or negative relationships with development performance, but so far, there is no persuasive causality between these two elements. His proposal was to look for other aspects of governance elements in order to gain a better understanding of this issue.

Mr. Siddique noted that leadership without governance could not function. He stated that in Bangladesh the flagship efforts are focused on good governance and transparency. He stressed

that a good leadership could not function or be sustained without effective governance. Likewise, governance could not be achieved without capacity building.

Mr. Banchong noted that Thailand is no longer using the word “assistance” given its connotations with being given for free. He explained that Thailand’s preference is to use the word “cooperation” which implies a two-way contribution. The concept of ownership is one that Thailand takes very seriously and the concept of equitable partnership is also taken seriously. In Thailand a committee scrutinizes the pros and cons of any technical cooperation project, and assesses its financial cost and projected benefits. It is important that donors are aware of the extent to which such systems and assessment mechanisms exist in recipient countries as a means of making ODA more effective.

Ms. Ohno asked how Thailand had established such an assessment mechanism, noting that it would be a useful source of reference for other countries.

Mr. Banchong responded that Thai culture is averse to receiving something for nothing without giving something in return. For this reason, there has been an incentive to formulate formal assessment mechanisms that demonstrate Thailand’s independence and ability to assess the efficiency and effectiveness of any assistance or cooperation projects.

Ms. Yamaguchi, a participant from Tokyo Institute of Technology explained that her university has a project in Mongolia that is part of the UN Security Fund, a multilateral cooperation fund that is financed by Japan. This fund works very closely with local stakeholders and international organizations in Mongolia, including UNICEF and the Mongolia University of Science and Technology. This is one example of schemes to promote multilateral cooperation. The participant referred to Mr. Yamada’s presentation on the new type of aid for pro-poor growth. She noted, however, that such projects take time and asked whether JBIC has a specific strategy to include community involvement when implementing large-scale infrastructure projects, and how JBIC deals with project delays.

Mr. Yamada responded that in traditional infrastructure projects, the local community was not involved. However, two years ago, JBIC announced the new environmental guidelines and also listens to the voices of the local community. Concerning the delay of projects, Mr. Yamada noted that new projects now have a longer disbursement period of eight to ten years, which makes community involvement more important.

Mr. Akiyama stressed once again the importance of governance and institutions and asked a question whether Japanese ODA could help foster good governance and institutions.

Mr. Siddique responded that such support was invaluable.

### ***Facilitator Summary***

Mr. Akiyama thanked participants for their input and valuable remarks. While noting that no conclusions had been reached, he stated that the Symposium had been a useful forum to exchange opinions and experience and it is clear that Japan must make further efforts to make its ODA more effective and efficient. More specifically, the growing recognition of the importance

of economic infrastructure needs is a welcome news for the Japanese development community. However, innovations and improvements in the implementation of such assistance are necessary especially from the point of view of the services provided by infrastructural facilities. He also noted that through the discussions at the Symposium, the utmost importance of institutions and governance was confirmed. This is another issue that Japanese government must tackle.