

# **New Approaches to Development and Changing Sector Issues**

*The Foundation for Advanced Studies on International Development (FASID) was established in April 1990. FASID and its affiliate, International Development Research Institute (IDRI), conduct research, facilitate interaction among researchers and practitioners, and offer training programs to development specialists. These activities are aimed for improvement in the quality of development programs and policies.*

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e-mail : [pub@fasid.or.jp](mailto:pub@fasid.or.jp)

URL : <http://www.fasid.or.jp>

# Foreword

Naonobu Minato

**Acting Director, International Development Research Institute,  
Foundation for Advanced Studies on International Development**

The Foundation for Advanced Studies on International Development (FASID) is conducting a research project on trends and issues in international development assistance that was commissioned by the Ministry of Foreign Affairs in 2002. An integral part of this project is that study groups comprised of experts from concerned government ministries and agencies and academia discuss current issues related to development assistance. Information from these meetings and other activities is disseminated on the web or as a publication.

The series *Trends in Development Assistance* is one such product. This volume, *New Approaches to Development and Changing Sector Issues*, analyzes trends in world ODA with a focus on aid approaches and sector issues, while the last volume, *Global ODA Since the Monterrey Conference*, provides an in-depth analysis of current activities of major actors in international development assistance. We suggest that this volume be read in conjunction with the preceding volume. This volume focuses on three main issues in development assistance — Poverty Reduction Strategy Papers (PRSP), Millennium Development Goals (MDGs), and evaluation of development assistance. Furthermore, it explains trends in six major fields — education, health care, environment, water, governance, and peacebuilding.

I would like to express my gratitude to contributors to this volume — Associate Professor Masaki Kondo of the International Christian University; Professor Izumi Ohno of the National Graduate Institute for Policy Studies (GRIPS); Research Fellow Yumi Niiya of GRIPS; Research Associate Suzanne Akiyama of the Development Strategy Research Program at GRIPS; Associate Professor Yasuyuki Sawada of Tokyo University; Associate Professor Kazuo Kuroda of Waseda University; Research Assistant Takako Yuki of Tokyo University; Evaluation Officer Koichiro Ishimori of the Japan Bank for International Cooperation (JBIC); and Deputy Director Takako Toda at the U.S. office of the Japan International Cooperation Agency (JICA). Each brings valuable insights from academic studies and hands-on practice.

The topics in this book and trends in the field are constantly changing,

thus, FASID intends to publish significant changes in various ways, including at our website, <http://www.fasid.or.jp/dakis/>. I hope this book will be of help to academic researchers, practitioners, and students in the international development community as they look for trends in the field of development assistance.

# **New Approaches to Development and Changing Sector Issues**

## **Foreword**

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## Abbreviations and Acronyms

ADB	Asian Development Bank
ADEA	Association for Development of Education in Africa
APEC	Asia-Pacific Economic Cooperation
ARI	Acute Respiratory Infection
ASEAN	Association of Southeast Asian Nations
BEGIN	Basic Education for Growth Initiative
BHN	Basic Human Needs
CAS	Country Assistance Strategy
CBHC	Community-Based Health Care
CCA	Common Country Assessment
CDC	Centers for Disease Control and Prevention
CDD	Control of Diarrheal Diseases
CDF	Comprehensive Development Framework
CGIAR	Consultative Group on International Agricultural Reform
CIC	Center for the Study of International Cooperation in Education (Japan)
CPRGS	Comprehensive Poverty Reduction and Growth Strategy (Vietnam)
DAC	Development Assistance Committee
DFID	Department for International Development (The United Kingdom)
EDUCO	Community-managed schools in El Salvador
EFA	Education for All
EPI	Expanded Program on Immunization
EU	European Union
FAO	Food and Agriculture Organization
FfD	Financing for Development
FFE	Food for Education (Bangladesh)
GAD	Gender and Development
GDP	Gross Domestic Product
GHF	Global Health Fund
GII	Global Issues Initiative on Population and AIDS
GNI	Gross National Income
GNP	Gross National Product
GOBI	Growth curve, ORT, Breastfeeding, Immunization
GOBI-FFF	GOBI Food supplements, Family planning, Female education

GPA	Global Program on AIDS
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HFA	Health for All
HIPCs	Heavily Indebted Poor Countries
HNP	Health, Nutrition and Population
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technology
IDA	International Development Association
IDTs	International Development Targets
IEC	Information, Education and Communication
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
JOCV	Japan Overseas Cooperation Volunteers
LSMS	Living Standard Measurement Studies
MAP	Multi-country HIV/AIDS Program
MCH	Maternal Health Care
MDGRs	Millennium Development Goals Reports
MDGs	Millennium Development Goals
MEXT	Ministry of Education, Culture, Sports, Science and Technology (Japan)
MMV	Medicines for Malaria Venture
MPI	Ministry of Planning and Investment (Vietnam)
MTEF	Medium-Term Expenditure Framework
NFE	Non-Formal Education
NGOs	Non-Governmental Organizations
NHDR	National Human Development Report
NIDI	Netherlands Interdisciplinary Demographic Institute
NPES	National Poverty Eradication Strategy (Tanzania)
ODA	Official Development Assistance
ODA	Overseas Development Administration
OECD	Organization for Economic Cooperation and Development
ORT	Oral Rehydration Therapy
PEAP	Poverty Eradication Action Plan (Tanzania)
PER	Public Expenditure Review
PHC	Primary Health Care
PIP	Public Investment Program
PRSP	Poverty Reduction Strategy Paper
RBM	Roll Back Malaria

RES	Regional Education Strategy
SIDA	Swedish International Development Agency
STD	Sexually Transmitted Diseases
TAS	Tanzanian Assistance Strategy
TDR	Special Program for Research and Training in Tropical Diseases
TICAD	Tokyo International Conference for African Development
UNAIDS	United Nations Program on HIV/AIDS
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNGEI	United Nations Girls Education Initiative
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UNOPS	United Nations Office for Project Service
USAID	United States Agency for International Development
WBESS	World Bank Education Sector Strategy
WBI	World Bank Institute
WFP	World Food Programme
WHO	World Health Organization
WID	Women in Development
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization
YESAS	Yemen Education Sector Assistance Strategy

## 1

**Overview**

**Takamasa Akiyama**  
**Masanori Kondo**

Recent years have seen major changes in approaches to development assistance. With international events such as the end of the Cold War, terrorist attacks, and an unyielding number of poor people, many donors are increasing their aid. Central issues for discussion today are wide-ranging — from the relationship between reducing poverty and growing an economy to aid effectiveness, donor coordination, fiscal assistance, policy coherence, and ultimately, the relationship between poverty and world peace.

While other donors have increased their aid budgets, a prolonged recession has forced Japan to reduce its development assistance. A significant increase seems unlikely in the near future. If Japan is to improve the quality of its aid and maintain a sufficient presence in the international community under such constraints, it is essential to understand new approaches to development and changes in sector issues in the aid community.

Many Japanese organizations and researchers have studied trends in international development assistance. These studies have been published in the ODA White Paper of the Ministry of Foreign Affairs, as well as in publications and websites of the Japan International Cooperation Agency (JICA), Japan Bank for International Cooperation (JBIC), and universities, including the National Graduate Institute for Policy Studies (GRIPS). A joint research project with the World Bank was published as *The East Asian Miracle* (World Bank, 1993). More recently, Japan's role in introducing the concept of 'human security' and its intellectual contributions to the policy formation of the Vietnamese government have been well received.<sup>1</sup>

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Akiyama is a senior advisor to the International Development Research Institute, FASID, and visiting professor at the National Graduate Institute for Policy Studies. Kondo is an assistant professor at the International Christian University.

1. For example, the Study on the Economic Development Policy in the Transition toward a Market-Oriented Economy in the Socialist Republic of Viet Nam (commonly known as the Ishikawa Project).

Despite these past efforts, Japan's in-depth studies to make assistance more effective and efficient have been rather limited. Another problem is that many Japanese aid practitioners are too busy to follow new approaches and exploit up-to-date information and expert knowledge. In view of these problems, the next two chapters of this volume addresses important issues in key sectors.

## **Chapter 2**

### **Poverty Reduction Strategy Papers (PRSPs)**

#### **DIVERSIFYING PRSPS —EXAMPLES FROM VIETNAM AND TANZANIA**

*IZUMI OHNO AND YUMIKO NIIYA*

The World Bank has launched a policy of preparing Country Assistance Strategies for IDA-eligible countries based on their PRSPs, strengthening the link between access to IDA funds and poverty reduction efforts in developing countries. The Bank requires heavily indebted poor countries (HIPC) to first prepare a PRSP before they can qualify for debt relief, making the preparation of a PRSP the highest priority for these countries.<sup>2</sup> Goals of the PRSP process are: (i) to have the recipient country prepare a development strategy paper with the priority on poverty reduction; and (ii) to coordinate aid activities among donors based on the strategy paper. As of January 2003, 53 countries had completed a PRSP or an Interim PRSP (I-PRSP).

Some criticisms have been lodged against the PRSP. For example, Japan has pointed out that the PRSP attaches too much importance to poverty reduction and neglects economic growth. The United Nations Conference on Trade and Development (UNCTAD) contends that it is inappropriate for many African countries to position poverty reduction as the most important economic and social policy. Partly due to these criticisms, since the World Summit on Sustainable Development (WSSD) in September 2002, the international development aid community is shifting to emphasize economic growth, trade, and investment. The proponents of PRSP also began to tout 'pro-poor growth'. A paper presented at the 2002 World Bank annual meeting acknowledged that early PRSPs lacked sufficient analyses on 'sources of growth' and growth promotion measures and announced that the Bank will conduct various studies on pro-poor growth.<sup>3</sup>

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2. Details of the political and theoretical background of this strategy are described in Ishikawa (2001).

3. IMF and IDA (2002)

## Millennium Development Goals (MDGs)

### MILLENNIUM DEVELOPMENT GOALS

SUZANNE AKIYAMA

The MDGs have become the central issue of development assistance in recent years. Adopted at the United Nations Millennium Summit in September 2000, the MDGs have had a tremendous impact on the international development community. Discussions in major international conferences on development focus on these goals and international organizations and donor countries are increasing activities that are geared toward achieving them. The goals address seven development issues — extreme poverty and hunger, primary education, gender equality, child mortality, maternal health, HIV/AIDS and other diseases, and the environment. Each goal includes a set of quantifiable targets as well as indicators against which to measure progress. An eighth goal, develop a global partnership for development,<sup>4</sup> is treated somewhat differently.

The target year for achievement of the MDGs is 2015. The United Nations and the World Bank have published estimates that indicate the existing amount of development aid is not sufficient to realize the goals by that time and that Official Development Assistance (ODA) must be increased by US\$ 50 billion, in other words, doubled. The U.S. and the European Union (EU) announced plans to increase their ODA at the Monterrey Conference held in March 2002.

There are various constraints that work against achievement of the MDGs — technical constraints because the MDGs are numerical, operational constraints because they are time bound, and financial constraints because initial cost assumptions may prove false and some eligibility requirements are being imposed. There are many obstacles to overcome. While the target year is about 10 years in the future, several organizations have already voiced their pessimism about the prospect of achieving the goals.

Recent discussions on MDGs are very much focused on Sub-Sahara Africa. Notably, the British government has indicated that is the duty of international community to achieve the MDGs in Africa.

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4. The goal is elaborated as “Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (Includes a commitment to good governance, development, and poverty reduction — both nationally and internationally)”. (World Bank website)

## **Evaluation**

### **RECENT DEVELOPMENTS AID IN AID EVALUATION**

*NAONOBU MINATO*

Evaluation is a topic that has been discussed more frequently in recent years. One of the important trends in development aid is an emphasis on results. This trend is especially pronounced in the United States under the Bush administration, and is also growing in international organizations. In terms of aid modalities, Sector Wide Approaches (SWAs) and fiscal assistance are gaining popularity. With these movements, the subject of aid evaluation is also changing — there is now demand for measuring not only project impact, but also effects on a sector or a country as a whole (program evaluation). As seen in the technical constraints to the MDGs, definitions, standards, methods, and lack of data and statistical methodologies are seen by some as problems. Joint evaluations and coordination are promising developments, and Japan is contributing in both areas.

## **Chapter 3**

### **Education**

#### **EDUCATIONAL DEVELOPMENT**

*YASUYUKI SAWADA, KAZUO KURODA, AND TAKAKO YUKI*

Education is considered to be one of the most important areas for development aid from three perspectives — economic research, trends in international development aid, and Japan's activities in the education sector. The visibility of the education sector has been very high in the past few years. For those involved in foreign aid, knowledge of this sector is very important not only because education is the second goal of the MDGs, but also the importance of education is recognized anew by the 'endogenous growth theory' in the field of development economics.

Challenges for Japanese educational assistance include expansion and improvements in terms of scale, quality, and policy; promotion of academic research on educational development and educational cooperation within the country; accumulation and use of knowledge and information; institution-building, including further human resource development; and reforming existing educational assistance schemes.

## Health Care

### INTERNATIONAL ASSISTANCE IN THE HEALTH CARE SECTOR MASANORI KONDO

Three of the eight MDGs are related to health care — it is now recognized as a sector that is essential to achieving the MDGs. Behind this change was a paradigm shift toward human-centric development beginning in the 1990s and the AIDS epidemic in developing countries. Whether it is malaria or HIV/AIDS, the numbers are increasing instead of decreasing in sub-Saharan Africa and other regions, but in contrast, the amount of aid money is still limited and has not reached the required level.

There has been a shift away from the ‘vertical’ approach that tackles individual illnesses to a sector-wide or ‘horizontal’ approach that includes Primary Health Care (PHC). More recently, in addition to these vertical and horizontal approaches, donors are paying attention to sector reform. Policy coordination among donors, establishing ownership by governments of developing countries, and capacity building are becoming more important than ever. Another important factor is coordination between the public sector represented by developing countries governments and the private sector represented by pharmaceutical companies in industrialized countries.

## Environment

### TRENDS IN ENVIRONMENTAL AID POLICIES JUNKO OHARA

The relationship between development and the environment was highlighted by a report published by the Club of Rome in 1972, but it was not until *Our Common Future*<sup>5</sup> was published in 1987 by the World Commission on Environment and Development (the Brundtland Commission) that the issue gained prominence. According to the report, development that neglects the environment is not sustainable. It had a tremendous impact on the international development community.

Partly due to the impact of the Brundtland Commission report, the Global Environment Facility (GEF) was established in 1991, and the UN Conference on Environment and Development (UNCED; commonly known as the Rio Summit) was held the following year in Rio de Janeiro, Brazil. In this conference, Agenda 21, a comprehensive and long-term action plan for the environment, was adopted. This action plan has effectively governed

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5. World Commission on Environment and Development (1987)

environment-related development assistance to this day.

Many other international meetings have addressed environmental issues and sustainability. Japan and other major international organizations and donors are aggressively providing assistance in the area of environment, but it is difficult to mainstream environmental issues in development strategies, partly because many developing countries and the United States do not recognize the critical importance of environmental issues.

## **Water**

### **WATER-RELATED ISSUES AND INTERNATIONAL DEVELOPMENT *KOICHIRO ISHIMORI***

Water is an important issue for development in poorer countries. Needless to say, humans cannot survive without water, but it is also essential to advance agriculture, industries, and health care. The problem of too much water — floods — has been overshadowed by the problem of too little water. Floods are responsible for one-third of the economic losses and more than one-half of the fatalities caused by natural disasters in the world, and cause especially severe problems in the Asian monsoon region.

Bilateral donors, international organizations, and NGOs have undertaken many aid projects and activities related to water and achieved significant results. More than 2.4 billion people gained access to safe water during the past 20 years, but about 1.2 billion people have yet to secure safe water, and the number is expected to increase to about 2.7 billion by 2025. According to the World Water Vision prepared in 2000, the investment needed for water was US\$ 70 to 80 billion in 1995, but will grow to US\$ 180 billion by 2025, of which US\$ 75 billion is estimated to be needed for water supplies and sanitation alone. The importance of water-related issues will only grow in the future.

## **Governance**

### **DEFINING AND PROMOTING GOVERNANCE *MASANORI KONDO***

Governance has become central in recent discussions about development aid. The definition of governance is not set in stone. Different donors have different definitions or emphasize different factors. In general, political governance includes various elements of democracy such as separation of powers, free elections, rule of law, freedom of the media, and respect for human rights. Economic governance includes fiscal balance, government spending and tax revenues, tariff rates, performance of public enterprises, decentral-

ization, administrative efficiency, transparency, and degree of corruption.

Reasons for the recent emphasis on governance are many. Major aid agencies and donors including the UNDP, USAID, the Department for International Development (DFID) of the United Kingdom, and the World Bank, which had not intervened in political areas before, are now deeply involved in the issue of governance. The most significant impact has been selective assistance extended to countries with good governance. In terms of governance policies, these organizations place particular emphasis on improving fiscal administration, eliminating corruption, and supporting democratization. More recently, some attempts have been made in fiscal assistance through structural adjustment lending designed to improve governance and in devising indicators to measure the level of governance across countries.

## **Peacebuilding**

### **PEACEBUILDING BEFORE AND AFTER 2002**

#### **TAKAO TODA**

The Cold War ended in the 1990s, but conflicts occur frequently between and within developing countries, and since the mid-1990s, the international aid community has recognized critical issues — how to put post-conflict countries on a smooth path to recovery and development and how to prevent conflict and promote development so that these countries will not fall back into the vicious cycle of conflict and poverty.

In 1999, the Japanese government announced its policies on conflict prevention, conflict-induced refugees, and post-conflict recovery in the Medium-Term Policy on Official Development Assistance, but concrete efforts have only just begun. To build peace, we should not only provide economic assistance but also integrate efforts on various fronts such as the military, politics, society, and culture. How to advance mutual cooperation and coordination between different areas remains a challenge for the future.

Issues of peacebuilding are becoming more important than ever in international organizations. Partly due to its establishing agreement, the World Bank has been reluctant to intervene in countries with political problems. In light of recent trends, however, the Bank is thinking about considering the perspective of conflict and peace in all development aid activities (mainstreaming).<sup>6</sup> UNDP has a comparative advantage in this area and is actively

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6. In a recent paper, Collier insists that assistance to conflict-affected countries is more effective when provided several years after the conflict rather than immediately.

involved in peacebuilding through demining and other activities.

For Japan to provide peacebuilding assistance smoothly, the current system of aid implementation needs some major changes. Specifically, JBIC will need to be able to provide grant assistance like the World Bank in the area of peacebuilding. However, the know-how of peacebuilding is concentrated in the Ministry of Foreign Affairs and JICA while financing know-how is within JBIC. This mismatch of expertise needs to be resolved. Moreover, both JBIC and JICA effectively function as branches of government, and it is essential to think more seriously about coordination between them.

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# 2

## **Global Changes in Development Assistance**

### **Diversifying PRSPs — Examples from Vietnam and Tanzania**

**Izumi Ohno  
Yumiko Niiya**

As the international community accelerates its efforts to reduce poverty in developing countries, the United Nations Millennium Development Goals (MDGs) and the World Bank-supported Poverty Reduction Strategy Papers (PRSPs) are exerting great influence on the development strategies of poor countries. Writing policies and institution-building efforts must be tailored to individual countries because the causes of poverty and socioeconomics are so diverse. The variations of, and appropriate matching between, alternative strategies and individual countries have not been sufficiently discussed. As poverty reduction enters the implementation stage, we need to strengthen intellectual input to effectively translate lofty global targets into realistic and concrete actions at the country level.

In this paper, we propose to classify poor countries by: (i) relationship with the international financial system; (ii) presence or absence of a national development strategy and its quality; and (iii) causes of poverty. We will discuss how these differences should be reflected in the creation and implementation of PRSPs, and call for greater flexibility in its contents, modality, and procedures based on considerations of its relationship to existing devel-

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Ohno is a development forum professor at the National Graduate Institute for Policy Studies (GRIPS). Niiya is a researcher for the same forum.

This paper is based on a paper presented by Ohno at the World Summit on Sustainable Development in Johannesburg in 2002. This version has been expanded with information obtained during fieldwork in Tanzania and elsewhere. The original paper (and its summary in Japanese) can be seen at <http://www.grips.ac.jp/forum/>

opment plans and the realities of poverty.

We also present the Vietnamese PRSP to suggest that this example, driven by strong country ownership and aspirations for rapid growth, can be a model for a growth-oriented PRSPs. This document was inspired by the country's unique geography and history, especially the surrounding Asian dynamism. Its development strategies — based on growth aspirations — should be fully examined not only in East Asia, but in other regions of the world as well.

And finally, we will discuss the example of Tanzania, a sub-Saharan country with an advanced PRSP. From a perspective of mainstreaming growth aspirations, we will examine how to use the lessons learned from Vietnam and what should be considered in the future.

## ***Global Development Trends and PRSPs***

### **What is a PRSP?**

The Poverty Reduction Strategy Paper (PRSP), a concept launched by the World Bank, is a three-year roadmap for the social and economic development of a poor country, produced under strong national ownership and broad partnership among various stakeholders. When the initiative was launched in 1999, it was intended as a tool to ensure that certain Heavily Indebted Poor Countries (HIPC) would use the funds freed up through the Enhanced HIPC Initiative for poverty reduction. Later, all recipients of International Development Association (IDA) credits were asked to prepare a PRSP.

The World Bank recently adopted a policy to strengthen the links between PRSPs and Country Assistance Strategies (CAS), linking poverty reduction efforts with access to IDA funding. The Bank is urging poor countries to use the PRSP as the main tool for development budgeting, prioritizing different sectors and projects, and selecting and evaluating individual projects. The Bank is also urging other donors to adopt the PRSP as the vehicle for aid partnerships. As an assistance framework that involves all stakeholders, PRSPs are now exerting great influence on the development strategies of poor countries.

There are 80 countries eligible for IDA lending, of which 76 currently receive IDA support (financial and/or non-financial). As of July 2004, more than 70 countries are engaged in the PRSP process, including those in the initial stages. Among them, 40 countries (of which 20 are in Africa) have completed full PRSPs and subsequent joint staff assessments by the

International Monetary Fund (IMF) and the World Bank (World Bank, 2004a). Forty-nine countries have prepared interim PRSPs, with African countries accounting for more than half. Vietnam became the first East Asian country to complete a full PRSP in May 2002. The Boards of the IMF and IDA reviewed it in mid-2002.<sup>1</sup>

To assess the PRSP experience two years after its introduction, the IMF and the World Bank undertook a comprehensive review in early 2002. The final report was presented to the WB/IMF Joint Development Committee in April 2002. As part of this review, the Bank convened a comprehensive review meeting in Washington, D.C. in January 2002 and invited various development partners, including developing-country governments, donor-country governments and agencies, think-tanks, and NGOs. The report stressed a broad consensus among development partners on the validity of the PRSP approach and recommended that the World Bank and the IMF maintain the approach as a basic strategy. At the same time, the report reviewed the lessons learned and recognized the need for a flexible approach that considers the unique circumstances of each country (IDA/IMF, 2002a).

### **PRSPs and MDGs**

Following the UN Millennium Summit in September 2000, the UN General Assembly adopted the UN Millennium Development Goals (MDGs) in September 2001. As an international commitment for poverty reduction, MDGs call for concrete social achievements, including halving the ratio of people in extreme poverty by 2015. After September 11, 2001, the poverty-terrorism nexus was rediscovered and the international community hardened its resolve to address poverty. In the ongoing global enthusiasm over MDGs, the UN International Conference on Financing for Development in March 2002 adopted the Monterrey Consensus, recommending further aid increases to achieve MDGs, debt reduction, and partnerships between developing and developed countries to promote trade and investments to benefit poor countries.

MDGs were established as the primary development goals, while PRSPs were established as the procedural framework to prepare strategies. World

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1. The Cambodian government also prepared a full PRSP in December 2002 which was reviewed by the boards of the IMF and IDA in February 2003 (the second PRSP in East Asia following Vietnam). In Asia (excluding Central Asia), Sri Lanka, Mongolia, Nepal, and Pakistan have also prepared full PRSPs that have been approved by the boards of the IMF and IDA.

Bank economists estimate that an additional US\$ 40-70 billion is required annually to achieve MDGs (Devarajan et al., 2002).

### Japan and PRSPs

Introduction of PRSPs is evidence of a shift in the structural adjustment policies that were promoted by the Bank and IMF beginning in the 1980s, and prompted discussions about their significance, validity, and room for improvement.<sup>2</sup> While most Japanese aid officials and experts endorse the basic principles of PRSPs, including national ownership and aid partnership, they are concerned about its uniform approach, shortage of strategic content, and an increased burden on the budgetary and human resources of both donors and recipients. While the advocates of PRSPs readily admit the crucial links between economic growth and poverty reduction at a general level, they tend to focus exclusively on pro-poor measures (e.g., education, health, environment, gender, rural infrastructure, etc.) in actual implementation. Serious discussions on the generation of economic growth are desperately lacking.

Shigeru Ishikawa, professor emeritus at Hitotsubashi University and a leading figure in Japanese development economics, regards PRSPs as “the World Bank’s new aid policy which essentially shifts the goal from ‘growth promotion’ to ‘poverty reduction.’ ” He further notes that it is “a highly deficient proposal when viewed as a system of action plans to be properly supported by fiscal resources.” Ishikawa recognizes that current PRSPs tend to emphasize pro-poor measures too much, and argues that for poverty reduction efforts to be truly effective, it is necessary to deeply analyze the causes of poverty in each developing country and design an appropriate mix of: (i) measures directly targeting the poor, and (ii) support for broad-based growth that encourages economic growth of a country as a whole.<sup>3</sup>

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2. The main interests of aid agencies, researchers, and NGOs include the participatory process of a PRSP, how to deal with developing countries involved in or emerging from conflicts, the necessity for prioritizing public actions, managing public expenditures, integration of the PRSP into other policymaking processes, donor coordination and harmonizing assistance from different donors, the balance between ‘speed’ and ‘quality’ of PRSP preparations in HIPC countries, and monitoring and evaluation methodologies. For general information on PRSP, see PovertyNet of the World Bank (<http://www.worldbank.org/poverty/strategies/ubdex.htm>) and the DFID-ODI’s PRSP Monitoring and Synthesis Project (<http://www.prspsynthesis.org/>). Some practitioners, however, believe, that introduction of PRSPs does not represent a shift in structural adjustment policies (underlying economic policies are the same), but supplements them with an emphasis on social sectors and participatory development (Cling et al., 2002; UNCTAD, 2002b). In Japan, various groups and researchers are studying the issues surrounding PRSPs, including the Japanese contribution study group administered by JICA’s Institute for International Cooperation, which is led by Prof. Yanagihara of Takushoku University.

## **Poor Countries and Appropriate Responses**

Poor countries are highly diverse in their social, economic, and political conditions. In order to localize PRSPs, three criteria are especially important: (i) the relationship with the international financial system; (ii) presence or absence of a national development strategy and its quality; and (iii) causes of poverty.

### **Relationship with the International Financial System**

The first determinant of a PRSP is how a developing country is positioned in the international financial system. This relationship affects the restrictions on external financing, the country's independence and the power balance with donors, and positioning the PRSP in the country. These in turn affect a variety of policy options available to implement development strategies and the degree to which the country can maintain ownership through aid coordination. Three considerations are important.

**First** is the existence or absence of direct links between the PRSP and debt relief. For many poor countries in sub-Saharan Africa and Latin America, preparation of a PRSP is a precondition for obtaining debt relief under the Enhanced HIPC Initiative. Equally for donors, it is an important tool to manage aid resources and evaluate development impacts. By contrast, in poor countries in East Asia, including Vietnam, debt forgiveness is not intended. For them, PRSPs are primarily motivated by the country's desire to access IDA financing which is less acute than the need for debt forgiveness. Because HIPC countries also have limited potential to mobilize private funds, they have fewer policy options available than countries that can expect a higher level of external financing. The existence or absence of external financing restrictions is especially important when preparing and implementing growth strategies.

**Second**, aid dependency and donor composition are important. Aid dependency in Vietnam is lower than the average in sub-Saharan Africa or Latin America. Higher aid dependency is or course associated with stronger pressure from the donor group.<sup>4</sup> Moreover, the development strategy can also be affected by the views of the largest donor(s). In sub-Saharan Africa,

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3. According to Ishikawa (2002b), expenditures for broad-based growth first contribute to increasing GDP, and the resultant increase in savings eventually reduces poverty through fiscal, financial and other various channels.

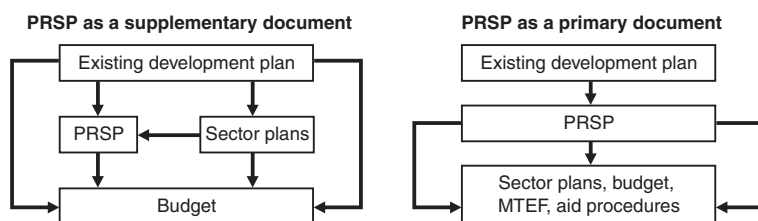
prominent donors are the World Bank (IDA) and the Europeans, while in Latin America and the Caribbean, the World Bank (IDA) and the Inter-American Development Bank (IDB) are of primary importance. In East Asia, principal donors are Japan, the World Bank, and the Asian Development Bank (ADB).

**Third**, donor composition can also affect aid modality. Vietnam receives about two-thirds of its ODA as concessional loans, while 70 percent of ODA to sub-Saharan Africa is grants. Corresponding ratios for Latin America and the Caribbean are somewhere between the two groups. These differences are related to the aforementioned restrictions on external financing (especially the existence or absence of access to development financing through concessional loans), as well as considered when discussing harmonizing aid modalities.

### National Development Strategy and Its Quality

Does a developing country have its own development plan? If so, how mature is it and how effectively does it govern budget allocations and investment programs? These factors greatly affect how an imported PRSP is treated domestically. This issue is closely related to how strongly the government takes ownership of the PRSP and the extent to which it is integrated into existing decision-making processes. Although the relationship between existing development plans and a PRSP is complex and highly specific to each country, two prototypes are illustrative (Fig. 2-1).

**Figure 2-1. Poverty Reduction Strategy Papers used in two different ways**



Prepared by the authors

4. The degree of aid dependency varies even among Asian countries. For example, Mongolia (per capita ODA US\$ 85; ODA/GDP ratio 18.6 percent), Lao PDR (US\$ 50, 17.3 percent) and Cambodia (US\$ 39, 12.7 percent) are more aid dependent than Vietnam (US\$ 16, 3.6 percent) and Indonesia (\$6, 0.8 percent). Such differences could also affect how these countries approach the PRSP (World Bank, 2004b; data are for 2002).

**PRSP as a Supplementary Document**

In Vietnam, the core planning documents defining the national vision are the Strategy for Socio-Economic Development in the Period 2001-2010 (the 10-year strategy) and the Seventh Five-Year Plan for Socio-Economic Development 2001-2005 (the five-year plan). These were reviewed by the Communist Party and concerned ministries and approved by the Party Congress. They tower above numerous other official documents in terms of legitimacy and accountability. They guide all sector plans, public investment plans, and annual budget allocations. Under this framework, the role of the PRSP is at best supplementary as one of the 'other' documents. From the Vietnamese viewpoint, the PRSP is never intended to dictate overall budget allocations. Certainly the PRSP is an effective tool to reinforce existing development plans with special attention to poverty reduction and the participatory process, but its contribution is limited to a part of national policies. It is not intended as an overarching document that sums up the development vision of the country.

**PRSP as a Primary Document**

When a PRSP co-exists with a national development strategy but the newly-introduced PRSP exerts a stronger influence than existing plans over the budgetary and legal framework by effectively absorbing them, it is considered a primary document. For example, Tanzania has its own long-term development vision (Vision 2025) and poverty eradication strategy (National Poverty Eradication Strategy 2010 [NPES]). In reality, however, these documents are merely symbolic and have little impact on the actual budget and policies. Uganda had its own vision document (Vision 2025) before its PRSP was prepared based on the Poverty Eradication Action Plan (PEAP) contained in Vision 2025. Regardless of this difference, in both countries the PRSP plays a decisive role as a planning and aid coordination document to dictate sector plans. The PRSP is also linked to the Medium-Term Expenditure Framework (MTEF),<sup>5</sup> which is a rolling, three-year plan

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5. MTEF sets out the medium-term expenditure priorities and hard budget constraints against which sector plans can be developed and refined. It also contains outcome criteria for performance monitoring. Throughout the 1990s, Uganda and Tanzania have developed MTEF and sector plans starting from health and education sectors, for which the newly introduced PRSP now provides the overall policy framework for poverty reduction. Ideally, a PRSP as the core planning document is expected to guide overall expenditures and sector policies (and aid modality) through its link to MTEF and sector plans. Where MTEF has been introduced recently, however, the link between MTEF and PRSP is not necessarily strong.

that guides all public expenditures (including investment and recurrent budgets, as well as aid money).<sup>6</sup> Moreover, Uganda's PRSP refers to the desirability of certain aid modalities, including budget support and a sector-wide approach. Tanzania's PRSP has no reference to aid modality but is dealt with separately in the Tanzania Assistance Strategy (TAS). In a country that depends on aid for most of its development financing, aid modality effectively determines how development projects are delivered. These countries structure numerous practical procedures using development funds around the PRSP as a core document.

As a supplementary document, the PRSP is confined to complementing and reinforcing the existing national development strategy and sector plans. It offers an in-depth poverty analyses, a cross-cutting approach to poverty reduction, and broadens the participatory process. In this case, the most desirable and practical involvement for donors would be to respect and support the existing policy configuration rather than reject or replace it. Areas of assistance do not have to be constrained by a PRSP — donors should be encouraged to support high priority areas in the country's overall development, regardless of a PRSP.

When used as a primary document, a PRSP has a decisive influence because operational procedures for the budget, sector plans, and receiving aid are all structured around it. In this case, donors should support planning and strengthening budgetary systems through the PRSP. Uganda is beginning to see positive results from capacity-building efforts through its PRSP (which is based on PEAP prepared with Uganda's own initiative) that also pays attention to the relationship with MTEF.

### **Causes of Poverty**

While the goal of poverty reduction is shared globally, the nature of poverty differs from country to country. Reducing poverty requires a specific approach in each country. Poverty situations vary even within a country, depending on age, gender, family, occupation, region, social strata, etc. Insights into the country-specific causes of poverty are crucial if we are to succeed in reducing poverty (Ishikawa, 2002b).

Causes of poverty may include:

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6. In Uganda, various activities such as the use of funds 'freed up' by debt relief, public expenditure management through MTEF, expansion of the social sector, and other service deliveries through decentralization are linked with each other and organized through the framework of PRSP (Craig and Porter, 2003).

- Limited national budgets and income opportunities because the underlying economy is not strong
- Lack of or insufficient consideration for equity in policy design; an inadequate redistribution mechanism
- Inefficiency or corruption by the government in social service delivery
- Breakdown — or even complete absence — of mutual assistance mechanisms at the community level in cases of disease and disaster
- Restricted economic opportunities or discrimination based on gender, race, ethnicity, caste system, etc.
- Economic stagnation caused by policy failures such as economic control and ‘Big Bang’ approaches.
- Emergence of more poverty due to domestic and international economic crises and responses that may include macroeconomic austerity and structural reforms
- Wars, civil wars, ethnic conflicts, political persecution, etc.

These causes include failure of the underlying society, policies, and implementation. They overlap and are interconnected. One can easily imagine that poverty in a country has multiple causes.

Different causes call for different responses. Without correct matching of diagnosis and prescription for each country’s specific context, even a big increase in aid money is unlikely to yield results. This is precisely the knowledge that is so far lacking in the PRSP process.

If poverty is caused by insufficient delivery of social services, major efforts should be directed toward their improvement. If poverty results mainly from a pro-rich bias in the fiscal system or deep-rooted ethnic discrimination, political initiative is required. If economic crises or uncontrolled globalization is producing ‘new’ poverty, relevant policies should be reconsidered. But if the primary cause of poverty is low productivity and an underdeveloped market economy, resources must be mobilized to build infrastructure, upgrade technology, and create industries.

To cope with generalized poverty associated with underdevelopment, a recent UNCTAD report recommends measures to enhance productive capacity such as the promotion of rapid and sustained economic growth and the establishment of a dynamic investment-export link (UNCTAD, 2002a).

### **Growth Promotion vs. Poverty Targeting**

Although many official documents declare that poverty reduction and economic growth are positively related, details of this relationship have rarely

been detailed in a country-specific context. This relationship must also be studied as an issue related to research on the causes of poverty in each country.<sup>7</sup>

For example, if a country already has a system of policies that emphasize social equity and its network of social services reaches rural villages, there is no need to transplant foreign poverty reduction policies. What is lacking is not a system but purchasing power, thus poverty will be eliminated over time if private income and government revenues increase. In this case, a growth strategy is the key.

On the other hand, there are countries where past experience has shown that economic growth alone will leave certain groups behind. For a country that wants to have the principle of social equity take root or wants to improve the implementation aspect of social services, it is important to establish an effective poverty reduction mechanism. If foundations for such a mechanism do not exist domestically, it may be a good idea to incorporate a foundation provided by an international organization, either as is or with some adjustments. In this case, the central challenges include efficient planning and implementation of pro-poor policies in addition to a growth strategy.

These two cases — growth promotion and poverty targeting — are simplified for the sake of discussion; the reality of poverty in a developing country is far more complex.

Table 2-1 compares PRSPs. In the following sections, we will discuss the examples of Vietnam and Tanzania, which, as shown in the table, have different strategic and institutional contexts.

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7. See Klasen (2001) for a detailed review of existing literature and the scope of policy instruments. The correlation between economic growth and poverty reduction is shown in many papers (Dollar and Kraay, 2000; Klasen, 2001), but on the other hand, regression analyses are not sufficient to consider which measures each country should take in order to promote growth and reduce poverty. The necessity for the micro-level and country-specific empirical research has been identified, for example, Ravallion (2001) suggests that the impact of growth on poverty reduction may differ depending on the level of inequality as an initial condition.

**Table 2-1. An international comparison of Poverty Reduction Strategy Papers<sup>a</sup>**

Country	Aid dependency <sup>b</sup>	Relationship with existing development plan	Strategic focus
<b>Vietnam</b>	<ul style="list-style-type: none"> <li>• Low per capita ODA of \$16, ODA to GNP ratio is 3.6 percent</li> <li>• HIPC — sustainable case, debt forgiveness not requested</li> <li>• High accessibility to private funds</li> </ul>	<b>Supplementary document</b> <ul style="list-style-type: none"> <li>• Budget is formulated under the general guidance of national development plans</li> <li>• CPRGS and sector plans also supplement</li> </ul>	<b>Equitable growth</b> <ul style="list-style-type: none"> <li>• The overall framework is promoting growth with social equity</li> <li>• PRSP specifies social policies and pro-poor measures</li> </ul>
<b>Tanzania</b>	<ul style="list-style-type: none"> <li>• Relatively high</li> <li>• Per capita ODA is \$35, ODA to GNP ratio is 13.2 percent</li> <li>• HIPC — debt forgiveness requested</li> </ul>	<b>Primary document</b> <ul style="list-style-type: none"> <li>• Budget, MTEF, and sector plans are guided by PRSP</li> </ul>	<b>Social equity</b> <ul style="list-style-type: none"> <li>• Main focus is on pro-poor measures while also recognizing the importance of growth promotion</li> </ul>
<b>Uganda<sup>c</sup></b>	<ul style="list-style-type: none"> <li>• Relatively high</li> <li>• Per capita ODA is \$26, ODA to GNP ratio is 11.2 percent</li> <li>• HIPC — debt forgiveness requested</li> </ul>	<b>Primary document</b> <ul style="list-style-type: none"> <li>• Budget, MTEF, and sector plans are guided by PRSP.</li> <li>• PRSP is the revised version of PEAP, the national action plan for poverty eradication</li> </ul>	<b>Growth and equity</b> <ul style="list-style-type: none"> <li>• Growth promotion measures and pro-poor measures are both specified in the PRSP</li> </ul>
<b>Bolivia<sup>d</sup></b>	<ul style="list-style-type: none"> <li>• Relatively high</li> <li>• Per capita ODA is \$77, ODA to GNP ratio is 9.0 percent</li> <li>• HIPC — debt forgiveness requested</li> </ul>	<b>Primary document</b> <ul style="list-style-type: none"> <li>• PRSP guides pro-poor programs administered by local governments.</li> <li>• Operational procedures are legally specified in the National Dialogue 2000</li> </ul>	<b>Social equity</b> <ul style="list-style-type: none"> <li>• Main focus is on pro-poor measures</li> </ul>

a. Prepared by authors. Data on aid dependency are from the World Bank (2004b).

b. All dollar amount are US dollars.

c. Uganda's PRSP was a revised version of PEAP which had been prepared three years earlier in 1997. The 2000 version of PEAP (=PRSP) is more growth-oriented.

d. In Bolivia, the National Action Plan 1997-2000 was created through the National Dialogue in 1997 but the PRSP was later prepared to replace the document. The full PRSP was completed in June 2000, but the National Dialogue Act of 2000, enacted at the same time, governs the basic orientation of PRSP and the implementation of pro-poor projects by municipalities (cities, towns and villages), thus legally specifying the operational procedures of PRSP. While a majority of the Public Investment Plan (5-year) can be allocated to priority projects under PRSP, MTEF is not as firmly established as in the African example described above, and there is no established mechanism through which PRSP influences the entire budget allocation process.

## ***Vietnam's PRSP Experience***

### ***— Strong Ownership and Growth Orientation***

#### **The PRSP in Vietnam**

Vietnam became the first Comprehensive Development Framework (CDF) pilot country in East Asia in 1999, which led to the establishment of more than 20 partnership groups. Vietnam also completed a full PRSP ahead of other East Asian countries. The Ministry of Planning and Investment (MPI), in coordination with other ministries, played a central role in the preparation

of the PRSP. After the completion of the interim PRSP (March 2000), the Vietnamese government renamed the PRSP as the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), adding the terms ‘comprehensive’ and ‘growth.’ The final CPRGS was approved by the Prime Minister in May 2002. The document was reviewed by the Boards of the IMF and IDA in mid-2002.

The Vietnamese government regards the CPRGS as an action plan that translates the Ten-Year Strategy, the Five-Year Plan and sector policies into concrete measures (Box 2-1). As its name suggests, CPRGS calls for the achievement of both: (i) economic development (doubling the national income in 10 years and annual GDP growth target of 7.5 percent in the first five years, etc.) and (ii) poverty reduction and social equity. The economic goals and budget allocation are simply copied from the Ten-Year Strategy and the Five-Year Plan. However, to complement the plan and strategy with a strong accent on growth, CPRGS emphasizes the ‘quality’ of growth and proposes ways to minimize income and regional disparities, cut poverty, and achieve social equity in the process of rapid growth.<sup>8</sup> The ownership and the participatory approach assumed by the Vietnamese government were highly noted by the international community. Vietnam’s CDF and PRSP experience has thus become ‘good practice.’

### **Vietnam’s Aspiration to Catch Up**

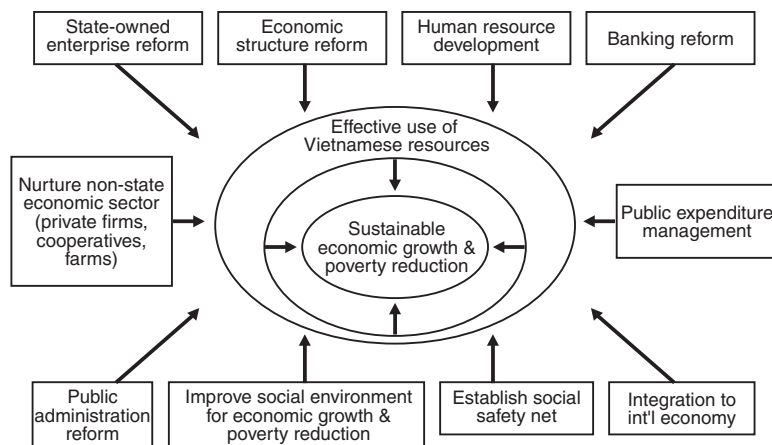
East Asian development was realized by a dynamic production network created by private firms via trade and investment. One by one, countries in different stages of development joined this regional network, each becoming a link in the international division of labor with a clear order and structure. For East Asia’s latecomers, economic development is a process of constantly upgrading their industrial capability under competitive pressure, as well as complementary relationships with their neighbors. Through this complex relationship of rivalry and cooperation, structural shifts continuously shifted industries from one country to another. No other developing region has

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8. On the other hand, strength of ownership and the quality of growth strategies are two separate issues. The underlying development vision of the CPRGS is surely growth-oriented, but the examination and description of specific measures is not quite sufficient. It is an especially important challenge for Vietnam to deepen its international integration while promoting industrialization. With its accession to the ASEAN Free Trade Area (AFTA) and negotiations with the World Trade Organization (WTO) on the horizon, Vietnam has an urgent need to define specific measures to improve productivity and competitiveness.

### Box 2-1. Comprehensive Poverty Reduction and Growth Strategy (CPRGS)

The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) is an action plan that translates the Government's Ten-Year Socioeconomic Development Strategy, Five-Year Socioeconomic Development Plan as well as other sectoral development plans into concrete measures with well-defined road maps for implementation. The CPRGS sees harmony between economic growth and measures to solve social problems. The tasks and objectives contained in the poverty reduction and growth strategy not only call for targeted measures to support specific poverty groups, but also see links within the policy matrix that include macroeconomic policies, policies on structural adjustment, sectoral development policies and measures, as well as social safety policies of all sectors and levels that must work in tandem to ensure sustainable development.



Source: Socialist Republic of Vietnam (2002). The text is quoted from the introduction of the paper. The figure was created by authors based on p.65, Figure 3.1 (Enabling Environment for Growth and Poverty Reduction).

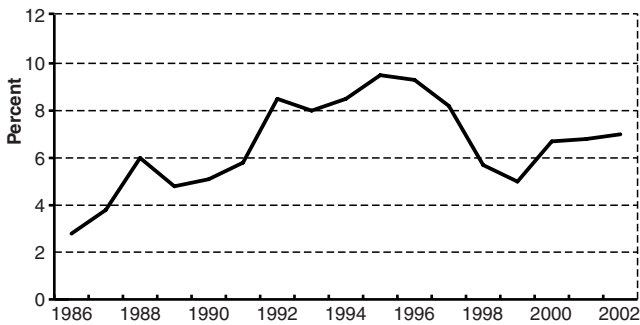
formed such dynamic interdependence as East Asia.<sup>9</sup>

In its policy aspiration and growth mechanism, Vietnam is a typical East Asian developing country. With a per capita GDP of US\$ 430 in 2002 (World Bank, 2004b), it ranks as one of the poorest countries in the world. Despite its location at the heart of East Asia, years of wars and central planning left Vietnam economically far behind its ASEAN neighbors. Domestic enterprises desperately lack competitiveness, and its market economy is severely underdeveloped.

9. See Ohno, K. (2002) for a concise description of East Asian development. In a series of recently published reports, the United Nations Industrial Development Organization (UNIDO) and UNCTAD emphasized the importance for the least less-developed countries to adopt a growth strategy based on enhancing competitiveness and called for efforts to create national industrialization strategies (UNIDO 2002) and promote trade and investments (UNCTAD 2002b). These statements echo the East Asian development experience. The outline of these documents can be found in FASID "Trends in Development Assistance: Literature Review Series" Nos. 14 and 23 (<http://dakis.fasid.or.jp/index.html>).

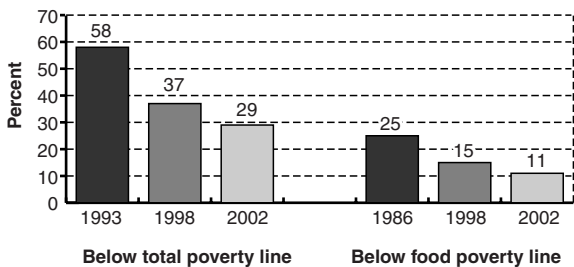
In 1986, Vietnam launched a domestic economic reform called ‘Doi Moi’. Around 1992, it initiated a vigorous process of international integration vis-à-vis Western countries and international organizations. The country restored diplomatic relations with the U.S. and joined ASEAN in 1995, joined APEC in 1998, and signed a U.S. bilateral trade agreement in 2001. Within a relatively short period of 10 years, the Vietnamese economy has become deeply integrated into the global economy through trade, investment, and aid. The synergy of domestic liberalization and external opening provided the engine for high economic growth, which has averaged 7 to 8 percent per year (Fig. 2-2). The country also experienced dramatic social transformation. By the end of the 1990s, Vietnam had already achieved the principal goal of the MDGs — halving the ratio of people in extreme poverty between 1990 and 2015 (Fig 2-3).

**Figure 2-2. Growth of Gross Domestic Product in Vietnam, 1986 to 2002**



Source: Government Statistics Office (GSO), Government of Vietnam

**Figure 2-3. Decline of poverty ratio in Vietnam, 1993 to 2002**



Source: World Bank et al. (2003)

The Ten-Year Strategy and the Seventh Five-Year Plan, adopted in April 2001, outline the Vietnamese government's medium- and long-term development plans. They embrace the goal of "industrialization and modernization by the year 2020", the aspiration of Vietnam to catch up, promote FDI and industrial development, and participate in East Asia's production network.

### **Strong Concern for Social Equity**

Vietnam has long accorded high priority to social equity. Although the problem of quality and efficiency remains, the country has a vast network of social services extending to the village level. When compared with other countries at a similar income level, Vietnam's social achievements are far superior — a literacy rate of 87 percent among women 15 years or older and an under-five mortality rate of 20 per 1,000 live births (World Bank, 2004b).<sup>10</sup> The data also suggest that public social expenditures play an important role of redistribution, for example, the poorest quintile receives 26 percent of primary education expenditures (World Bank et al., 2000). Moreover, the Vietnamese government has a tradition of implementing poverty reduction programs targeted at ethnic minority groups in mountainous areas and poor families in remote areas.

To further reduce poverty, it is necessary to improve existing policies and institutions. More importantly, the best way to reduce poverty is to enhance the productivity and competitiveness of the entire economy and provide job and income opportunities. In Vietnam, the relationship between economic growth and poverty reduction is clear to both citizens and the government. Vietnam halved the poverty ratio during the 1990s, an accomplishment not of improved policies and institutions, but rather of improved agricultural productivity, increased employment opportunities, inflow of foreign funds, and expanded trade that accompanied economic liberalization and international integration.

### **Where Vietnam Stands**

In light of the three perspectives just discussed, Vietnam's experience with PRSP is noteworthy for these reasons: (i) relatively low aid dependency; (ii) a national development strategy embodied in the two core documents; and (iii) strong concern for social equity and the possession of the policy tools

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10. Data are for 2002

to offset social problems arising from economic growth (although their efficiency must be improved, as many donors point out). These features in turn strongly influence the content of Vietnam's CPRGS. It was compiled under strong ownership of the Vietnamese government as a document subordinate to the core documents that embraced growth-oriented development.<sup>11</sup>

Not all poor countries are like Vietnam, but at the same time, Vietnam is not the only poor country that aspires to growth-based poverty reduction. The majority of poor countries in East Asia do not intend to avail themselves of debt relief and have development plans to guide their budgets. In sub-Saharan Africa, many countries have national development plans. The CPRGS experience of Vietnam, which considers the PRSP as a supplementary document for planning and budgeting based on an existing planning system, should be studied as a possible model for other countries or regions.

We may even ask a more fundamental question: Is it really necessary to require all poor countries — including those equipped with planning capacity above a certain minimum level — to formulate PRSPs as standard documents? For these countries, it is important to: (i) assess the capacity and institutional arrangements of the existing system; (ii) ask if some elements of a potential PRSP can enhance the existing system; and (iii) decide whether a formal PRSP is useful or the same effects can be realized through partial modification of an existing system and without a PRSP.<sup>12</sup>

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11. However, donors are divided over the role of the CPRGS in policy planning and resource mobilization. Several donors (e.g., the World Bank, UK, Denmark) hold the view that the CPRGS should be treated as the core document, suggesting that the public investment plan and donor support be aligned to CPRGS. That document has been finalized without resolving this matter. Ishikawa (2002b) also reports a critical remark by a high-ranking Vietnamese official, expressing strong reservations about making poverty reduction an exclusive national goal.

12. In comments prepared for a WSSD workshop (sponsored by the Japanese Ministry of Foreign Affairs, September 1, 2002), the ADB Country Director for Vietnam said: "A challenge for Vietnam, as indeed its development partners, is how to further evolve and strengthen Vietnam's Ten-Year Strategy and Five-Year Plan formulation processes, moving away from the 'central planning' tradition to a more market oriented strategic planning framework. In this context also, it may not even be necessary to develop a separate poverty reduction strategy if poverty reduction is given adequate attention in the analyses, policy development, and budget allocations within the national development strategies and plans. Therefore, burdening the country with parallel processes should perhaps be avoided. In such a case the CPRGS could become a section, albeit an integral and critically important one, of the next Ten-Year Strategy and Five-Year Plan." (Ohno, I. 2002)

## ***Tanzania's PRSP Experience***

### ***— Mainstreaming Growth Aspirations***

#### **Outlook for Tanzania's PRSP**

Tanzania was one of the first countries to begin the PRSP process after Uganda and Burkina Faso. The Tanzanian government prepared the full PRSP in October 2000 and the Boards of the IMF and IDA reviewed it. Tanzania is eligible for the Enhanced HIPC Initiative and its PRSP is a typical example of early PRSPs, with an emphasis on poverty reduction and a priority on social sector expenditures.

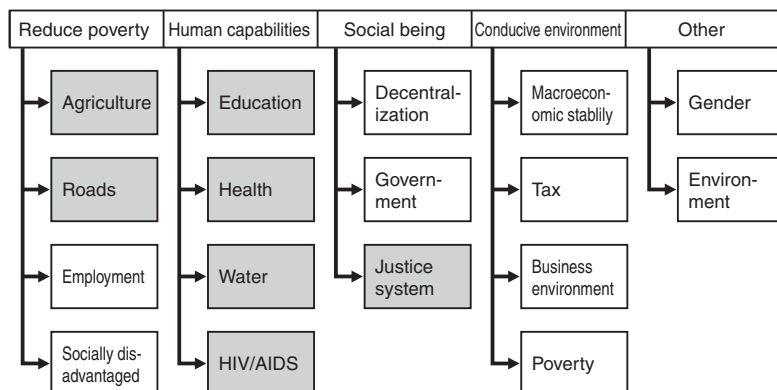
Issues noted by the current PRSP and the actual budget in the MTEF are shown in Figure 2-4 — (i) a budget is constructed within the MTEF framework addressing some of the issues listed in PRSP, which means that no specific means nor sufficient priorities are provided to achieve the stated goals of the PRSP; and (ii) the actual budget allocation is disproportionately skewed toward the items related to 'human capabilities', showing weak interest in measures related to the growth strategy (the agricultural sector and items related to 'conducive development environment'). However, we need to understand the background for these decisions: Tanzania's social indicators either stopped improving or worsened during the 1980s and 1990s, and therefore restructuring social services was considered the prime task for the first round of the PRSP and received generous budget allocations in the MTEF.<sup>13</sup> Mainstreaming Growth Aspirations

Tanzania's current PRSP was finalized in a mere seven months after the completion of an interim PRSP because of an urgent need to meet an eligibility condition for debt reduction under the Enhanced HIPC Initiative. For this reason, Tanzanian government officials and researchers recognized that its strategic contents had not been sufficiently analyzed. The 2002/03 Budget Message of the government emphasized a goal of reducing aid dependency (United Republic of Tanzania, 2002). To do so the government must achieve steady economic growth, strengthen its tax base, and increase domestic savings.<sup>14</sup>

13. Agriculture was regarded as a priority sector, but the sector development strategy and action plans were not completed in time for the full PRSP, which caused the delay in MTEF budget allocation. Following progress in 2002 in preparation for the agriculture sector development strategy and action plans, the budget allocation for the sector was expected to increase for the fiscal year 2002/03.

14. Tanzania depends on aid for 22 percent of its recurrent expenditures and 83 percent of development expenditures (the government has a short-term goal of paying 100 percent of recurrent expenditures with domestic funds). On the other hand the actual coverage of MTEF is only about 30 percent of the total expenditure (recurrent expenditures are 'cost of goods excluding payroll' with necessary expenditures such as debt repayments and payroll excluded, and the development funds are its own funds).

**Figure 2-4. Priorities in the Tanzanian PRSP and MTEF budget allocation (shaded boxes are MTEF priorities)**



Source: United Republic of Tanzania (2001) Poverty Reduction Strategy Paper Progress Report 2000/2001. Dar-es-Salaam. ([http://poverty.worldbank.org/files/Tanzania\\_PRSP\\_ProgRep.pdf](http://poverty.worldbank.org/files/Tanzania_PRSP_ProgRep.pdf)). Priorities are taken from Annex (pp.43-49) while the MTEF budget allocation is prepared by authors based on the text (pp.18-38).

The next round of the PRSP is being prepared (with a goal of completing it by the end of 2004) and the government intends for it to have a stronger growth orientation. The World Bank's Representative Office in Tanzania is preparing a PRSC at the same time as the next PRSP, and is setting up a goal of 'scaling-up growth' in addition to improving the efficiency of public expenditures and delivery of social services.

### Restructuring the Process of Strategic Planning

The PRSP process tends to create tensions between the finance ministry (in charge of the PRSP) and line ministries, and between civil society that can participate in the PRSP and those left out of the framework (Cling et al., 2002). Tanzania began to use rolling plans for public expenditure management in the 1990s. Initially, the Planning Commission under the President's Office decided public investment priorities, but after introduction of the PRSP and MTEF, its role was diminished as authority was concentrated in the Ministry of Finance, which is in charge of the PRSP and MTEF (Naschold and Fozzard, 2002).

The PRSP is the 'primary document' in Tanzania and is linked to the MTEF as the sole development plan with budgetary accommodations. The MTEF translates expenditure priorities into reality based on the PRSP and sector plans. There is no function in this process (at least in the case of

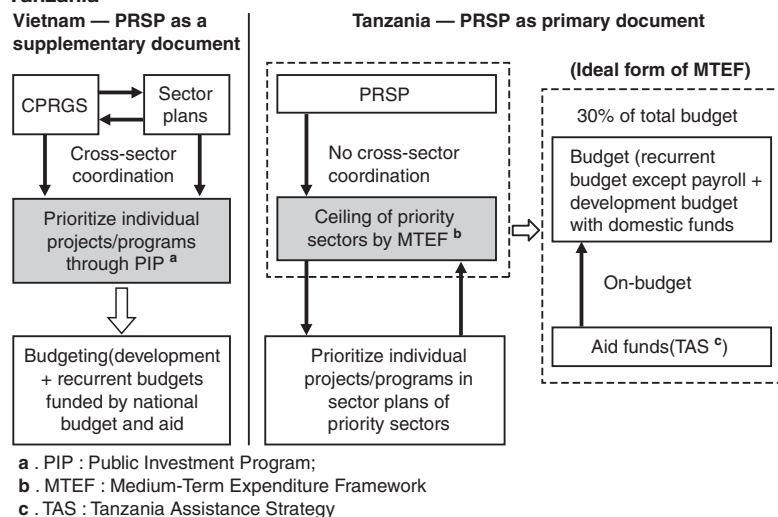
Tanzania) that determines cross-sector priorities of policy measures. This has to be one of the important functions that the PRSP process is expected to carry out, but as mentioned earlier, the actual process of preparing the PRSP is not perfect. On the other hand, the MTEF functions mostly as an accounting framework. A major challenge, therefore, is how to create an institutional mechanism that fills the gap between the current PRSP and MTEF.

In Vietnam, which regards the PRSP as a 'supplementary document', the Ministry of Planning and Investment determines cross-sector priorities and budgets for priority projects and programs proposed by CPRGS and sector plans while preparing the Public Investment Program (PIP). However, this merely means that a strategic planning function is embedded in the existing planning process of the Vietnamese government and not that the current system has no room for improvement. The challenges include qualitative improvement of economic planning, i.e., to shift away from numerical targets that are characteristic of a planned economy to policy targets that are better suited for a market economy. There is also a need to improve project appraisal methodologies and ensure consistency between recurrent and investment expenditures.<sup>15</sup> Figure 2-5 offers a comparison between Vietnam and Tanzania.

The government and the private sector both play an important role in production sectors (such as agriculture, manufacturing, and resource development) and in infrastructure building, strategies and policy measures such as agricultural development, expanding trade and attracting investment, and introduction of new technologies and industrial locations. The roles of the public and private sectors need to be examined carefully when the government determines the priorities and budget allocation for public investments. Deciding the level, allocation, and expenditure channels for production sectors is therefore a complex task. As a result, there is a tendency to allocate more money to social sectors such as education and health in which the government plays a larger role and public expenditures can be identified more easily (also emphasized by the World Bank and European donors who actively promote PRSP and aid coordination).

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15. The budgeting and investment planning processes of the Vietnamese government are detailed in World Bank (2002, pp.82-92). This report suggests that stronger coordination between the Ministry of Planning and Investment and the Ministry of Finance may lead to the introduction of the MTEF in the future.

**Figure 2-5. PRSP and the budget allocation process — comparing Vietnam and Tanzania**

There are difficult challenges in how to combine what Ishikawa (2002b) calls ‘pro-poor targets’ and ‘broad-based growth’ in the context of Tanzania, and how to narrow possible measures within the constraints of external financing.<sup>16</sup> However, if the Tanzanian government intends to incorporate growth promotion in the next PRSP (albeit to a different degree), it is important to strengthen the currently weak strategic planning process. In Tanzania, which regards the PRSP as a primary document, a realistic and constructive approach would be to use the PRSP and MTEF as core policy tools and devise an institution that fills the gap between them.

From this perspective, the move by the President’s Office to prepare medium- and long-term growth and poverty reduction plans is interesting. It is unclear whether this is intended to assume the role of prioritizing policies — a missing component in the current PRSP and MTEF procedures — or to translate the growth strategy into specific action plans. In either case, it will be interesting to see the development of this move under ownership of the Tanzanian government.

16. This report, presented at a meeting of The Japan Society for International Development in November 2002, brought up the necessity for African PRSPs to mainly tackle delays in human development and lack of social capital. The report pointed out that expenditures for education are especially effective because they form the foundation of future economic growth and suppress population growth at the same time.

## **Conclusion — Diversifying the PRSP**

As the first round of PRSPs are completed in various countries and their shortcomings and future challenges are discussed, the interest is shifting, both globally and in Africa, to 'growth' and 'trade and investment'. The trend in international development has shifted since the World Summit on Sustainable Development in 2002 with a resurgence of growth aspirations. The progress report entitled PRSP Progress in Implementation (PRSP-PR), submitted to the Joint Development Committee at the IMF-World Bank Annual Meeting in September 2002, acknowledged that early PRSPs were optimistic in their macroeconomic projections and did not have sufficient analyses on the sources of and policy measures to achieve growth, and declared that they will engage in various research on pro-poor growth. According to the progress report, PRSPs for nine countries prepared in March 2002 or later incorporated growth aspirations more explicitly (IMF and IDA, 2002c). Moreover, the PRSP-PR submitted to the Joint Development Committee in September 2003 pointed out that more PRSPs are now covering trade-related issues (IMF and IDA, 2003).

To diversify and tailor PRSP for each country, it is essential to: (i) illuminate the causes of poverty and the relationship between poverty reduction and economic growth in the context of each country and prepare appropriate development strategies; and (ii) build a system to translate the strategies into specific policy and budgetary measures. This work is also important in social sectors but has often been neglected in the production sectors where the roles of the public and private sectors need to be examined, and in implementing growth strategies because it is an especially complex challenge.

Early PRSPs were concentrated in countries under special conditions: they were all eligible for the Enhanced HIPC Initiative. In the future, as PRSPs are being prepared and implemented in other countries eligible for IDA credits, it is becoming increasingly important to think about development strategies and institutional roles played by PRSPs within the unique context of each country. A list of policy options does not make a development strategy. Policies need to be selected based on priorities and their implementation order determined while paying attention to the constraints that each country faces: financial constraints, constraints of human and institutional capacities, constraints imposed by trade and investment envi-

ronments, etc.<sup>17</sup> Institution building should also be implemented from this perspective.

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17. The consolidation of analyzing perspectives by Ogata (2002) is informative.

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# Millennium Development Goals

**Suzanne Akiyama**

The Millennium Development Goals (MDGs) were embraced and endorsed by the international development community following the Millennium Summit of September 2000.<sup>1</sup> They are now the rallying point for a campaign to bring widespread, monitored, and measurable improvement to developing countries and their impoverished people. The 60th session of the United Nations General Assembly in September 2005 will mark the 5th anniversary of the Millennium Declaration by including an MDG+5 summit,<sup>2</sup> both to assess progress and spur renewed efforts to attain the MDGs by the goal of 2015.

Organizations most closely involved with the MDGs — the United Nations, the United Nations Development Programme, and the Millennium Project, among others — sense that the imminent 5<sup>th</sup> anniversary of the Millennium Summit is a significant milestone. If the pace toward achievement remains as it is, there is a great risk that some countries, particularly those in sub-Saharan Africa, will be irretrievably left behind. On the other hand, if fresh momentum can be created, then possibly the necessary resources for completing the task can still be generated. Thus, as preparations proceed for MDG+5, the campaign is intensifying and taking on a sense of urgency.

To say that the MDGs originated only in 2000 is somewhat misleading. Although the social and economic markers that comprise the MDGs did originate in the Millennium Declaration (UN, 2000) of the Millennium Summit, they have antecedents in clearly delineated time-bound development targets produced in a series of international conferences held throughout the 1990s.<sup>3</sup> An integrated list of various goals from various conferences first appeared in a May 1996 report from the Development Assistance

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Akiyama is research associate, Center for the Study of International Development Strategies, National Graduate Institute for Policy Studies.

1. Various totals are given for the number of governments and/or heads of state that attended, probably due to different methods of counting, however, it can safely be said that the Millennium Declaration was overwhelmingly accepted.
2. Five years following the original summit.
3. Among them (many of which had at least one subsequent follow-up conference) are children 1990; education 1990; environment and development 1992; human rights 1993; population and development 1994; social development 1995; women 1995; human settlements 1996; food 1996, and climate change 1997.

Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). That report declared that “It is time to select, taking account of the many targets discussed and agreed . . . a limited number of indicators of success by which our efforts can be judged (OECD, 1996, p. 2).” Later in the same report, goals were referred to as “indicators of development progress” (OECD, 1996, p. 16).

Japan, at that time the leading ODA donor country, was very influential in introducing and promoting these goals and the concept within the OECD/DAC process. They were subsequently picked up by the UK development agency, Department for International Development (DFID), also a very forceful player in the international donor community. In a policy white paper on international development released in November 1997, DFID presented a list of International Development Targets (DFID, 1997, p. 21) identical to those in the DAC report of the previous year. DFID also associated the IDTs with “agreement reached at a series of UN Summits” (DFID, 1997, p. 34).

By the time of the UN Conference on Financing for Development (FfD) in March 2002, the succinctly brief DAC/DFID International Development Targets had been reconciled with the sweepingly comprehensive goals of the Millennium Declaration to produce seven measurable goals.<sup>4</sup> There is an eighth goal, ‘develop a global partnership for development’,<sup>5</sup> which is less readily quantified. The seven quantifiable ‘goals’ are organized into 11 ‘targets’. There are 32 identified ‘indicators’ against which to measure progress. The eighth goal also has targets and indicators. Collectively, these elements are now known as the Millennium Development Goals.<sup>6</sup>

## ***Achieving the Goals***

The target year for achievement of the MDGs is 2015. Previous targets set during the conferences in the 1990s — generally applying to goals that were more narrow than the MDG complex — have been superceded because they could not be met. There is high anxiety among the MDG campaigners that this pattern will repeat itself. To avoid that and ensure that the MDGs are realized on schedule in all target countries, adequate financing must be

4. A comparison of the IDTs and MDGs is given in UNDP (2001b).

5. Explained as “Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction — both nationally and internationally)” (from the World Bank website).

6. The UNDP MDG scheme is presented in Appendix 1.

made available and stakeholders on both sides of the development relationship must be mobilized.

### **Financing**

Commitments from donor countries for funding sufficient to achieve the MDGs was the specific purpose of the Monterrey Conference on Financing for Development. That conference concluded on an upbeat note and was considered a success. Its final document, the Monterrey Consensus, sets forth the basic framework for matching money to recipients in the MDG context (UN, 2002a). But it was not entirely clear how much money is enough and even as the five-year anniversary approaches, estimates continue to be made. This fundamental issue is rife with subtleties: Is achievement to be defined and attempted globally or at the country level? What methodology is to be used for the calculation? How firm are the estimates, how often must they be updated and otherwise fine-tuned? Is there an ideological component to the calculation?<sup>7</sup>

Several separate costing exercises were conducted preparatory to the FfD conference — by the UN, World Bank, and UK — all of which derived a rough figure of \$50 billion additional per year until the target year of 2015. The UN study, Report of the High-level Panel on Financing for Development, known as the Zedillo Report (UN, 2001), cites specific authoritative studies of the different components of the MDGs in calculating the additional ODA requirement to be “a total of US\$ 50 billion a year, [which] should be interpreted only as indicating an order of magnitude; but there is no doubt that the magnitude is substantial” (UN, 2001, p. 51). A World Bank study published in April 2002 (Devarajan, 2002) used two different approaches in its calculations; the first focused on the poverty reduction goal as being directly linked to the others; the second took the opposite track, linking the health, education, and environmental goals back to poverty. Both tracks produced approximately the same estimate, an additional US\$ 40-60 billion annually in foreign aid to meet the MDGs.

DAC also looked extensively at the costing issue in its Development Cooperation 2001 Report (OECD, 2002). It did not develop its own estimates, but rather summarized those derived elsewhere including global figures from the World Bank (an earlier report than that referred to above), the UN (the Zedillo Report) and goal-specific figures from WHO (health) and

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7. See Vandemoortele and Roy (2004) for a discussion of these subtleties

UNESCO (education). DAC also raised red flags about the methodologies of the calculations — on the one hand based on the hard economic concept of a ‘financial gap’ yet also based on softer assumptions about costing social development goals, the interactions among which are complex and not easily predictable (OECD, 2002, pp. 75-78).

A lack of estimates for country-level applications to some degree diminished their operational usefulness, as was recognized by the UN in the Zedillo Report and by the DAC in its report. To some extent this lack reflected an incomplete understanding of how the goals would mutually reinforce or conflict; a more significant reason was a lack of adequate time-series data for many of the countries. The UNDP, whose regional and country offices are deeply involved in bringing the MDG concept fully home to local governments and populations, provided a Side Panel presentation at the Monterrey Conference, summarizing five country-specific costing studies, to serve as a model of country-level application (UNDP, 2002b).

In the years since FfD, cost estimation has continued. As part of its continuing effort to integrate the MDGs into national poverty reduction strategies, UNDP has stressed the importance of country-level estimates over global ones and short-term costing over long-term. Costing at the country level is key because national budgets, sectoral plans, and donor assistance at the operational level must be aligned. Estimating time periods is difficult — UNDP analyses stress that the many changing variables make calculations very tentative and subject to underlying assumptions, specific environments, and interactions among the goals. A recent UNDP paper states that cost estimates over the long-term are not reliable, ranging from US\$ 30 billion additional per year to more than US\$ 100 billion additional per year. Because cost as a determinant of policy must remain subject to fresh knowledge and changing circumstances, the paper recommends a rolling 2-3 year framework that is readily adjusted (Vandemoortele and Roy, 2004).

Another MDG-focused United Nations agency — the Millennium Project — has a quite different perspective on the issue of how much money is required over what time-period. The Millennium Project is an advisory group created by the Secretary-General to identify best practices toward achieving the goals. It set up 10 task forces for in-depth study of each goal to determine the best way to meet them over the decade remaining until 2015. Its report, submitted to the Secretary-General in December 2004, will become input to the Millennium Summit+5. The leader of the Millennium Summit team is Jeffrey Sachs, head of the Earth Institute at Columbia

University and special advisor to the Secretary-General on the Millennium Development Goals. Although recognizing the complexities of reliably estimating cost, the Millennium Project calculates that an amount in the range of an additional US\$ 75 billion per year might be necessary. Furthermore, MDG-oriented aid should be extended over a long time-frame to allow continuity (Sachs et.al., 2004). This analysis calls for preliminary ‘needs assessment’ of each recipient country to determine actual cost of the most effective strategy at the country level (Sachs, 2004a).

### **Mobilization**

How best to approach to the Millennium Development Goals was not self-evident at the start and there has been (and continues to be) a refining and redefining of the way forward. As more and more becomes understood about what is involved, and as time shortens, the approach shifts and becomes more focused. The MDG process, including Millennium Summit and the Monterrey Conference, is basically a United Nations effort which being stewarded by that organization.

- On September 6, 2001, Secretary-General Kofi Annan presented a *Roadmap Toward Implementation of the United Nations Millennium Declarations* (UN, 2001a), a follow-up to the Millennium Summit.<sup>8</sup> In it he described the Millennium Development Goals in broad context and presented strategies to meet them. He also stated that progress toward the goals would be coordinated by the Department of Economic and Social Affairs of the UN Secretariat (DESA) at the global level and by the United Nations Development Programme (UNDP) at the country level (UN, 2001a, p. 55). The UNDP has field offices in all the UN member countries and a dynamic administrator in Mark Malloch Brown.
- In December 2001 the administrator of the UNDP, in his capacity as head of the United Nations Development Group (UNDG), was named ‘scorekeeper and campaign manager’ of the MDG campaign (UNDP website a). Subsequently, the following March, Mr. Brown announced that the overall campaign would be four-pronged: (i) GLOBAL monitoring to be overseen by DESA, which will prepare an annual report<sup>9</sup> to be presented by the Secretary-General to the General Assembly; (ii) moni-

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8. It should be noted that the Millennium Declaration is much broader than the Millennium Development Goals.

9. The annual reports are mandated by General Assembly resolution. A more comprehensive update to be made at five year intervals.

toring and guidance at the country level, for which UNDP would have direct responsibility; (iii) the Millennium Project, an initiative to be led by Professor Sachs;<sup>10</sup> and (iv) the Millennium Campaign, a world-wide awareness campaign.

- On July 1, 2002, the UNDG approved a 'Core Strategy', focusing "on action by the UN system at the global and country levels and supported by activities at the regional level (DevLink website a). The strategy incorporated four key elements: (i) monitoring; (ii) analysis, definition, and policy assessment; (iii) campaigning/mobilization; and (iv) operational activities. The Core Strategy is an elaboration of the four-pronged concept.

On July 31, 2002, the Secretary-General of the United Nations presented the first annual progress report on implementing the Millennium Declaration (UN, 2002a). This report is an update of the September 2001 Road Map. Within the report, he announced that a 'millennium campaign' and a 'millennium project' would be undertaken in pursuit of the goals. The framework for addressing the Millennium Declaration and the Monterrey Consensus had now been constructed:

#### On the Global Level

- **Global monitoring** will include a progress assessment by DESA (in collaboration with relevant agencies) and the Secretary-General's annual and five-year reports to the General Assembly.
- **The Millennium Campaign** (UN, 2002c) flowed out of a call in the Monterrey Consensus for a 'global information campaign' to create, increase, and generally encourage support for achievement of the goals. It is situated within UNDP and headed by Eveline Herfkens, former Netherlands Minister for Development Cooperation and World Bank Executive Director, who has the title Executive Coordinator. The Campaign, according to UNDP Administrator Brown, will endeavor to engage "[t]he man or woman on the street in a developing or developed country" who may not yet feel part of the Millennium Declaration.

The campaign has three functions: (i) to be a clearinghouse for UN-produced research and analysis; (ii) to build partnerships; and (iii) to coordinate strategies and messages among the partners. There are two

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10. Professor Sachs left the Harvard Center for International Development in July 2001 to head Colombia University's Earth Institute.

focuses —developed countries with strong media and developing countries. In the developed countries, one campaign now underway is termed ‘no excuses 2015’. It entails publicizing the MDG effort and has been deployed in Italy, whose development assistance is the lowest in Europe, and will also be launched in Austria, Belgium, Canada, Germany, Spain, and the United States (UNDP website e).

Plans are that the Millennium Campaign will continue, promoting interest in the MDGs through to 2015.

- **The Millennium Project** (UNDP website c) is the global analysis component under the direction of Jeffrey Sachs. Members of the Millennium Project are reviewing, evaluating, and prioritizing practices, policies, and financing options to identify the best strategies for meeting the goals. The Project is designed to be a research network of interacting units. Its core activity is performed by 10 task forces, each of which is chaired by a team of coordinators who guide the research effort. The task forces, their targets, and coordinators include:<sup>11</sup>
  1. Poverty and Economic Development: millennium development targets 1, 13, 14, 15, and 16 — Chaired by Dr. Mari E. Pangestu and Prof. Jeffrey Sachs
  2. Hunger: millennium development target 2 — Chaired by Prof. Pedro Sanchez and Prof. M.S. Swaminathan
  3. Education and Gender Equality: millennium development targets 3 and 4 — Chaired by Dr. Nancy Birdsall, Ms. Amina J. Ibrahim, and Dr. Geeta Rao Gupta.
  4. Child Health and Maternal Health: millennium development targets 5 and 6 — Chaired by Dr. Mushtaque Chowdhury and Prof. Allan Rosenfield.
  5. HIV/AIDS, Malaria, TB, Other Major Diseases and Access to Essential Medicines: millennium development targets 7, 8, and 17 — Chaired by Dr. Agnes Bingawaho, Dr. Jaap Broekmans, Dr. Paula Munderi, Dr. Josh Ruxin, Prof. Burton Singer, and Dr. Awash Teklehaimanot
  6. Environmental Sustainability: millennium development target 9 — Chaired by Ms Yolanda Kakabadse Navarro and Prof. Don J. Melnick
  7. Water and Sanitation: millennium development target 10 — Chaired

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11. More information on the coordinators is available at the UNDP website c.

by Dr. Roberto Lenton and Dr. Albert M Wright

8. Improving the Lives of Slum Dwellers: millennium development target 11 — chaired by Dr. Pietro Garau and Prof. Elliott D. Sclar
9. Open, Rule-Based Trading Systems: millennium development target 12 — Chaired by Prof. Patrick Messerlin and Dr. Ernesto Zedillo
10. Science, Technology and Innovation: millennium development target 18 — Chaired by Prof. Calestous Juma and Dato' Ir Lee Yee-Cheong.

Associated with the Project is a UN Experts Group of senior representative of participating UN and related agencies (such as the World Bank and IMF) which oversee their agencies' participation. The UN Experts Group held its first meeting in September 2002. The Millennium Project, unlike the Millennium Campaign, will not continue through the entire period until 2015. As currently planned, its mandate ends in September 2005, when the Secretary-General presents the results of its work to the Millennium Summit+5.

- **Operations:** There is no operational function at the global level.

### At the Country Level

Within each country the UN/UNDP strategy is roughly analogous to that at the global level. It is, for the most part, pursued through the preparation of reports called Millennium Development Goals Reports (MDGRs).<sup>12</sup> These are meant to complement, on the country level, the UN Secretary-General's annual report to the General Assembly, and vice-versa. At least one report for each developing and transition country is to have been completed by end 2004.<sup>13</sup>

The MDGRs are not expected to reflect original research. Staff is encouraged to draw freely on existing information, particularly PRSPs of the World Bank, the National Human Development Reports (NHDRs) of UNDP, and the Common Country Assessment (CCA) of the UN system. The MDGRs are to be updated regularly, thus the existence of monitoring capacity within the government is considered critical. Pervading all country-level efforts is a sensitivity to local leadership. There is an awareness that if local interests, including but not limited to the central government, do not embrace the goals, little can be accomplished. For that reason, attention is

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12. The most current status is available at [www.undp.org](http://www.undp.org)

13. A total of 78 countries.

devoted to encouraging ownership without usurping it.

- **Monitoring.** Preparing a baseline MDGR is the first step — determining where the country is in relation to the relevant goals and targets. (It is recognized that at the country level, relevance of goals will vary according to the situation.) The baseline report then serves as a benchmark against which progress can be assessed. An underlying objective of the MDGR, in particular the baseline report, is to clarify the goals, advocate for them, and by creating ‘ownership’ to bring the government into the process. They are not intended to be policy recommendations or action plans. Rather, goal by goal, they clarify the situation within a particular country — which indicators are relevant, how they will be monitored, what the cost is likely to be, what will be its source, and how achievement of the goals can and should proceed.

UNDP in-country staff take the lead in this process. However, the entire UN ‘country team’ (UNCT) is involved, including staff of all UN agencies assigned to a country and in some cases staff of sister organizations such as the World Bank.

Initially the UNCTs, led by UNDP staff, created systems for monitoring their countries through a variety of routes — some built their own systems based on knowledge and contacts; some hired experienced consultants, usually local; some used off-the-shelf, commercially available software. More recently, a UNICEF application, Child-Info, has been adapted to MDG monitoring under the name DevInfo (DevInfo website).

- **Campaign.** At the country level this component is not standardized with uniform structure. Like the MDGRs, it will be country-specific, determined by “local actors according to their needs and country conditions” (DevLink website b). Like the Millennium Campaign at the global level, each national campaign will be directed toward building and retaining support for attainment of the MDGs.
- **Analysis.** At the country level analytic work looks at innovative practices, policies, institutional reforms, implementation issues, and financing options. The UNCT coordinated by UNDP works closely with the local government in scheduling, designing, and implementing studies. In addition to the considerable cross-support among these teams — exchanging ideas, experience, and information — they can draw on the expertise of the global Millennium Project and other available sources.
- **Operations.** It is a tenet of the UN Core Strategy that “The UN, as a

privileged partner of Government, has an opportunity and an obligation to provide leadership at the country level to support national partners” (DevLink website b). However, operations on the national level require treading very carefully so that there is no encroachment into governmental purview. The UN has an assortment of mechanisms that it coordinates to identify programs for which it can then help the government to implement. These mechanisms include the MDGRs, the Common Country Assessment (CCA), and the UN Development Assistance Framework (UNDAF). Attention is also given to the interface between the UN MDG effort and the development approaches and strategies of other organizations such as the World Bank’s PRSPs and CDFs.

### **Other Organizations**

‘Partnership’ is the key element to meeting the Millennium Development Goals. One type of partnership is active commitment by donor countries, especially financing. The final report of the Millennium Project stresses that wealthy countries have a responsibility to provide the funds required by developing countries to meet the goals. Goal 8 explicitly recognizes this.

A second type of partnership is coordination among the panoply of agencies involved in meeting the goals. The United Nations as executor of the Millennium Declaration is most central, but there are many other agencies with global responsibility in the various sectors that will compile information on the indicators. In addition, non-governmental organizations (NGOs), the private sector, philanthropic foundations, academic and cultural institutions, and other members of civil society are all called on by the Secretary-General in his Roadmap.

- Paramount within this partnership is the World Bank, the largest and most influential development organization. It is a member of the UNDG Working Group on the MDGs and the UN Experts Group. The World Bank incorporates the MDGs throughout its poverty reduction strategy. In addition, the Bank has created some specific programs, one of which is the fast track component of Education for All (Goal 2). This goal is also the subject of an Oxfam campaign, Every Child in School.
- Education for girls, part of Goal 2, Target 3 and Goal 3, Target 4, is the focus of the United Nations Girls Education Initiative (UNGEI). This initiative was launched at the April 2000 Dakar World Education Forum. It preceded the Millennium Summit and Millennium

Declaration,<sup>14</sup> but nonetheless, it has easily been subsumed into the MDG process. It is an interagency program involving 13 UN entities led by UNICEF. (DevLink website b)

- UN-Habitat (United Nations Human Habitats Programme) is following the progress of Goal 7, Target 11, improving the lives of at least 100 million slum dwellers by 2020. It is providing technical guidance and monitoring initiatives, and has developed a sample of cities to monitor slums at the local level UN-Habitat website).
- DFID (of the UK) has prepared a plan to reach the goal on hunger (Goal 1, Target 2). Its strategic plan lists these critical areas for action: trade reform, agricultural investment, alleviating malnutrition, crises reduction (including conflict-related and weather-related), improved food aid procedures, and implementation of social protection measures (DFID, 2002).
- The World Health Organization (in conjunction with other agencies) is the lead reporting agency for several of the goals and targets, specifically those related to child mortality, maternal health, childhood nutritional status, disease, and access to clean water. It is aligning its priorities to complement the MDG process in its current work as well as future programs.

### **Prognosis**

Melding the objectives of the Millennium Declaration with the international development targets of the OECD/DAC created a list of practicable goals. It now falls to the development community to realize them. One of the outcomes of the FfD in Mexico was an understanding that developing countries would take responsibility for their development and the donor community would support that responsibility financially. This means that primary responsibility for meeting the goals (ownership) devolves to each country.

Whether or not the Millennium Development Goals can be achieved by 2015 remains an open question. Hurdles described by the heads of the IMF, OECD, UN, and World Bank in a joint report in 2002 are little changed — “weak governance, bad policies, human rights abuses, conflicts, natural disaster, . . . other external shocks, HIV/AIDS, . . . inequities in income and education, access to health care, inequalities between men and women,

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14. Both this initiative and the World Bank education fast track initiative are directly traceable to the 1990 Jomtien (Thailand) World Conference on Education for All (EFA).

[l]imits on . . . access to global markets, the burden of debt, the decline of development aid, and . . . inconsistencies in donor policies”.<sup>15</sup> In particular, sub-Saharan Africa is not progressing at all well toward reaching any of the goals, as seen in the progress report reproduced as Appendix 2.

There are three areas of constraint: (i) technical, because the MDGs are numerical, (ii) operational, because they are time bound, and (iii) financial, because estimates are unreliable, initial assumptions may prove false, and some eligibility requirements are being imposed.

### Technical Problems

- One problem is defining indicators that reveal success. The following questions illustrate the confusion that in many cases continues to exist.<sup>16</sup>
  - Indicator 2 — Is there an accurate and precise definition of poverty gap ratio?
  - Indicator 3 — Can the data be based on national income rather than national consumption?
  - Indicator 4 — What is the correct underweight cut for children?
  - Indicator 5 — Is the minimum level of dietary energy consumption defined by the country itself?
  - Indicator 29 — What is the definition of ‘improved water source’?
  - Indicator 30 — What is the definition of ‘improved sanitation’?
  - Indicator 32 — What is the definition of ‘secure tenure’?
- Another problem is whether each goal is to be satisfied at the country level or at the global level. This problem becomes clear in looking at Goal 1, considered by most observers to be the most fundamental. A reduction in poverty levels in several very high population countries such as China, India, Indonesia, and Brazil would probably reduce the number of people whose income is less than one dollar a day by one-half on a global level. However, it would still leave the population of many countries, perhaps all sub-Saharan Africa, below that line.
- A third problem, related to the previous two, is how to assemble measurable data so that progress and/or achievements can be determined. The United Nations Statistics Division is monitoring country-level data for each MDG “for each of the world’s countries, areas and regions, to the

15. *A Better World For All* (Joint publication 2000) was released in June at the opening of the UN General Assembly 24th special session on social development (Copenhagen+5). It preceded the Millennium Summit and it still used the term “international development goals.”

16. Posed by the Argentina UNDP staff in on-line discussion.

extent data are available” (UN website), but there are gaps in data as well as problems of comparability. The identification of useful indicators against which change can be assessed is highly contingent on the compilation of reliable data for analysis. The absence of complete and reliable data on the national level forces analysis back to the regional level where gaps can be filled, even though the quality of the gaps is unclear because the data are lacking.

The international development community is working to rectify this situation. The United Nations Statistics Division supports an Inter-Agency Expert Group on MDG Indicators that is wrestling with such data difficulties as conceptualization, availability, accuracy, aggregation, and consistency. One of its conclusions is that governments will have to develop their own capacity to obtain the appropriate domestic statistical data. At least two major efforts are underway to help them do this: The World Bank’s Trust Fund for Statistical Capacity Building, a technical assistance program, was established in 2000. The PARIS21 Consortium,<sup>17</sup> established in 1999, has both a task team on indicators of statistical capacity and one on improved statistical support for monitoring development goals (Paris21 website).

### **Operational Problems**

At the outset of the Millennium Declaration there was a 15-year time period over which the goals were to be attained. To reach the goal, however, and avoid extending the target date (as encountered by previous declarations from previous conferences), it was important to gain momentum as quickly as possible. Technical problems posed by poor data impinge on operational measures because they affect ability to establish a baseline and to accurately measure deviation from it.

An additional complication was that some (if not all) of the MDGs were not readily quantifiable in any practical sense. With hunger, for example, the DFID paper states that “[b]ecause food security is a complex phenomenon, there can be no single measure of hunger. The FAO’s current ‘under-nourishment’ indicator gives a snapshot of the situation, but cannot identify the causes of hunger or assess the impact of policies” (DFID, 2002, p. 8). The World Health Organization points out the complexity of the health related goals, “[t]he feasibility of meeting the MDGs in the low-income

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17. Partnership in Statistics for Development in the 21st Century

countries is widely misjudged . . . the disease burden itself will slow the economic growth that is presumed to solve the health problems . . .” (WHO website). UN-Habitat notes that the informal nature of slums and the stigma attached to them makes measuring their populations extremely difficult (UN-Habitat website).

At the outset of the MDG drive, there was a rather bullish attitude about their achievability. As more became known, initial optimism was dampened by early reports of only limited progress and caveats about ‘bleak’ trends (ActionAid, 2002, p. 1) or warnings that “too many countries are falling short or lack the data to monitor progress” (World Bank, 2002a, p. 5). And the UN Secretary-General, in his first annual report to the General Assembly on the MDGs, made the gloomy statement that “[w]ithout progress on a much broader front, the ringing words of the Declaration would serve only as grim reminders of human needs neglected and promises unmet” (UN, 2002b, p. 20).

The accuracy of any characterization — gloomy or upbeat — is contingent on accurate and adequate information. A realistic understanding of whether targets are being approached and what changes should be made if they are not, demands solid information with enough time so that modifications can be made. This is especially so for sub-Saharan Africa where progress appears to be seriously lacking.

### **Financial Problems**

The similarity among the different financing estimates has tended to give them an aura of authenticity. However, as the DAC Report explained, they are based on theoretical economic analysis and on unvalidated assumptions. Some assumptions are turning out to be wrong, such as the extent of relief to countries as a result of the Highly Indebted Poor Country (HIPC) Initiative. Some assumptions already have internal inconsistencies, such as the idea that countries whose policies are below World Bank/IMF ‘reasonable standards’ of policy and governance will respond constructively to increased aid (DAC, 2002, p. 75). Some assumptions may have to be changed as and when relevant data become known.

While it is possible that the impact of increased aid will, at least in some circumstances, be better than thought, it is more likely that the amount committed will be inadequate. This is part of the message from the Millennium Project, that a ‘big push’, a large infusion of funds, is essential to propelling the development process within individual countries on to a self-sustaining

trajectory (Sachs et al., 2004, p. 122).

Financing is also intertwined with eligibility criteria. The Millennium Project analysis finds that governance is not a major issue in aid absorption and development progress. However donors — including heads of multilateral development banks (World Bank website c), the World Bank's International Development Association, and the United States government (Treasury Department, 2002)<sup>18</sup> — have taken the position that 'measurable results' are an important factor in the selection of recipient countries. This means that both quality of governance and capacity to absorb aid may be deemed so unsatisfactory for some countries that they are ineligible for financial aid. Here, as with the operational problems, data are highly relevant.

## **Conclusion**

Efforts are underway on many fronts to meet the goals set at the Millennium Summit. Technical people are working on data collection, statistical capacity-building, and measurement. Strategists are planning, coordinating, and adapting approaches to the general problems and particular circumstances of poor countries and their impoverished populations. Operations professionals are incorporating MDGs into development projects. Among all this activity, it is still difficult to tie operations on-the-ground to particular MDGs or targets. In a general sense, all development operations aim generally to achieve the goals, but there is little evidence yet that operations are being designed specifically to approach them.

The data problem obscures the view of progress toward the goals. Even so, as the 2015 deadline approaches concern is growing. As mentioned above, the UN MDG agencies consider the five-year anniversary of the Millennium Summit to be a critical turning point. Jeffrey Sachs expressed this in a presentation to ECOSOC (the UN Economic and Social Council) in July, 2004, in which he said "[t]here is still time to achieve the MDGs — barely" (Sachs, 2004b). The report of the Millennium Project will offer some concrete proposals for reinvigorating the drive to the MDGs. However, if country-level statistical capacity cannot be built, if the data remain weak, if the financing cannot be ascertained, then the objectives may have to be modified to be achievable.

There is, however, reason for measured optimism. An improved picture

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18. There have been many addresses by Treasury officials reiterating this policy.

is evident from a comparison of an early report by the Secretary-General to the General Assembly with his most recent one:

The 2002 annual report describes a mixed picture, advancement in some targets and goals in some areas, stagnation in others elsewhere:

*Progress in East Asia and part of South Asia have been sufficient in recent years to give hope — if it can continue to be made — of broad success in meeting many or all of the goals. Yet progress in parts of Latin America is slow, while much of sub-Saharan Africa and large part of Central Asia are hardly advancing at all — or even worse, are falling back dramatically (UN, 2002b, p. 8).*

The 2004 report still describes a mixed picture, but based on more experience and information it is more detailed and more upbeat:

*. . . developing countries fall into three broad groups . . . The first is a group of countries, comprising most of Asia and Northern Africa, that is largely on track to meet the target of halving extreme poverty by 2015 and to achieve many of the social targets of the goals. The second group of countries, mainly in West Asia and Latin America and the Caribbean, has been making good progress toward some individual goals, such as achieving universal primary education, but has been less successful in reducing poverty. The third group, largely comprising countries in sub-Saharan Africa but also least developed countries in other regions, are far from making adequate progress on most of the goals (UN, 2004a).*

The MDGs have been described by a World Bank director as “not a strategy, [but] an accountability mechanism.”<sup>19</sup> While there may be reason for optimism that in some areas in some countries the goals will be met, even if does not actually happen, good progress toward them would validate the MDG mechanism. On the other hand, if a trajectory toward these goals is not confirmed soon, some compromise path may be endorsed so that success can ultimately be declared. One possibility would be to define the goals and their measurements in achievable rather than in substantive terms, perhaps by ‘clumping’ the data so that favorable averages rather than unfavorable disaggregations are used. In this way, the impact of larger and more

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19. John Page, Director of Poverty Reduction, at a World Bank Tokyo public forum, July 15, 2002

responsive countries can overshadow the resistance of smaller, less responsive ones.

Nonetheless, it is hard to conceive of any successful judgment of MDGs if the performance of sub-Saharan African countries is not improved. Since other countries in other regions are making some progress in some areas, sub-Saharan Africa has been spotlighted as the critical region. Barring global events that might derail the process, widespread movement toward the goals in many regions can be expected to continue. In sub-Saharan Africa, however, it seems that movement must still be started.

## Appendix

# 1

## Millennium Development Goals, Targets, and Indicators

The goals and targets are based on the UN Millennium Declaration. The UN General Assembly has approved them as part of the Secretary-General's road map toward implementing the declaration.

UNDP worked with other UN departments, funds, and programs, the World Bank, the International Monetary Fund, and the Organization for Economic Co-operation and Development to identify over 40 quantifiable indicators to assess progress (UNDP website d).

Goals and Targets	Indicators
<b>Goal 1 — Eradicate extreme poverty and hunger</b>	
<b>Target 1</b> — Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below \$1 per day (PPP-values) 2. Poverty gap ratio [incidence x depth of poverty] 3. Share of poorest quintile in national consumption
<b>Target 2</b> — Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children (under-five years of age) 5. Proportion of population below minimum level of dietary energy consumption
<b>Goal 2 — Achieve universal primary education</b>	
<b>Target 3</b> — Ensure that, by 2015 children everywhere, boys and girls alike, will be able to complete a full course primary schooling	6. Net enrollment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15-24 year olds
<b>Goal 3 — Promote gender equality and empower women</b>	
<b>Target 4</b> — Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	9. Ratio of girls to boys in primary, secondary, and tertiary education 10. Ratio of literate females to males of 15-24 year olds 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament
<b>Goal 4 — Reduce child mortality</b>	
<b>Target 5</b> — Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of 1-year-old children immunized against measles

Goals and Targets	Indicators
<b>Goal 5 — Improve maternal health</b>	
<b>Target 6</b> — Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel
<b>Goal 6 — Combat HIV/AIDS, malaria and other diseases</b>	
<b>Target 7</b> — Have halted by 2015, and begun to reverse, the spread of HIV/AIDS	18. HIV prevalence among 15-24 year old pregnant women 19. Condom use rate of the contraceptive prevalence rate 20. Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years
<b>Target 8</b> — Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria 22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures 23. Prevalence and death rates associated with Tuberculosis 24. Proportion of TB cases detected and cured under DOTS (Directly Observed Treatment Short Course)
<b>Goal 7 — Ensure environmental sustainability</b>	
<b>Target 9</b> — Integrate the principle of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest 26. Ratio of area protected to maintain biological diversity to surface area 27. Energy use (kg oil equivalent) per \$1 GDP (PPP) 28. Carbon dioxide emissions (per capita) and consumption of ozone-depleting CFCs 29. Proportion of population using solid fuels
<b>Target 10</b> — Halve, by 2015, the proportion of people without sustainable access to safe drinking water and sanitation	30. Proportion of population with sustainable access to an improved water source, urban and rural 31. Proportion of population with access to improved sanitation, urban and rural
<b>Target 11</b> — By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	32. Proportion of households with access to secure tenure [Urban/rural disaggregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers]
<b>Goal 8 — Develop a Global Partnership for Development</b>	
<b>Target 12</b> — Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development, and poverty reduction — both nationally and internationally	<i>Some of the indicators listed below will be monitored separately for the Least Developed Countries (LDCs), Africa, land-locked countries and small island developing states.</i>

Goals and Targets	Indicators
<p><b>Target 12</b> — Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development, and poverty reduction — both nationally and internationally</p>	<p><i>Some of the indicators listed below will be monitored separately for the Least Developed Countries (LDCs), Africa, landlocked countries and small island developing states.</i></p> <p><i>Official Development Assistance</i></p> <p>33. Net ODA as percentage of DAC donors' GNI [targets of 0.7% in total and 0.15% for LDCs]</p> <p>34. Proportion of total bilateral, sector-allocable ODA of DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)</p> <p>35. Proportion of ODA of DAC donors that is untied</p> <p>36. ODA received in landlocked developing countries as a proportion of their GNIs</p> <p>37. ODA received in small island developing States as proportion of their GNIs</p> <p><i>Market Access</i></p> <p>38. Proportion of total developed country imports (by value and excluding arms) from developing countries and from LDCs, admitted free of duty</p> <p>39. Average tariffs on agricultural products and textiles and clothing from developing countries</p> <p>40. Agricultural support estimate for OECD countries as percentage of their GDP</p> <p>41. Proportion of ODA provided to help build trade capacity</p> <p><i>Debt Sustainability</i></p> <p>42. Total number of countries that have reached their Heavily Indebted Poor Countries Initiative (HIPC) decision points and number that have reached their HIPC completion points (cumulative)</p> <p>43. Debt relief committed under HIPC initiative</p> <p>44. Debt service as a percentage of exports of goods</p> <p>45. Unemployment rate of 15-24 year olds</p>
<p><b>Target 13</b> — Address the special needs of the least-developed countries. Includes: tariff and quota-free access for least-developed countries' exports; enhanced programme of debt relief for HIPC countries and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction</p>	
<p><b>Target 14</b> — Address the Special Needs of landlocked countries and small island developing states (through Barbados Programme and 22nd General Assembly provisions)</p>	
<p><b>Target 15</b> — Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</p>	
<p><b>Target 16</b> — In cooperation with developing countries, develop and implement strategies for decent and productive work for youth</p>	
<p><b>Target 17</b> — In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries</p>	<p>46. Proportion of population with access to affordable essential drugs on a sustainable basis</p>
<p><b>Target 18</b> — In cooperation with the private sector, make available the benefits of new technologies, especially information and communications</p>	<p>47. Telephone lines and cellular subscribers per 100 population</p> <p>48. Personal computers per 100 population and internet users per 100 population</p>

Millennium Development Goals Progress Report

Goals and Targets	Africa 840 million (Population 2002)		Asia 3,738 million		Oceania 8 million	Latin America & Caribbean 536 million	Commonwealth of Independent States (former republics of the Soviet Union) 281 million	
	Northern	Sub-Saharan	Eastern	Southeastern	Western		Europe	Asia
<b>GOAL 1   Eradicate extreme poverty and hunger</b>								
Reduce extreme poverty by half	on track	high, no change	met	on track	increase	...	increase	increase
Reduce hunger by half	on track	very high, no change	on track	on track	increase	moderate, no change	low, no change	increase
<b>GOAL 2   Achieve universal primary education</b>								
Universal primary schooling	on track	progress but lagging	on track	lagging	high but no change	progress but lagging	decline	on track
<b>GOAL 3   Promote gender equality and empower women</b>								
Equal girls' enrolment in primary school	on track	progress but lagging	met	on track	progress but lagging	on track	met	on track
Equal girls' enrolment in secondary school	met	no significant change	...	met	no significant change	progress but lagging	met	met
Literacy parity between young women and men	lagging	lagging	met	met	lagging	lagging	met	met
Women's equal representation in national parliaments	progress but lagging	progress but lagging	decline	progress but lagging	very low, no change	progress but lagging	recent progress	decline
<b>GOAL 4   Reduce child mortality</b>								
Reduce mortality of under-five-year-olds by two thirds	on track	very high, no change	progress but lagging	on track	moderate, no change	moderate, no change	low, no change	increased mortality
Measles immunization	met	low, no change	...	on track	on track	decline	met	met
<b>GOAL 5   Improve maternal health</b>								
Reduce maternal mortality by three quarters	moderate level	very high level	low level	high level	moderate level	high level	low	low

**GOAL 6 | Combat HIV/AIDS, malaria and other diseases**

Halt and reverse spread of HIV/AIDS	...	stable	increase	stable	increase	...	increase	stable	increase	increase
Halt and reverse spread of malaria	low risk	high risk	moderate risk	moderate risk	moderate risk	low risk	low risk	moderate risk	low risk	low risk
Halt and reverse spread of tuberculosis	low, declining	high, increasing	moderate, declining	high, declining	high, declining	low, declining	high, increasing	low, declining	moderate, increasing	moderate, increasing

**GOAL 7 | Ensure environmental sustainability**

Reverse loss of forests	less than 1% forest	decline	met	decline	small decline	less than 1% forest	decline	decline (except Caribbean)	met	met
Halve proportion without improved drinking water in urban areas	met	no change	decline in access	high access but no change	met	met	high access but no change	met	met	met
Halve proportion without improved drinking water in rural areas	high access but little change	progress but lagging	progress but lagging	progress but lagging	on track	progress but lagging	low access, no change	progress but lagging	high access but limited change	high access but limited change
Halve proportion without sanitation in urban areas	on track	low access, no change	progress but lagging	on track	on track	met	high access but no change	high access but no change	high access but no change	high access but no change
Halve proportion without sanitation in rural areas	progress but lagging	no significant change	progress but lagging	progress but lagging	progress but lagging	no significant change	no significant change	progress but lagging	no significant change	no significant change
Improve the lives of slum-dwellers	on track	rising number & proportion of slum-dwellers	progress but lagging	on track	some progress	rising number & proportion of slum-dwellers	...	progress but lagging	low but no change	low but no change

**GOAL 8 | A global partnership for development**

Youth unemployment	high, no change	high, no change	low, increasing	rapidly increasing	low, increasing	high, increasing	low, increasing	increasing	low, rapidly increasing	low, rapidly increasing
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Source: UN, 2004b <http://www.un.org/millenniumgoals/mdg2004chart.pdf>

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## Recent Developments in Aid Evaluation

### Naonobu Minato

The importance of evaluation in development aid has grown significantly over the past few years. Especially since the election of George Bush, the United States has emphasized results and rigorously demanded the evaluation of effects and achievements of aid programs, not only its own programs, but also those of international organizations. The World Bank and the United Nations Development Programme (UNDP) are gearing their activities toward achieving the Millennium Development Goals (MDGs), but there are many issues in evaluating progress, including definitions and a lack of data and statistical methodologies. There has been a shift in the focus of evaluation—away from individual projects to programs and sectors. This section describes those and other recent trends and challenges in the field of evaluation.

### *Evaluating Development Aid*

In the 1980s it became important for aid organizations to evaluate their work, mainly for three reasons. **First** is accountability to taxpayers, who ultimately fund most development aid. Taxpayers and beneficiaries of domestic public services are usually the same and tend to notice glaring waste and inefficiency. In development aid, however, there is almost no direct relationship between taxpayers in donor countries and beneficiaries of aid projects. Even if a project has a very low return relative to input, the inefficiency is unknown to either of them. As long as a system for third-party evaluations does not exist, it is difficult to improve the effectiveness of aid projects. Evaluation leads to accountability measuring performance from various perspectives and reporting the results to taxpayers and policy-makers.

**Second**, to improve the quality of aid projects, evaluation is an important function in the management process. Evaluation results are fed back to the process of improving a specific project, as well as other similar projects or those being implemented in the same region.

**Third**, the learning effect from evaluation has come under a spotlight in recent years. Aid organizations and officials can learn much from evalua-

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Minato is acting director, International Development Research Institute, FASID.

tion results. In a seminar sponsored by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) in Tokyo in 2000, the necessity to improve evaluation feedback was recognized, but it also became apparent that methods would vary depending on the aid organization (OECD/DAC, 2001).

Interest in evaluation is rising in Japanese society as well. The Japan Evaluation Society was established in 2000 and already has more than 400 members. In addition, the Japan Society for International Development frequently conducts studies on evaluation, thus the interest in evaluation has become strong among researchers and practitioners alike.

An important domestic factor for the growing interest in evaluation is the Government Policy Evaluations Act that went into effect in April 2002 and requires all administrative agencies, whether national or municipal, to understand the impacts of their policies, evaluate their necessity and effectiveness, and ensure that the results will be reflected properly in new policies. Many administrative agencies are still searching for evaluation methods to comply with the law.

### ***Importance of Program Evaluation***

Traditional evaluation deals with individual projects. From the mid-1980s, however, there has been a tendency in aid organizations to expand the scope of evaluation from projects to programs and sectors. Many donors have narrowed recipient countries and moved on to country programs that respond to specific problems. Central activities of many donors are still at the project level, but even they are recognizing the need for evaluations at the program level.

Moreover, the impact of the MDGs — the tendency to set macro-level targets in developing countries — is accelerating the elevation of development aid to the program level. This does not necessarily mean that all aid activities will be programs and not projects. It does mean that even if projects are implemented, they should not be seen as isolated and that there is a need for aid coordination and harmonization: coordination with other projects and awareness of shared, macro-level goals. For the MDGs themselves, the UNDP monitors progress toward the goals based on information supplied by its offices around the globe, analyzes the current status by region, and publishes the results (UNDP, 2002).

Several intermediate levels exist between the project level and the MDGs. In a process that begins with inputs and moves to outcomes, project

objectives, and impacts, development indicators cover higher levels than that of the inputs, and the subject of monitoring and evaluation is expanded from individual projects to include country programs. Monitoring indicators are established to gauge progress toward the MDGs (Picciotto, 2002). An evaluation needs to not only look at a project, but also project impact at higher levels.

For example, UNDP used to require an evaluation for all projects with a cost of US\$ 1 million or more, but the requirement was recently dropped. Instead, a certain number of outcome evaluations are required during the term of a country program. The focus of evaluation is shifting from inputs and outputs directly related to a project to outcomes that emerge as a result of outputs. Outcomes are influenced not only by multiple projects, programs, and activities, but also by other donors.

At the World Bank as well, the level of evaluations is shifting from projects to the country level and sector evaluations are shifting to the global level. The Bank employs various evaluation methods including project reviews, country assistance evaluations, sector evaluations, thematic evaluations, and process evaluations. From the viewpoint of performance management and evaluation, the Bank has said that in shifting the perspective from projects to country programs, a methodology that incorporates the three elements of aid allocation, aid accumulation, and attribution must be used (Picciotto, 2002).

While there are no commonly accepted evaluation methods that meet those requirements and can be used at the program, sector, and policy levels, the Foundation for Advanced Studies on International Development (FASID) developed a method called LEAD (Log-Frame Evaluation Application Design) in 2003 (FASID, 2003b; FASID, 2004). When it is difficult to express the subject program directly with a Log-Frame or PDM, this method creates a Log-Frame through analytical processes such as a hierarchy tree that reorganizes the subject of evaluation and a logic tree that constructs objective-means relationships. The Log-Frame is evaluated with five evaluation criteria. It has good potential to be a competent evaluation method at the program, sector, and policy levels.

## **Evaluation Methods and Criteria**

In each aid organization, evaluations are divided into different categories that address projects, the entire organization, themes, and independent evaluations. Project evaluations are often conducted by regional departments and local offices of an implementing agency while other types are often conducted by an evaluation department located at headquarters (IDC and KRI, 2000). An evaluation system faces difficult problems when the department in charge of ex-post evaluations has limited authority within the organization. In recent years, however, more organizations are adopting a system where the evaluation department reports directly to top management.

In the World Bank, the Operations Evaluation Department (OED) is in charge of evaluations. As an independent evaluation unit of the Bank, the OED examines development achievements of the Bank, analyzes its effectiveness, and provides feedback to the operations departments and the entire organization. The OED has four criteria for project evaluations: (i) 'outcomes' are evaluated for their appropriateness, effects, and effectiveness; (ii) 'sustainability' is evaluated for long-term benefits; (iii) 'institutional development impact' is evaluated for the project's contribution to building or improving institutions in the country or the region; and (iv) 'Bank and Borrower performance' are evaluated by looking at the Bank's supervision and advisory activities and the Borrower's project implementation, ownership, and responsibility for the project based on the loan agreement.

Most aid organizations<sup>1</sup> have traditionally interpreted a project as a Logical Framework (LF) and evaluated it based on the prescribed indicators and five evaluation criteria recommended by the DAC: efficiency, effectiveness, impact, relevance, and sustainability. However, the Inter-American Development Bank (IDB) uses 'coherence' instead of 'sustainability' and the Asian Development Bank uses 'institutional development' instead of 'impact'. In Japan, an evaluation model was developed that combined the Project Design Matrix (PDM),<sup>2</sup> five evaluation criteria (efficiency, goal attainment, impact, relevance, and sustainability) and cross-sectional perspectives (political, technical, environmental, social-cultural, economic-financial, and institutional) (FASID, 1996). Using this model, attempts have

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1. The Swedish International Development Agency (SIDA), The Danish International Development Agency (DANIDA), The World Bank, The United Nations Food and Agriculture Organization (FAO), The German Corporation for Technical Cooperation (GTZ), The Inter-American Development Bank, etc.

2. A kind of LF.

been made to conduct evaluations that are more objective and comprehensive than before. Now, most projects of the Japan International Cooperation Agency (JICA) are evaluated using this model (JICA, 2002). Projects of the Japan Bank for International Cooperation (JBIC) are evaluated based on the PDM and five criteria mentioned above (JBIC, 2002).

It was the United States Agency for International Development (USAID) that initiated the shift of aid activities from project to program level. As the number of program operations grew, USAID developed a new framework called Results Framework (RF) in 1995 as a management tool at the program level. In the RF, a ‘strategic objective’ is established as a common objective of multiple projects and ‘intermediate results’ are placed under it. The relationship between the strategic objective and the means to attain it is expressed clearly and necessary external conditions are also noted. Since 1995, USAID has been managing its aid activities — from planning to evaluation — with the Results Framework. According to USAID, the RF is more open than the LF and allows new projects or activities to be added during the implementation stage. It is also flexible, allows plans to be changed easily, and is favorable for aid coordination. While USAID implements few projects, it does not disapprove the LF for project-level activities. The Canadian International Development Agency (CIDA) uses a Framework of Result which is similar to the RF.

On the other hand, European aid organizations believe in the principle that project evaluation methods based on the LF can be applied at the program level. The DAC has not changed its basic concepts of evaluation and evaluation criteria in the last 10 years (OECD/DAC, 1992). Similarly, the Department for International Development (DFID) of the United Kingdom and Germany’s Ministry for Economic Cooperation and Development (BMZ) believe that programs can be expressed with the LF. However, this approach can be problematic when a program does not exist, yet a group of projects are evaluated collectively as a program because the three factors of a project — duration, objectives, and inputs — are uncertain.

### ***Building Evaluation Capacity in Developing Countries***

As the scope of evaluation shifts to higher levels and many aid organizations and international NGOs become involved in achieving common goals, the role of the host country grows more important. At the project level, the government simply has to evaluate a project jointly with the donor based on the donor’s evaluation methods. But at the program level, various aid organ-

izations are involved and their evaluation methods are often different. It is essentially the development of the country itself that is being evaluated, so the government should take the initiative, find out what needs to be improved, and take the necessary actions. To do so, their capacity for evaluation needs to be enhanced by developing human resources and building and improving institutions involved in evaluation. In reality, however, there are various obstacles.

For example, several obstacles have been recognized in Zimbabwe's efforts to improve its evaluation capacity. First, develop a culture where officials require and effectively use evaluation reports. Second, be sensitive to the needs and interests of major stakeholders. Third, establish a connection between the evaluation and the public sector, including a system to feed the evaluation results back to the public sector (Brushett, 1998).

At the Tokyo Workshop on ODA Evaluation hosted by the Ministry of Foreign Affairs of Japan in November 2003, representatives of Asian countries talked about building the capacity for evaluation in aid-recipient countries (FASID, 2003a). Participants pointed out the necessity to establish the management cycle of planning, implementation, and evaluation, and the importance of covering not only projects but also sectors and policies. For monitoring and evaluation, they proposed to establish academic societies and strengthen the network of evaluation experts. The Seminar/Workshop on ODA Evaluation, jointly hosted by Japan and Thailand, was held in January 2005 in Bangkok where policymakers from Asian countries discussed how to improve their evaluation capacity. Participants recognized anew the importance of evaluation for accountability and effectiveness of ODA, and recognized the need to establish an aid management mechanism and the importance of 'owning' aid recipient countries.<sup>3</sup>

### ***Discussions at OECD/DAC Meetings***

The DAC, which is a group of donor countries, has discussed many aspects of development aid evaluation. In recent years, development results and aid effectiveness are becoming central points of discussion. The relationship between the amount of aid and improving its effectiveness has been discussed in light of three issues.

The **first** issue is results-based reform. Whether bilateral or multilateral, many aid organizations are adopting a results-based management system

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3. Chairperson's Summary, Seminar/Workshop on ODA Evaluation, Bangkok, January 21, 2005.

and new aid mechanisms to improve their effectiveness (Kusek and Rist, 2004). In a results-based management system, various indicators are incorporated at the planning stage and progress toward achieving them is measured during the implementation stage. Now evaluations include more than ex-post evaluations: the importance of monitoring during implementation, and moreover, evaluation at the planning stage (ex-ante evaluations) is emphasized. Ex-ante evaluations are likely to significantly improve the quality of planning.

Individual countries tend to emphasize the results of aid as well. The Millennium Challenge Account (MCA) of the U.S. is one example. Many developing countries recognize the need for public sector reform, and some attempts are being made in Uganda and Chile. In a results-oriented approach, incentives are considered as an important factor. For both donors and developing countries, participation, transparency, and accountability are considered to be powerful incentives to improve performance.

The **second** issue is the emergence of 'harmonization', now considered important among aid organizations and projects. Lowering the burden of aid implementation procedures and reporting requirements is a basic step toward efficient Official Development Assistance (ODA). The idea is to reduce transaction costs and improve effectiveness by cooperation and harmonization instead of implementing aid projects as if they were isolated from one another. The importance of harmonization was shared at a DAC forum in Rome in February 2003. Development programs and projects that emerge from international and regional harmonization are now emphasized. Specific activities to promote harmonization include — in addition to the obvious partnerships between donors and developing countries — harmonizing priorities with partner countries, reviewing aid organizations and country policies from the perspective of harmonization, and strengthening incentives within organizations so that managers and staff will recognize the benefits of harmonization. Discussions continue today on the merits of unification and aid diversity.

The **third** issue concerns the evaluation of impacts. Several aid organizations have posed questions about how to measure impacts, one of the well-established evaluation criteria. Aid projects and programs generate impacts, either direct or indirect, but whether indirect effects should be considered as impacts of assistance is still open to question.

## **Joint Evaluations**

When projects implemented by different donors that share a goal lack coherence, project costs rise and efforts by all are less efficient. If individual donors evaluate their projects separately, the results may be used in a disjointed manner, and moreover, evaluation activities bring a huge burden on a developing country because they employ different methods. For donors, the solution lies in collaboration, coordination, and partnerships. Unifying evaluation methods should be promoted by using networks of evaluators, circles of experts, joint evaluations, and parallel evaluations. There has been some progress on the coordination of evaluation methods among multilateral development finance organizations at the level of individual projects, but progress is slow among bilateral donors and the U.N. agencies (Picciotto, 2002).

A potential breakthrough can be found in joint multi-donor evaluations. When various projects share a goal, the aid organizations could work together on evaluation. This is different from a joint evaluation between a donor and a recipient or between an aid organization and an NGO. There are many difficulties, however, associated with joint evaluations among multiple donors. For example, each donor has different aid modalities and focuses. They may be using modalities such as projects, programs, Sector-Wide Approaches (SWAp), and co-financing. Evaluation methods are also different. Moreover, as a matter of course, participation and the role of the recipient country become important. Capacity building for that purpose is also a significant challenge.

According to the DAC, advantages of joint evaluations include (OECD/DAC, 2000):

- Reducing the burden of multiple, separate donor evaluations on recipient country institutions, including overlapping team visits and duplicative data collection efforts.
- Providing an opportunity for donor agencies to learn and share their evaluation processes and techniques.
- Enabling more diverse perspectives and talents on the joint evaluation team.
- Permitting cost-sharing of evaluation expenses.
- Enabling a broader scope and number of evaluation questions to be addressed, given extra (jointly-shared) resources.
- Promoting higher quality, more credible evaluations with broader ownership of findings and greater influence on decisions by the participating

agencies.

- Fostering a greater consensus among donors and host-country agencies on program and country priorities and needs, thus stimulating improved coordination of donor programs.

On the other hand, obstacles and difficulties may be encountered in:

- Identifying other donors interested in the same evaluation topic.
- Developing comprehensive, yet manageable, terms of reference that accommodate each participating donor's particular issues and interests.
- Selecting teams that are mutually acceptable to all participants.
- Coordinating schedules and travel logistics.
- Agreeing on cost-sharing and contracting arrangements.
- Developing joint management structures and communication processes that work effectively.
- Reaching agreement on reporting formats, findings, and recommendations.

Thus, there are significant advantages to joint evaluations but also many obstacles. The most prudent way would be to begin with those programs that lend themselves easily to joint evaluations so that local governments and aid organizations can gain experience and remove the obstacles one by one. Joint evaluations can be understood as aid coordination and harmonization in the evaluation stage.

As an example, the road sub-sector in Ghana was the subject of a joint evaluation for the period 1996 to 2000. The above-mentioned five criteria (efficiency, goal attainment, impact, relevance, sustainability) were used to assess information and documents available as of June 2000. The Danish International Development Agency (DANIDA) led the joint evaluation after obtaining consent from Germany, the U.K., Japan, the Netherlands, the African Development Bank, the European Union (EU), the World Bank, the government of Ghana, and the Ghana Highway Authority (DANIDA, 1999).

Evaluation results should be shared not only with the governments of donor countries and international organizations, but also with private companies, NGOs, and NPOs. Governments of developing countries, bilateral donors, international NGOs, and private enterprises participate in and contribute to the achievement of sector goals. Feeding evaluation results back to these actors will offer opportunities to review and rethink their activities.

## **Challenges in Evaluation**

Four challenges may arise when confronting shared, macro-level goals and their monitoring and evaluation.

**First**, we can expect statistical problems associated with the use of various indicators. In October 2002, Paris<sup>21</sup> discussed statistical problems with a results-oriented approach. Reliable data cannot be obtained easily or cheaply in developing countries. In addition, indicators should accurately express goals and should not deviate from them.

**Second**, there is a large gap between the shared, macro-level goal of aid and objectives of individual projects. Specific goals and indicators are established both at the macro level for many projects. Many project objectives are realistic and reasonable. In many cases, projects are planned realistically under the given environment, donor aid policies, priority sectors of the recipient country, the needs of project beneficiaries, and through various studies and dialogues. A large gap can emerge, however, between objectives at a project level and shared goals at the macro level. It is quite possible that a country may not achieve its macro goals even if many projects achieve their objectives. If there is a large gap between a plan to achieve the MDGs by 2015 and actual progress, where should we look to find the reasons? Should we say that the goals were unrealistic, or should we blame the countries that are lagging behind in terms of country-specific goals? Many factors not directly related to development aid are involved when impacts of aid spread from project level to a macro level. These include public projects implemented directly by the government, private activities such as trade and direct investments, changes in the domestic and international economic climate, and political and social landscapes. The question of how to handle these factors is also important.

**Third**, another difficult challenge lies in how to measure the contributions of individual projects in achieving shared goals. Regardless of whether or not a shared goal is achieved, it is very difficult to measure the contributions made by individual projects. And if the goal is not achieved or progress is slow, pinpointing the causes will be difficult. To achieve common goals, we need support from all donor countries and aid organizations as well as participation by NGOs and civil societies, not to mention the efforts of the national government. It is also unclear what kinds of feedback should be given to these individual activities. Was the original plan unreasonable? Was there a problem in inter-project harmonization even if individual projects played their parts? Were the inputs insufficient to begin

with? Or was an important issue left untouched, creating a bottleneck that made it harder to improve the situations? It is not easy to clarify these causal relations and make judgments based on them. When expected results are not obtained, countries and organizations must try to avoid blaming each other.

**Fourth**, it is the difficult to evaluate projects and programs designed to build and/or improve institutions, strengthen organizational capabilities, or promote decentralization or local autonomy. It is difficult to establish indicators of success in these areas. For example, while various indicators can be suggested for a goal of *improving the health care system of a provincial government*, including *whether or not the health care system was established in a systematic manner, clarification of authorities and responsibilities of individuals in the new health care organization and the quality of health care services provided to the residents*. But if the wrong indicators are chosen, they may misidentify the original intent of the aid activity. We need to accumulate experience not only in the area of evaluation but also in planning these types of projects or programs.

### ***Recommendations for Japanese Aid***

With the global trend of aid moving toward shared goals exemplified by the MDGs, the current keywords for discussing the future of Japanese aid are aid coordination and harmonization in the planning, implementation, and evaluation stages. Because coordination and harmonization, unlike unification, accept the diversity of aid, they are important to achieve common goals while capitalizing on the comparative advantages of each donor country and aid organization.

Unlike international organizations that in principle do not have diplomatic objectives, all bilateral aid organizations are required, to varying degrees, to consider their national interests. Moreover, providing knowledge, skills, and experience is as important as providing funds. One country, therefore, cannot assist another country unless it has sufficient knowledge, experience, and confidence. Instead of doing the same as others, each aid organization needs to operate in areas where it has comparative advantages, and at the same time, clarify its role in the framework of achieving common goals. In this context, in addition to coordinating its aid with other projects and programs, Japan should set common goals as the intended impacts (or higher-level goals) to be attained if individual projects achieve their project objectives. Specifically, at the project planning stage, Japan should under-

stand the content of projects being implemented by other aid organizations and NGOs in the same region and/or the same sector, try to avoid redundancy, aim for synergy with other projects, and align project orientation with common goals established by the local government. Furthermore, in evaluating projects, Japan must examine synergistic effects with other projects and look at the relevance of project objectives to common goals.

If efforts are made to align Japanese projects to the intended orientation of the local development community at every stage of planning, implementation, and evaluation, the role of Japanese aid in the quest to reduce poverty and achieve other MDGs will become clearer. For example, when implementing a road project, Japan should consider how it would contribute to the common goal of reducing poverty. Road construction may improve access to an inland area, which in turn could increase production and employment opportunities for the poor who may move to the area. It is certainly possible to plan a road project that directly benefits the poor — construct a road that goes through a poor, rural area that has no access to cities and make it easier for poor farmers to sell their produce in the markets.

Aid coordination in the evaluation stage is realized by joint efforts. By conducting joint evaluations with other aid organizations, not to mention recipient countries, Japan can maintain its comparative advantages and at the same time establish its role in achieving common goals. In principle, recipient countries should initiate joint evaluations. The most important task to make that possible, and an important assistance area for Japan, is to build evaluation capacity and institutions in the recipient country.

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## 3

**Aid Trends by Sector****Educational Development****Yasuyuki Sawada****Kazuo Kuroda****Takako Yuki**

In the 1990s, academic circles, international organizations, and the aid community began to show a marked interest in reducing poverty in developing countries. Since then, the issue of educational development has been debated as one of the central issues of poverty reduction. This emphasis in the latter half of the 1990s eventually turned into numerical targets in the form of the Millennium Development Goals (MDGs), adopted in September 2000 by the United Nations General Assembly with support from 149 heads of state. One of the MDGs is to “achieve universal primary education”, i.e., to ensure that all boys and girls complete a full course of primary schooling by 2015.

In the field of educational development, however, it has been a long time since the World Conference on Education for All was held in Jomtien, Thailand in 1990, and the goal of universal primary education - ‘basic education’ - was positioned as one of the central challenges in international development. The World Education Forum in June 2000 reviewed the status of these goals, and adopted the Dakar Framework for Action, which established the goals of providing access to free and compulsory primary education [of good quality] to all children by 2015, and eliminating gender disparities in primary and secondary education by 2005, among others.

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Sawada is associate professor, Department of Advanced Social and International Studies, University of Tokyo. Kuroda is associate professor, Graduate School of Asia-Pacific Studies, Waseda University. Yuki is visiting fellow, Research Center for Advanced Science and Technology, University of Tokyo. Opinions expressed in this chapter are those of the authors and not of any particular organization or government.

The importance of education in the economic development of developing countries - especially basic education -has been recognized anew in various research fields, including those that are close to purely theoretical such as endogenous growth theory, policy research by international organizations exemplified by the World Bank's research on the 'East Asian miracle,' and development micro-econometrics.<sup>1</sup>

This paper deals with international development issues in the education sector and reviews trends in development economics as well as the education sector policies of international organizations, especially the World Bank, and makes recommendations about Japan's cooperation policy in the sector. In this paper, we first provide an overview of educational development, then look at international trends, the World Bank education sector strategy, Japan's international work in the sector, and finally, offer some policy recommendations for Japan.

### ***Economics of Educational Development - An Overview***<sup>2</sup>

This section looks at existing economic research on educational development in developing countries.

#### **Educational Demand and Policy Intervention**

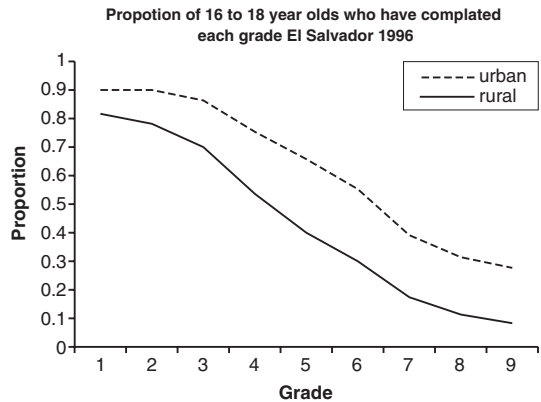
If we understand educational demand as demand for investments in human capital, then the optimal behavior for a household is to keep investing until the marginal rate of return becomes equal to the investment cost, which is the cost of borrowing funds.

Low-income households in developing countries, however, often face borrowing constraints because they do not have assets such as land that can be used as collateral. This situation drives up the cost of borrowing, thus, they rationally choose a low level of educational investment. In fact, the notion that financial constraints significantly lower educational investments has been widely supported (Strauss and Thomas, 1995; Ljungqvist, 1993).

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1. There are several factors behind recent advances in the discipline of development micro-econometrics (Deaton, 1997; Kurosaki, 2001) that focuses on empirical research on social sector issues such as poverty reduction, education, and healthcare. First, as represented by Living Standard Measurement Studies (LSMS), the World Bank's systematic multi-purpose family budget surveys, there has been tremendous progress in collecting micro data needed for detailed analysis of poverty issues and in access to their individual raw data (Grosh and Glewwe, 2000). Second, following the theoretical development of game theories and contract theories in microeconomics, the discussion in development economics has shifted from neo-classical market-oriented research to explicit analyses of institutions or non-market issues of social sectors such as education and healthcare.
  2. See Sawada (2003) for more details.

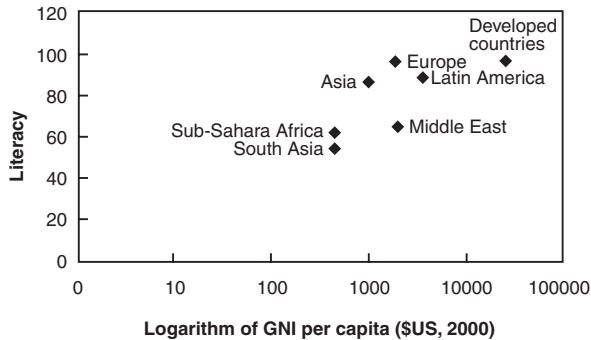
This relationship has been empirically confirmed by research that used microeconomic data from various developing countries (Behrman and Knowles, 1999). For example, in El Salvador the enrollment ratio by grade is higher in urban areas where income is higher or the financial markets function better than in rural areas (Fig. 3-1). Moreover, the positive correlation between income and education levels has been shown in cross-country macroeconomic data. Figure 3-2 shows the cross-country relationship by plotting the income and education levels in different regions of the world.

**Figure 3-1. Primary and secondary education enrollment ratio in El Salvador**



Source: Jimenez and Sawada (2001).

**Figure 3-2. Relationship between education and income by region**



Data Source: World Bank

The educational investment model mentioned above enables us to discuss the distribution of educational resources within a household, especially the education gap between boys and girls. In general, in a patrilineal society, the return from investments for a daughter's education will be separated from household income after her marriage. If a dowry (bride price) is necessary at a daughter's wedding or there is a clear wage gap between men and women in the labor market, or having a son is considered more important than having a daughter as an old age insurance, then the marginal rate of return from educating girls will be lower than that of educating boys. Rational behavior thus produces a gender gap in educational investments.<sup>3</sup>

Assuming that educational investments are decided through such a mechanism, what policy interventions would promote educational investments? Direct interventions aimed at poverty reduction, including means-tested targeting, geographical targeting, self-targeting - such as workfare - and other poverty targeting will indirectly increase the demand for educational investments. Microfinance programs that provide better access to financial markets for the poor (who have been excluded from traditional borrowing channels) will indirectly promote educational investments, as will policies that reduce income risks associated with agriculture by nurturing market mechanisms such as insurance against bad harvest.

These policies, however, are inefficient to increase educational investments. Direct policy interventions are more efficient and could include scholarships for girls from poor households with attendance or performance conditions, school lunch/feeding programs (Box 3-1),<sup>4</sup> and distribution of rice, wheat, and edible oil at schools.

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3. Competition for resources among siblings intensifies when the household is faced with restrictions on borrowing and household resources allocated to educational investments are limited (Greenhalgh 1985; Parish and Willis 1993; Garg and Morduch 1998). In such a case, more resources can be allocated to boys than to girls, which can increase the gender gap in education. In fact, many empirical studies indicate this tendency with data from East Asia and South Asia.

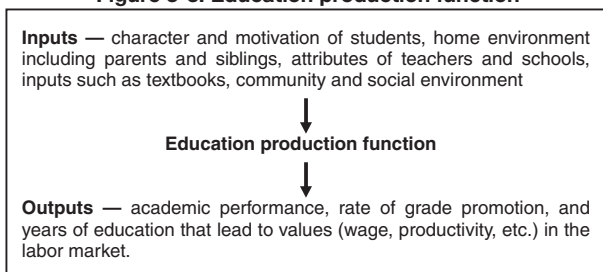
4. However, school feeding programs have been researched as a policy to improve the nutrition of children rather than a demand-side intervention designed to provide incentives to increase educational investments.

**Box 3-1. Food for Education Program (FFE) in Bangladesh**

The Food for Education Program in Bangladesh is an example of direct intervention toward educational demand. The program distributes 15 kg of wheat per child per month with a condition that the child maintains an attendance rate of at least 85 percent. In FY 1995-96, approximately 2.2 million children, or 13 percent of all students enrolled in primary education, participated in the program. A two-stage targeting method is used. In the first stage, less-developed areas are selected, while in the second stage, FFE recipients are selected by community groups. FFE increased the average enrollment ratio in primary education by as much as 24 percent (Ravallion and Wodon, 2000).

**Educational Services and Outcome**

Educational output is generated when investments are made in response to demand. At this stage supply factors meet demand and educational output is produced. One of the well-known frameworks to consolidate and analyze such mechanisms is the ‘education production function’ (Hanushek, 1995; Gleww, 2002), which is a ‘derivative’ function that describes the relationship between educational inputs and outputs (Fig. 3-3).

**Figure 3-3. Education production function**

Hanushek (1995) conducted exhaustive research on existing estimates of the education production function. Variables that had been considered central to education in traditional research such as the class size, teacher education level and experience, teacher salaries, and school expenditure per student did not seem to be important in explaining educational outputs (Table 3-1). Intangible institutional elements such as an internal incentive structure seemed more important than the observable variables.

**Table 3-1. Effect of school-level educational inputs on student academic performance. Summary of existing research**

Input variable	Number of research studies	No. of studies w/significant positive effects
No. of teachers per student	30	8
Teacher education level	63	35
Teacher experience (years)	46	16
Teacher salaries	13	4
Expenditure per student	12	6
School facilities	34	22

Source: Hanushek, 1995, Table 1

Traditional education policies often aimed to increase the ‘quantity’ of traditional variables, but recently ‘quality of educational supply’ has been emphasized. As mechanisms to attain these policy goals, ‘decentralization of educational systems’ and the ‘role of communities (or beneficiaries)’ are attracting world-wide attention from both practitioners and researchers.<sup>5</sup>

For example, the community-managed schools program in El Salvador (EDUCO) promotes decentralized public primary schools. For each school, parents meet biennially to elect some of them to serve as the school management committee that independently manages the school, including selection of teachers and teacher salaries. According to Jimenez and Sawada (1999, 2001), EDUCO primary schools produce better academic performance, attendance, and grade promotion rates than traditional public schools with centralized management. The school governance structure secures the learning environment and the level of teacher efforts. Sawada (2002) demonstrated that the benefit of decentralization in EDUCO schools is the construction of desirable mechanisms that enhance educational incentives for teachers.

### **Benefit of Educational Outcome**

We next examine the educational rate of return, an evaluation of education in the labor market. The Mincerian wage equation is commonly used to measure the rate of return.

The estimated educational rates of return using the Mincerian equation

5. For example, charter schools in the United States are publicly funded and privately managed. Parents, teachers and/or community leaders prepare the plans for the school and enter into a contract with the board of education. These decentralized schools are operated as public schools. In the fiscal year 2002-2003, 36 states and the District of Columbia had 2,700 such primary schools providing education to more than 575,000 students.

for sub-Saharan Africa, Asia, and Latin America are 11.7 percent, 9.9 percent, and 7.1 percent, respectively, which are very high considering that the average for OECD member countries was 7.5 percent (Table 3-2) (Psacharopoulos and Patrinos, 2002). Many developing countries do not invest as many resources into education as warranted by these high rates of return, therefore, these numbers suggest that the funding for educational investments is very high in many developing regions because financial markets are deficient.

**Table 3-2. Average number of years of education and educational rate of return, by region**

Region	Years of education	Educational rate of return (percent)
Sub-Saharan Africa	7.3	11.7
Asia	8.4	9.9
Europe, Middle East, North Africa	8.8	7.1
Latin America	8.2	12.0
OECD country	9.0	7.5
World	8.3	9.7

Source: Psacharopoulos and Patrinos (2002)

### Economic Contributions of Education

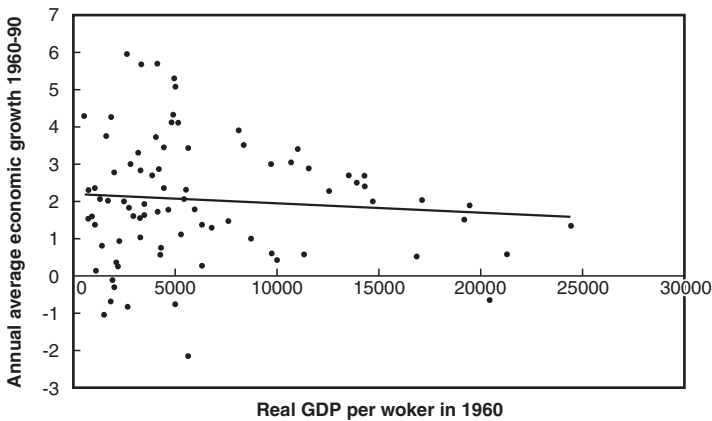
How do educational outcomes contribute to economic development? We will summarize the economic contributions of education from a macro-level perspective (economic growth) and micro-level perspective (farmers, workers, and household behavior).

#### *Macro-level contributions of education*

First, let us review the economic growth theory as theoretical and empirical research surrounding the Baumol triangle which was described by Baumol (1986). Figure 3-4 is based on data from Summers and Heston (1991). The horizontal axis shows the value of GDP per worker in 1960 at an initial income level while the vertical axis shows the annual average economic growth rate from 1960 to 1998. It was Baumol (1986) who first pointed out the roughly triangular shape of this distribution of cross-country data in this figure, which is therefore called a Baumol triangle. As of 1960, it was the United States that had achieved the highest level of Gross Domestic Product (GDP) per worker. The dots along the upper, downward-sloping side of the triangle represent countries whose initial income level was lower, but long-term economic growth rate was higher than the U.S., and thus were on their

way to ‘converge’ with the U.S. and other developed countries. This shows that countries in lower initial development stages are catching up with developed countries and converging to a similar income level through some kind of a ‘negative’ feedback mechanism. On the other hand, the dots along the lower, upward-sloping side of the triangle represent a group of countries whose initial income level and long-term economic growth rate were both lower than the U.S., and thus were on their way to ‘diverge’ from developed countries.

**Figure 3-4. Baumol triangle - relationship between real GDP per worker in 1960 and long-term economic growth rate**



Source: Prepared by authors. Data source: Penn World Table Mark 6 (<http://pwt.econ.upenn.edu/>)

Some research indicates that the variation in economic growth rates is strongly correlated to a variable that shows the level of primary and secondary education (Barro, 1991; Mankiw et al., 1992). This suggests that the Baumol triangle can be rewritten as a downward-sloping relationship if cross-country differences in the steady-state income level are controlled by that variable indicating the education level. This tendency is called ‘conditional  $\beta$  convergence’.

While Barro (1991) confirmed the importance of primary and secondary education, Barro and Lee (1993) analyzed economic growth data of 116 economies from 1965 to 1985 in greater detail and concluded that “boys’ secondary education enrollment ratio at an early stage has a strong economic growth effect.” Moreover, since investment in human capital should be considered as a kind of up-front investment for economic growth, an educa-

tion strategy must receive a high priority within an overall development strategy even at an early stage (Hayami, 2000, Chap. 2). This strategy can be also justified by other research showing the growth rate of education level does not have a positive correlation with the economic growth rate.<sup>6</sup> However, the most serious problem of the Solow model used by Mankiw et al. (1992) is that the long-term economic growth rate in the steady state is a sum of exogenous variables (growth rate of population + exogenous rate of technological progress). Thus, the Solow model is quite imperfect as a model to identify factors that determine economic growth rates.

Research that aimed to overcome this problem by building microeconomic foundations for population growth rate and rate of technological progress and by searching their endogenous determining factors was called ‘endogenous growth theory’ or ‘new growth theory’, and advanced remarkably from the latter half of the 1980s to the 1990s. There was an especially significant advance in the endogenous growth theory as a “theory to endogenize the rate of technological progress”.<sup>7</sup> In either case, the theory states that human capital has a Marshallian (technological) externality and for that reason becomes the Core Capital as the source for long-term economic growth (Lucas, 1988; Romer, 1986). Since externalities exist in this model, it provides a theoretical foundation to justify proactive, subsidizing policies by governments that aim to promote the accumulation of human capital, such as free compulsory education and establishing public higher education institutions.<sup>8</sup>

### *Micro-level contributions of education*

The macro-level relationship between education and economic growth must have its foundations in the behavior of households and individuals at the micro-level. Raising the basic education level in agricultural areas has been considered an important strategy to improve agricultural productivity because there seems to be a complementary relationship between the basic

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6. Pritchett (2001) found a statistically significant negative correlation between the growth rate of education level and the growth rate of Total Factor Productivity (TFP).

7. We do not get into the details of the endogenous growth theory because many reviews and textbooks are available. See Shibata (1993) and Barro and Sala-i-Martin (1995) for details, and Jones (1998) for an introduction.

8. In light of the relationship between human capital and technological advancement, which is the source of long-term economic growth, human capital is important to developing countries not to promote R&D investments, but for the capacity to receive imported technologies that can become a source of economic growth (Okawa and Kohama, 1993; Kang and Sawada, 2000; Grossman and Helpman, 1991b, Lucas 1993).

education level of farmers and adoption of new varieties of crops, chemical fertilizers, and pesticides (Lockheed, Jamison, and Lau; 1980; Foster and Rosenzweig, 1995, 1996). For example, when a household has an educated member, its agricultural productivity may improve through better management as a result of that person's knowledge, even if the educated member is employed in a non-agricultural sector (Lockheed et al., 1982; Foster and Rosenzweig, 1995, 1996). The importance of this knowledge-dissemination effect within a household through a sort of Marshallian externality has been also pointed out by Jolliffe (1997).

Such an externality within a household brings not only improved productivity but important non-monetary benefits. For example, Behrman et al. (1997), using data from India, discovered the importance of home education provided by mothers to their children, and supported the role of home teaching as a channel through which the educational level of parents is passed to children. Such an externality within a household also plays an important role in child health. When parents' education level is high, the accumulation of human capital in their children is promoted because the parents - who are in a position to influence the nutritional and educational levels of their children - can acquire basic knowledge and abilities to do so (King and Hill, 1993).

There are important interfaces between the micro- and macro-level perspectives. Various estimates of the Mincerian wage equation using household-level employment data in developing countries have confirmed that the educational rate of return is especially high for workers in nonagricultural sectors (Fafchamps and Quisumbing, 1999). This rate of return is an indication that there is a complementary relationship between improved education levels and macroeconomic development in which the entire economy shifts its weight to the secondary and tertiary industries.

## ***World Trends in International Cooperation Policies for Education***

### **Before 1990**

In the 1960s many colonies achieved political independence. As these newly formed states pursued social and economic independence, educational development became one of the most important issues. UNESCO held regional conferences on educational development in Asia, Africa, and Latin America in Karachi (1960), Addis Ababa (1961), and Santiago (1962), and adopted a resolution to provide primary education to all school-age children

by 1980.<sup>9</sup> Primary education expanded rapidly and enrollments have soared since then, but the goal of universal primary education was not attained as populations grew even faster. During the 1980s, developing countries suffered unprecedented debt crises and education budgets were slashed to put macroeconomic stabilization policies first. As a result, advancements in education as well as the entire social sector either stalled or were rolled back, thus rendering the 1980s a ‘lost decade’ for many developing countries (except in Asia).

### **World Conference on Education for All**

In 1990 the World Conference on Education for All was held in Jomtien, Thailand (Box 3-2). We can no longer talk about educational development in developing countries in the 1990s without mentioning the Jomtien Conference. This international conference, co-sponsored by the World Bank, UNESCO, UNICEF, and UNDP, had a tremendous impact on the formation of education policies in developing countries and international cooperation in the education sector. Why did this conference have such a great impact? First, it was a timely conference held during a transition period between the ‘lost decade’ and the 1990s when an emphasis was placed on social development. Second, the co-sponsorship of the World Bank and other international organizations gave it as much international legitimacy as was possible. The third key factor for its success was that the conference didn’t end at simply adopting a joint declaration but it also led to follow-up activities such as the meetings in Amman and Dakar. After the importance of social development and poverty reduction was repeatedly emphasized in a series of international conferences and declarations during the 1990s (Table 3-3), more importance was attached to education, which occupies a prominent position in the social sector.

#### **Box 3-2. Main targets set by the World Conference on Education for All**

- Strengthen early childhood care
- Achieve universal primary education by 2000
- Emphasize the learning outcome
- Emphasize women’s literacy
- Expand basic education and training for youth and adults
- Learning required for better living and sustainable development

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9. The target year for Latin America was 1970.

**Table 3-3. International conferences on international cooperation in the education sector and formation of Japanese policies and strategies in the 1990s**

Year	International conferences that influenced trends in international cooperation in the education sector	Year	Formation of Japanese international cooperation policies and strategies in the education sector
1990	World Conference on Education for All (Jomtien)	1990	Japan International Cooperation Agency (JICA) establishes Investigative Commission on Educational Assistance
1990	World Children's Summit (New York)	1992	Cabinet adopts ODA Charter
1993	E9 Education Summit (New Delhi)	1993	<i>Fifth ODA Medium-Term Target</i> adopted First Tokyo International Conference on African Development (TICAD) JICA <i>Aid Study Committee on Development and Education</i> Report
1994	International Conference on Population and Development (Cairo)	1994	JICA <i>Task Force for Expansion of Educational Assistance</i> Report
1995	World Summit for Social Development (Copenhagen)	1995	Japan's Initiative for Cooperation for Africa announced
1995	The 4th World Conference on Women (Beijing)	1996	Ministry of Education <i>Conference for International Educational Cooperation Responding to Current International Needs</i>
1995	OECD/DAC's adoption of New Development Strategy (Paris)	1997	Center for the Study of International Cooperation in Education is established in Hiroshima University
1996	EFA International Consultative Forum mid-decade meeting (Amman)	1997	JICA <i>Study on Educational Assistance</i> Report
1998	UNESCO World Conference on Higher Education (Paris)	1998	Second Tokyo International Conference on African Development (TICAD II)
2000	World Education Forum (Dakar)	1998	<i>Medium-Term Policy on ODA</i> announced
2000	United Nations Millennium Summit (New York)	1999	Ministry of Education Committee for <i>International Cooperation in Education</i>
2002	United Nations General Assembly Special Session on Children (New York)	2000	<i>Basic Education for Growth Initiative</i> is announced
2002	G8 Summit (Kananaskis)	2002	Ministry of Education, Culture, Sports, Science and Technology ( <i>Second</i> ) Committee for <i>International Cooperation in Education</i>
			2002 JICA prepares <i>Issue-Specific Guideline</i>

Source: UNICEF (1998), Ministry of Foreign Affairs (2001), Murata (2001)

**Emphasis on Basic Education**

In an analysis of cross-country data from 91 countries over 25 years, Barro (1991) found that a 10 percent rise in the primary education enrollment ratio at an early stage of economic development will keep boosting future per capita economic growth rate by an annual average of 0.25 percent over a

long period. The clearest message from the Jomtien Conference was this emphasis on basic education, which is also strongly supported by research findings such as those of Barro. In this conference, basic education was defined as “educational activities aimed to acquire knowledge and skills that are required by human beings to be able to survive”, which includes pre-school education, primary education, lower secondary education, and non-formal education such as literacy training. UNICEF saw basic education as a basic human need or basic human right. The development approach led by the World Bank saw basic education as a subsector that can bring the highest social rate of return and the largest development and investment effects. After this conference, education policies in developing countries and decision-making in international cooperation policies of developed countries and international organizations, began to move on the basis of this clearly established priority. EFA - Education for All - became the keyword for educational development.

Researchers of the educational economy had been advocating the importance of basic education since the 1960s. It was in the 1970s when Basic Human Needs (BHN) were discussed extensively. But in Jomtien, they succeeded in pushing the policy agenda of ‘emphasizing basic education’, which was almost too obvious, by amicably partnering with both a development approach and a human rights approach (Kuroda, 2001a).

The concept of emphasizing earlier stages of human development for the benefit of social and economic development was later further refined, and by the mid-1990s the importance of early childhood and infant education was being emphasized by international organizations. The value of pre-school education, which had traditionally been considered a luxury in developing countries, was now recognized for its value at all levels of subsequent education.

### **Emphasis on Girls’ Education**

Another education policy that rapidly gained attention after the Jomtien Conference was the promotion of girls’ enrollment in schools. It was a natural consequence that stemmed from the goal of ‘education for all’ because enrollment for girls was lower than for boys in most developing societies. Making girls’ education a policy priority was a clear, policy-oriented message emerging from the trend of development assistance and development research that continued from WID (Women in Development) to GAD (Gender and Development). There are various academic and policy debates

about the effect of girls' education on economic development, but research has verified the notion that girls' education is an effective and efficient investment for social development (Kuroda, 2001a). A tremendous amount of research has shown a positive correlation between a mother's education level and children's education and nutrition levels (Behrman et al., 1997; Caldwell, 1979; Strauss and Thomas, 1995; Thomas et al., 1991; King and Hill; 1993).

### **Emphasis on the Quality of Education**

Conventional wisdom used to hold that there was a trade-off between the quality of education and access to education - an improvement in the quality of education (for example, reducing the number of students per teacher) must come at the expense of quantity (the number of admissible students). But since the Jomtien Conference, the international community recognized that a certain quality must be maintained in order to achieve a quantitative goal of education, and that the two aspects are complementary. They began to pay attention to the learning outcome in educational development of developing countries that had a tendency to focus on enrollment ratios.

The Jomtien Conference also emphasized continued learning by youth and adults as well as the acquisition by individuals and families of knowledge, skills, and values required for better living and sustainable development.

### **Other Movements in Educational Assistance during the 1990s**

There were factors other than the Jomtien Conference that affected educational assistance in the 1990s. In 1990, the same year as the Jomtien Conference, the World Children's Summit was held in New York under the auspices of UNICEF. It gathered political leaders of the world and succeeded in illuminating the condition of children in the third world. In 1993, the E-9 Education Summit was held in New Delhi, where the nine most populated countries that accounted for about a one-half of the world population and 70 percent of illiterate adults (Bangladesh, Brazil, China, Egypt, India, Indonesia, Mexico, Nigeria and Pakistan) agreed to a goal of achieving universal education by 2000. In 1994, the International Conference on Population and Development was held in Cairo, which advocated a special emphasis on girls' education and called for universal access to quality education. In 1995, the World Summit for Social Development was held in Copenhagen and leaders promised favorable allocations of aid and domestic

budgets to education and other social sectors. In the same year, the 4th World Conference on Women was held in Beijing and successfully appealed the importance of girls' education to the world. In 1996, the Mid-Decade Meeting of the International Consultative Forum on Education for All in Amman established new goals toward 2000, the target year set in the Jomtien Conference. These international conferences raised awareness of the education sector in developing countries and provided a driving force, not only for allocation of more resources, but also for a shift in priorities within the education sector from higher and vocational education to primary and girls' education.

Changes in education sector cooperation policies can also be found in official documents and annual reports published by international organizations in the 1990s. After the World Conference on Education for All, the OECD began its effort to steer more developed-country bilateral aid to primary education. In its official Development Cooperation 1991 Report, the Development Assistance Committee (DAC) showed the importance of primary and girls' education and recommended that donor countries discuss basic education in their macroeconomic policy consultations with recipient countries. Also, the OECD adopted the New Development Strategy, which recognized universal primary education and elimination of the gender gap in education as top priorities.

In its World Education Report, UNESCO pointed out that higher education in developing countries experienced rapid and unbalanced expansion compared to other educational stages, and explained that the world began to shift its attention toward primary and girls' education and to demand more management accountability and efficiency in higher education. The Human Development Reports that UNDP began to publish in 1990 placed the highest priority on budget allocations for primary education. The report pointed out that primary education has the strongest redistribution effect for the poor among all educational stages, but in reality education budgets are unjustifiably skewed toward higher education. The Human Development Report 1995 focused on gender and explained that education for women can have a greater impact on both economic and social development than education for men.

Education has traditionally been regarded by UNICEF as a basic human right that relied on the Universal Declaration of Human Rights (1948) and the Convention on the Rights of the Child (1999) as a basis to promote education. In the Status of the World's Children 1999, with the chosen annual

theme of education, UNICEF wrote, “First of all, education in schools must be the foundation of lifelong learning, accessible, of high quality, flexible, gender-sensitive and emphasize girls’ education. The state must be a key partner, and it must begin with the care for young children,” and defined them as the key elements of the education revolution designed to achieve Education for All.

The World Development Report 1991 of the World Bank shows the large role education - especially women’s education - plays in promoting economic growth, higher productivity, and other aspects of social development. The Bank has consistently upheld this argument. In 1995 the Bank published its first education sector policy paper in 15 years entitled *Priority and Strategy for Education*, which said that “the highest priority in almost all countries should be the achievement of universal, high-quality basic education with special attention to girls’ education” (Box 3-3). In 1999 the Bank published its *Education Sector Strategy*. This paper indicated some policy changes, including a move away from analysis methods based mainly on educational economy and a statement that educational cooperation policy is not a prescriptive framework and should respect the uniqueness of each developing country. These changes notwithstanding, the paper still emphasized basic education and girls’ education as high priority issues.

**Box 3-3. Main goals of the World Bank’s *Priority and Strategy for Education* (1995)**

- Ensure higher priority for education on government agendas
- Pay more attention to educational outcomes in labor market
- Emphasize on basic education in public investment
- Pay sufficient attention to equity in education
- Promote household and community involvement in education
- Ensure financial autonomy and accountability in educational institutions

**Reassessment of Higher Education and Vocational Education**

The emphasis on basic education during the 1990s meant a reduction in investments for higher education and vocational education. In the background were three criticisms against higher and vocational education. The first was that their unit cost is much higher than primary and secondary education. The second was related to the investment efficiency - in general their economic impact is not large in considering their high cost, especially with the emergence of unemployment among highly educated population. The third criticism was that public expenditures for higher education are socially

unjust because the beneficiaries of higher education tend to be relatively rich. The higher education sector in developing countries was required to become more self-sufficient during the late 1980s and early 1990s. Policymakers reduced budgets, raised tuition, and promoted cooperation between industries and academia. Many countries, however, experienced difficulties such as student activism and significant deterioration of the quality of higher education.

Critics pointed out the high unit cost of vocational education and its mismatch with the labor market. For example, the World Bank suggested that improved general education before vocational education ultimately has a large effect on the acceptance of vocational knowledge and that vocational education can be managed more efficiently by building close partnerships with the workplace.

Until the mid-1990s, higher education and vocational education were criticized for their inefficiency and the priority for resource allocations was firmly held by primary and secondary education. The rapid progress of information and communication technologies (ICTs) created a realization of the importance of preparing for a knowledge-based economy in the education sector. Since the UNESCO World Conference on Higher Education of 1998 and after the report *Higher Education in Developing Countries - Peril and Promise*, there has been a renewed recognition of the importance of higher education. Within this broad trend, there is hope for virtual universities that rely on ICTs to absorb the large demand for higher education and reduce its unit cost.

As a related matter, it is important to note that while 'formal education' is undoubtedly important for economic development, more is required for economic development. If we believe that education in a larger sense is an essential part of effective poverty reduction, then it becomes important to examine the role of non-formal education (NFE) for the illiterate and the less educated - literacy education and practical vocational training for the less educated - which have not been a central agenda in traditional research and education policies. The United Nations declared the years 2003 to 2012 as the International Literacy Decade, with the expectation of advancing NFE within the framework of poverty reduction.

### World Education Forum and Its Impact

The World Education Forum was held in 2000 in Dakar, Senegal as a follow-up to the World Conference on Education for All as well as the Mid-Decade Meeting of the International Consultative Forum on Education for All in 1996. Under a grim recognition that the efforts for EFA during the 1990s brought some progress but fell short - by a large margin - of achieving the stated goals, the Forum adopted the Dakar Framework for Action as a goal and strategy. The six goals and 12 strategies can be seen as a summary of the international cooperation trends in the education sector in the 1990s (Box 3-4).

Later in 2001, world leaders at the Genoa Summit mentioned the Dakar Framework for Action. The statement said that education is a central base for growth and employment and again pointed out the importance of universal primary education, girls' education, teacher training, and expanded use of ICTs. The G8 also established a task force on education in developing countries.

#### Box 3-4. Goals and Strategies of Dakar Framework for Action

##### Goals

- Expanding and improving early childhood care and education;
- Ensuring that by 2015 all children have access to and complete free and compulsory primary education of good quality;
- Meeting the learning needs of all young people and adults;
- Achieving a 50 per cent improvement in levels of adult literacy by 2015 (especially for women);
- Eliminating gender disparities in primary and secondary education by 2005; and
- Improving the quality of education in literacy, numeracy and essential life skills.

##### Strategies

- Mobilize political commitment and enhance investment in basic education;
- Promote EFA policies within a sector framework;
- Ensure the engagement and participation of civil society;
- Develop systems of educational governance and management;
- Prevent violence and conflict in education programs
- Implement strategies for gender equality in education;
- Implement education programs to combat the HIV/AIDS pandemic;
- Create safe, healthy, inclusive and equitably resourced educational environments;
- Enhance the status, morale and professionalism of teachers;
- Harness new information and communication technologies;
- Monitor progress towards EFA goals and strategies; and
- Build on existing mechanisms to accelerate progress.

Sources: Murata (2002), JICA (2002); Committee for International Cooperation in Education, MEXT (2002), with adjustments.

The task force submitted a report at the Kananaskis Summit the following year that called for a commitment from both developing and developed countries, along with evaluation and monitoring (Box 3-5).

Terrorist attacks in the U.S. in September 2001 and world affairs thereafter had an impact on educational cooperation as well. They emphasized the role of education in social cohesion and post-conflict peacebuilding.

It is clear that trends of international development policies have raised the awareness of how important education is in developing countries. Goals in the education sector and the policies and approaches to achieve them have been discussed, with an emphasis on the need for different choices in different countries and regions. At the same time, however, it has become abundantly clear that international agreements and common understanding of educational challenges do not immediately lead to the implementation of desired policies.

The Dakar Framework for Action and its follow-up activities advocate that developing countries prepare more decisive sector strategies and action plans to achieve priority objectives in education and that donors firmly support these plans. Although major donors have adopted a strategy to strengthen partnerships and implement the Dakar Framework for Action,<sup>10</sup> they still have major challenges in answering this question:

**Box 3-5. Main points of the report of the G8 Education Task Force at the Kananaskis Summit**

**Developing-country commitment**

- Political commitment is a prerequisite.
- Resource commitments must be adequate.
- National education plans must address issues of access, equity (especially for girls, AIDS-affected children, working children, children with disabilities, children affected by conflict and children in rural areas) and quality (with special attention to issues of dropout, teacher salaries, teacher training and the effect of HIV/AIDS).

**Developed-country response**

- Promote on-the-ground donor cooperation and sector-wide approaches.
- Recognize the high recurrent-cost component in basic education and unlock resources for EFA (support the Monterrey Consensus and the World Bank's Fast Track Initiative [FTI]).

**Better assessment and monitoring**

- A high-quality EFA monitoring report is essential.
- Continued efforts by the UNESCO Institute of Statistics and the World Bank and the need for cooperation among international organizations.
- Increased political support in developing countries and capacity building.

Sources: Committee for International Cooperation in Education, MEXT (2002), Reference 4. 2-2 "G8 Education Task Force Report."

10. An international strategy to operationalize the Dakar Framework for Action on EFA, April 2002.

What kinds of strategies should developing countries prepare and implement, and when they do so how much support can be gained from the international community?

### ***World Bank Education Sector Strategy***

The World Bank Education Sector Strategy (WBESS) was published in 1999 and has had a growing influence in the education sector (World Bank, 1999a-d). The Bank treats education ‘comprehensively’ and work ‘selectively’ depending on each country’s priorities. The Bank believes that there can be no single prescription for all countries about what needs to be done, given the huge differences in education and development needs. The WBESS is structured on three levels - country, regional, and global. The Bank has an overall strategy that includes global priorities and processes (the WBESS itself), 120 country action plans, and six regional sector strategies that bridge global strategic thinking and country action plans.

The global priorities, which reflect a commitment to international goals in education and a consensus on educational quality, are: (i) basic education (with a focus on the poor and girls), (ii) early interventions (early child development and school health), (iii) innovative delivery (distance education, use of new technologies), and (iv) system reform (standards, curriculum, and achievement assessment; governance and decentralization; providers and financiers outside of government). The WBESS commits Bank staff to work with clients in each country and do their best to take the necessary strategic steps. For that purpose, the strategy has five operating principles: (i) focus on the client; (ii) analyze comprehensively, act selectively; (iii) use knowledge well; (iv) concentrate on development impact; and (v) work with others in productive partnerships.

Kuroda (2001a) said the strategy was an improvement over an earlier work (World Bank, 1995) in that the WBESS did not treat the world as a single entity and it was not a discussion of policy priorities based solely on economic analyses. The WBESS has been criticized, however, as full of pretty rhetoric with no meaningful policy analyses (Klees, 2002). It is a fairly generic document.

Sector strategies began as a complement to Country Assistance Strategies (CAS). While a CAS provides cross-sector analyses of a country, a sector strategy was intended to provide an approach to determine the Bank’s

cross-country and cross-regional priorities and directions.<sup>11</sup>

### **Preparation Process and Final Product of WBESS**

A new mechanism called the Education Sector Network was introduced as part of the Bank's organizational reform and a position of Sector Manager/Leader in education was created in each regional department. Sector Managers/Leaders were expected to manage education-related activities in each regional department, encourage the preparation of country action plans, and formulate a regional strategy as their summary. In addition, facilitation of the process and coordination were entrusted to a section called an educational Network Center which was responsible for keeping track of all regions. A bottom-up approach was not carried through because it was necessary to summarize various themes into one vision in order to meet the demands of top management, and as a result chapters on policy priorities and operating principles were later added to the draft WBESS (World Bank, 2002a, p.430).

Specific actions for global priorities and operating principles, which are the two strategic pillars of WBESS, were summarized as an execution plan in a matrix, and were intended to be monitored quarterly by senior managers.

For global priorities the strategy paper indicated target countries but did not specify the processes of the actions and how their outcome should be reflected in country operations because these activities were non-lending operations implemented mainly by outside partners and the Bank's Network Centers. For example, for 'basic education for girls' the WBESS planned activities focused on 31 target countries with UNICEF, the British Department for International Development (DFID), and the Rockefeller Foundation as partners, but their stated outcome indicator was abstract: "Movement towards EFA/DAC goals for girls in 31 target countries." Specific operational plans were entrusted to the management of regional departments, country/education teams, and other departments in charge of research and assessment activities.

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11. In more practical terms, the purpose of a sector strategy is to give a larger voice to the education sector in the organizational management of the Bank and to improve operations both in terms of quality and quantity. Concrete examples include an effort to improve the relationship in regional departments between the education sector team and the country team that is mostly economists, to increase the level of expertise of staff involved in operations in the education sector, and to improve the quality of products from the viewpoint of sector experts.

Perhaps lending plans were never intended to be included in the WBESS. It is also possible that they couldn't wait for all country sector analyses and action plans to be completed because the original preparation process was changed mid-course, which may have led to a lack of specificity. However, even if we treat the WBESS as a guideline to improve operations intended for regional and country education teams, the lack of concrete proposals may have reduced its ability to be implemented. If the process intended by the Network and the country- and region-centered orientation had been carried through, what would have been the final outcome of the WBESS? For example, would it have contained more extensive country, cross-country, and cross-regional education sector analyses? Would it have contained country action plans based on these analyses and proposed more concrete education sector strategies for each region and for the Bank as a whole? Ultimately, given the finite resources such as time, budget, and skills of the donor and partner country, this kind of strategy paper may be simply impossible to complete within a fixed period.

There were wide disparities in the time it took to complete the final Regional Education Strategies (RES) - the East Asia and the Pacific department published its RES in June 1998, with Sub-Saharan Africa publishing in 2001. There is no published RES for South Asia. The RES for Latin America and the Caribbean and East Europe and Central Asia are centered on sector analyses while the RES for East Asia and the Pacific is focused on the Bank's internal operations. The RES for Sub-Saharan Africa and Middle East and North Africa are somewhere in the middle. No RES, however, contains concrete plans for lending operations as was the case with the WBESS. Some RES recognize common policy challenges and propose improved quality of operations but do not offer specific information about what kinds of lending and non-lending operations are planned for which countries in the region for the next few years. This suggests, as was the case with the WBESS, the authors of RES intended them as a tool to confirm basic policies and operational principles with country teams and left implementation matters to country action plans and country strategies.

## **Strategy Implementation**

### *Overall Progress (since July, 1999)*

There was progress in establishing the Education Sector Network, a system to connect education-related staff in the regional and other departments, during the implementation period of the WBESS. Actions taken include

level assessments of education staff who belong to the Network<sup>12</sup> by the Sector Board,<sup>13</sup> training led by the Network Center, promotion of information and data sharing, and priority studies. Assessments included education staff that belong to the by the training led by the Network Center, promotion of information and data sharing, and priority studies.

Questions remained about the role and effectiveness of the Center, especially with its lack of budget and stability. For example, the appropriateness of the Center's staff and research themes has been questioned (Mundy, 2002, p. 499). In 2002 a new Network chairperson led a reform of the Center and various organizational reforms also took place in regional departments, but there remains a system in which there are Sector Leaders in each regional department and corresponding representatives on the Sector Board. Looking at the organization of the entire World Bank, the representative of the Human Development Sector joined the ranks of senior management in 2000.<sup>14</sup> This may help the Education Sector Network to expand its influence in the Bank's development strategies and their implementation.<sup>15</sup>

The Bank has maintained its priority on education, especially basic education, in its overall development strategy. The FTI, which began as a follow-up activity for the Dakar Conference, is a reflection of the Bank's special emphasis on primary education within the education sector. In addition, the PRSP Source Book, prepared as a reference for those who prepare Poverty Reduction Strategy Papers, also focuses on policy analyses in basic and primary education and their typical approaches within the education sector (Aoki et al., 2001). Experts on higher education from all regions prepared a comprehensive report on higher education in 2001 (World Bank, 2002a), but it was not positioned as a global sub-sector strategy for the Bank.

When we look at improvements in the volume and quality of Bank operations, there has been no marked increase in operational volume. There are several reasons (Human Development network, 2002a, p. 436). In some cases, increased efforts to improve the quality of project preparation and

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12. According to the Bank, about 250 staffs registered the education sector as their first network as of July 2000. (Mundy 2002, p.500)

13. The Board consists of the chairperson of the network and representatives of regional departments, among others.

14. There were four Managing Directors in the entire Bank as of May 2000.

15. As far as the author is aware, there are no monitoring reports or other documents that have been published with regard to the two implementation plans. Also, Human Development Network (2002a) mentions the progress of the Bank's loan amounts and new efforts for Dakar but does not contain direct evaluations of the implementation plans.

supervision (there have been marked improvements in this area according to the QAG)<sup>16</sup> slowed the volume increase.<sup>17</sup> Other reasons include the increased number of small-scale, innovative projects, political changes, and fiscal crises in Latin America and East Asia. Fiscal years 2002 and 2003 showed improvements (the total amount of new loans in 2003 was US\$ 2.3 billion and 44 percent of it was IDA credits). Suggested reasons for this include stronger global commitment for the MDGs, adoption of more PRSPs that position education as the pillar of national development, and advancement of debt relief based on the Heavily Indebted Poor Country (HIPC) initiative (World Bank, 2002b). One of the remaining questions is how much of the effort to achieve the EFA goals by way of the FTI will translate into actual resource allocations.

### *The Case of Yemen*

In Yemen, a partner country of the Middle East and North Africa department, an Education Public Expenditure Review was conducted as part of the multi-sector Public Expenditure Review (PER) around June 1998 when the draft RES was completed. The analyses and policy proposals in the PER were discussed and agreed upon by the Bank's education team and high-ranking officials of Yemen's Education Ministry, and were later approved by the Bank's country managers in charge of all sectors. At the beginning of 1999, the Sector Leader of the Middle East and North Africa department and others prepared the Yemen Education Sector Assistance Strategy (YESAS). After meetings with the Education Ministry officials and discussions at a donor meeting, the government reached an agreement with the Bank on the YESAS. The CAS for Yemen, prepared in 1999 (CAS99), stated that the proposed lending program for the education sector was based on a strong consensus for the sector strategy with the Education Ministry, and that the Bank intended to conduct strategy implementation reviews as a non-lending operation and issue early warnings on problems when they are found.<sup>18</sup> Also, the YESAS contained a concrete schedule of new loans and

16. QAG stands for the Quality Assurance Group. Established in 1997 for monitoring purposes, the QAG promotes qualitative improvements of projects and sector studies by having sector experts evaluate them in a four-grade scale, among others.

17. For example, if the quality does not reach a certain level, they can delay loans by not allowing appraisals of new projects.

18. World Bank (1999e) pp.16-17. The YESAS had some influence on loan proposals. For example, its emphasis on the high priority of basic education and on strengthening project ownership by the Education Ministry were prominently reflected in the design of the Basic Education Expansion Project. For details, see Yuki (2002: pp.230-239).

non-lending operations for the next three years that was consistent with the CAS99 in addition to a schedule for supervision of ongoing projects.<sup>19</sup> Moreover, it mentioned assistance programs that were multi-sector in nature but were deemed to have a significant influence on implementation of the education sector strategy, such as the Public Sector Management Adjustment Project (World Bank, 1999d, pp. 15-18).

What results were achieved by the operational plan proposed in the CAS99 and YESAS? According to a new CAS completed in August 2002, the “[e]ducation efforts went better than expected” (World Bank, 2002c). Unfortunately, the CAS02 does not elaborate on why implementation in the education sector progressed better than other sectors. Possible reasons include differences in consensus with the government, the quality of strategies, or activities employed to follow-up strategy implementation. The CAS02 revealed that despite a plan in the CAS99 to perform a strategy implementation review every year for the three sectors of education, health, and agriculture, only the education sector was reviewed in 2001.<sup>20</sup> This might be an indication that the education sector did or could place a stronger emphasis on follow-up activities. Considering the extremely limited budget for the sector, however, it is doubtful whether the quality of analyses was satisfactory. In fact, the CAS02 believes the CAS99 provided few non-lending operations in the form of analyses and advisory services in general, regardless of the sector. The CAS02 aims to expand this area and provides a specific budget in addition to titles of individual studies.

### Lessons Learned

Based on the foregoing review of the Bank’s education sector strategy, there are three lessons for future donor strategies in the sector (including an aid strategy for the achievement of EFA).

- First, recognize beforehand that there are limits in sector assistance strategies for multiple countries, and emphasize an appropriate allocation of organizational resources (budget, human resources, information, etc.) for drafting country-specific sector assistance strategies and action plans.
- Second, form a team of experts who are familiar with international

19. To be precise, the YESAS contains the schedule for four years including FY99, but FY99 had already ended before the paper was completed.

20. Compare World Bank (1999e) Annex B3: Base Case Non-Lending Services and World Bank (2002c) Annex B4: Summary of Non-Lending Service.

issues in the education sector and who have the ability to build a strong consensus with the government and other donors on a macro-level (and multi-sector) policies that can help form country-specific sector assistance strategies and action plans. Also, allowing the team to be continuously involved in implementation of these strategies can improve aid effectiveness.

- Third, sector assistance strategies for multiple countries accompanied by the donor's organizational reforms can help strengthen ties among the relevant actors within the organization. However, attention needs to be paid to the balance between sector strategies and country operations when allocating limited organizational resources.

## ***Japan's International Cooperation Policy in the Education Sector***

### **Prior to 1990**

Until the 1990 Jomtien Conference, Japan's international cooperation in the education sector centered on higher education and vocational training. There were some exceptions that had a certain level of success, including dispatch of secondary school science and math teachers through Japan Overseas Cooperation Volunteers (JOCV) and the (former) Ministry of Education's assistance in primary and literacy education through UNESCO. For example, activities of the Asia/Pacific Cultural Centre for UNESCO (ACCU) represent a pinnacle of Japan's official cooperation in basic education. However, most of Japan's educational development assistance took the form of accepting foreign students and trainees, sending experts to universities and vocational training schools, and providing materials and equipment. Assistance through the Japan International Cooperation Agency (JICA) such as long-term partnerships with King Mongkut's University of Technology Thunbun in Thailand and Jomo Kenyatta University of Agriculture and Technology in Kenya were known as exemplary educational cooperation projects. There are several reasons why Japan's educational assistance was mainly in higher education and vocational training until 1990. First, basic education did not fit with the overall tendency of Japanese international cooperation to emphasize economic infrastructure projects. Second, the Japanese had a shared belief that basic education is such an essential foundation for a nation's development that it is not suitable for foreign assistance that may introduce outside influences. Third, Japan's history of forcing Japanese style and language education in its colonies and occupied terri-

tories before and during World War II associated these mistakes with foreign assistance in primary and secondary education.

### After 1990

When the 1990 Jomtien Conference defined the achievement of EFA as a common goal of the international community, Japanese officials began discussions to expand assistance in basic education.

Immediately following the Jomtien Conference in 1990, JICA established the Investigative Commission on Educational Assistance with cooperation from the Foreign and Education ministries. In 1992 the Aid Study Committee on Development and Education was established, and its report was published in 1994. Since then, JICA has continued its research aimed at expanding Japan's international cooperation in the education sector, publishing *Report of the Task Force for Expansion of Educational Assistance* in 1994, *Development Studies Implementation Guidelines in the Education Sector* and *Study on Educational Assistance* in 1997, and *Approaches for Systematic Planning of Development Projects-Basic Education* in 2001 (Box 3-6). The study on educational assistance proposed a distinctive direction for Japan's cooperation in the sector and has had a large impact on JICA's operations since then (Box 3-7).

#### Box 3-6. Proposals by JICA's Aid Study Committee on Development and Education

- Increase educational assistance including vocational training to 15% of overall ODA.
- Give basic education the highest priority as the essential foundation for development.
- Provide assistance to areas where it is most needed after assessing the balance of educational development stages.

Source: JICA (1994)

#### Box 3-7. JICA's Study on Educational Assistance

- Shift from higher education and vocational training towards basic education
- Shift from "hardware" to "software"
- Shift from Asia to Africa

Source: JICA (1997)

The Ministry of Foreign Affairs revealed an increasing emphasis on human resource development, especially basic education, through preparation of the ODA Charter (1992), the Fifth Medium-Term Target of Official Development Assistance (1993), and the Medium-Term Policy on Official Development Assistance (1999). It was against such a backdrop that the Ministry led the Basic Education for Growth Initiative (BEGIN) announced

in 2002.

The Ministry of Education (which has since been renamed the Ministry of Education, Culture, Sports, Science and Technology or MEXT) organized conferences on international educational cooperation in 1995, 2000, and 2002 to build its support system in this area. Based on recommendations from the Committee for International Cooperation in Education (2002), the Ministry established Centers for the Study of International Cooperation in Education (CICE) in Hiroshima University and Tsukuba University, and Research Centers for International Cooperation in Education in Nagoya University, Tokyo University, and Toyohashi University of Technology to promote international cooperation in higher education in agriculture and law (Nagoya), medicine (Tokyo), and engineering (Toyohashi).

### **International Cooperation Policy in the Education Sector in 2002**

More recent trends in Japan's policy in the education sector are based on two policy documents published in 2002 - the Basic Education for Growth Initiative (BEGIN) from the Ministry of Foreign Affairs, and the Report of the Second Committee for International Cooperation in Education from MEXT.

Both policy documents show a strong awareness of the Dakar Framework for Action. The contents of the two documents are quite different, and although they do not contradict each other, the documents also show the different positions of the two ministries. The BEGIN is a policy document designed to appeal to the international community and is focused on the accommodation of international trends in aid and Japan's ODA philosophies. The second report is designed for a domestic audience and is intended to build domestic support for international cooperation in the education sector.

As a guideline for Japan's policy in the education sector, the BEGIN is well balanced between domestic resources and discussions and international demands and trends. Building on Prime Minister Koizumi's 'spirit of 100 bales of rice' as a basic philosophy, it offers unique aid principles, including self-help efforts and recognition of cultural diversity.

The BEGIN was designed to balance access with quality in priority areas, alternately incorporating international priorities such as girls' education and ICTs, and areas where Japan is strong such as school construction and math/science education. The BEGIN is a policy document that aims to

strike a balance between adapting to changes in international aid trends and stressing Japan's unique approaches to educational assistance (Box 3-8).

**Box 3-8. Summary of the Basic Education for Growth Initiative (BEGIN)**

Along with this initiative, the Japanese government announced its plan to provide more than 250 billion yen in ODA for the education sector over the next five years in order to support lower income countries that were having difficulty achieving the goals of the Dakar Framework for Action.

**Basic Philosophy**

- Emphasize a commitment by the governments of developing countries and support of ownership
- Recognize cultural diversity and promotion of mutual understanding
- Assistance based on collaboration and cooperation with the international community (partnerships)
- Promote community involvement and use of local resources
- Links with other development sectors
- Use of Japan's experience in education

**Priority Areas**

*Assistance to ensure access to education*

- Construction of school buildings and related facilities
- Assistance to eliminate gender disparities (girls' education)
- Assistance for non-formal education (promotion of literacy education)
- Active use of information and communication technology (ICT)

*Assistance to improve quality of education*

- Science and mathematics education
- Teacher training
- Improve school administration and operation

*Improved education management*

- Support to create education policies and education development plans
- Help improve educational administration system

**New Efforts by Japan**

*Use of in-service teachers and establishment of 'cooperation bases'*

*Promotion of wide-ranging collaboration with international frameworks*

- Support to UNESCO
  - Support to UNICEF
  - Consideration for World Bank's Fast Track Initiative
  - Participation in the Association for the Development of Education in Africa (ADEA)
- Support for education for post-conflict nation-building*

The final report of the Committee for International Cooperation in Education was written mainly as a proposal for building domestic support systems based on thorough research of Japan's resources for international education assistance. To respond to the Dakar Framework for Action, the report distinguishes areas in which Japan has a wealth of experience and achievements and recommends building 'cooperation bases' to promote cooperation in both categories. As with the BEGIN, the report considers international trends such as collaboration with international organizations

and post-conflict nation building, but the overall recommendations are related to domestic resource mobilization such as use of in-service teachers, community involvement, and promotion of international development cooperation in universities. Preparation of this policy document involved not only the ODA implementing agencies such as JICA and Japan Bank for International Cooperation but also prefect boards of education, universities, consulting companies, and numerous surveys and hearings. In bilateral donor countries, it is rare to see a ministry in charge of domestic education play a significant role in forming ODA policies in the education sector. The effort of MEXT to use its distinguished expertise for international cooperation is commendable.

A unique aspect of this committee was that it had specific discussions on how to use universities under the authority of MEXT for international cooperation. These discussions were not limited to the education sector but encompassed international cooperation in general. Considering the program to reorganize national universities into independent administrative institutions, the committee's discussions centered on shifting Japanese international cooperation systems of universities from 'no pay, no accountability' to 'with pay, with accountability'.

**Box 3-9. Summary of the Second Committee for International Cooperation in Education, the Ministry of Education, Culture, Sports, Science and Technology**

**Japan's Response to the Dakar Framework for Action**

- Emphasize cooperation in primary and secondary education
- Promote international educational cooperation using Japan's experience
- Share and communicate knowledge in areas in which Japan has more cooperation experience
- More provision of information and dialogue in areas in which Japan has less cooperation experience
- Use Japan's experience in education through collaboration with international organizations
- Promote cooperation that shows the 'heart of the Japanese' by using in-service teachers
- Cooperation bases' for stronger cooperation in primary and secondary education
- Share cooperation experience to expand Japan's main education cooperation areas
- Support in-service teachers (communication of shared cooperation experience)
- Support to promote the use of areas with less cooperation experience
- Expand international educational cooperation in post-conflict nation building
- Expand international educational cooperation with an emphasis on community involvement

**Promote international development cooperation in universities**

- Shift from cooperation by individual faculty members to cooperation by universities
- Respond to restraining factors and issues of international educational cooperation by Japanese universities
- Establish support centers to promote international development cooperation in universities
- Establish an international development strategy research center

## ***Issues with International Cooperation Policy in the Education Sector***

There have been significant developments in Japan's international cooperation in the education sector in recent years. This concluding section builds on the discussions above and examines issues relevant to the outlook for Japan's educational development cooperation policies.

### **Insufficient Quantity and Quality**

The biggest challenge is that international cooperation in the education sector is still insufficient both in terms of quantity and quality. Efforts are needed to improve related policies.

- Japan's educational cooperation has historically accounted for about 5 to 9 percent of total ODA, far below the target of 15 percent proposed by JICA's Aid Study Committee on Development and Education. Despite the stronger policy emphasis placed on the sector throughout the 1990s, actual expenditures have not increased accordingly.
- In order to use limited ODA funds effectively and increase the effectiveness of Japan's educational cooperation, loan assistance should be added to the traditional grant aid and technical cooperation. It is important to realize an organic collaboration between loan assistance and other forms of aid based on a results-oriented perspective.
- The policy goal to 'emphasize basic education' that was agreed upon in the early 1990s has not been achieved: JICA's aid in 1999 for preschool, primary, secondary, and non-formal education was only 25 percent of the education sector total, far below the 59 percent for higher education, vocational training, and industrial technology education.<sup>21</sup> The number of JICA's basic education projects increased tremendously throughout the 1990s, but Japan's educational cooperation is still centered on higher education and vocational training. More efforts to create projects to improve policies are needed.
- Formal education is important for economic development, but it is not the only condition necessary for economic development. From the standpoint that education in a broader sense is essential for effective poverty reduction, it is also important to reexamine the role of non-formal education (NFE) - the role of literacy education and practical voca-

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21. Murata (2001). Other categories are: education administration 9%; secondary technical education 3%; other 4%. All figures are taken from Murata (2001).

tional training targeting the less educated - that has not been considered as a central agenda for traditional research and education policies. Support for NFE is highly significant for poverty reduction. The United Nations designated the decade beginning in 2003 as the International Literacy Decade.

### **Institution Building**

There is a need for institution building so that Japan can be actively involved in the trend of international aid in the education sector.

- The BEGIN says that the government will accommodate the sector-wide approach for collaboration and coordination with the international community, but in reality, there are many instances where Japan is clearly unable to respond to donor modalities in sector programs that are rapidly becoming popular in sub-Saharan Africa and other regions. There is a concern that this kind of policy statement may turn out to be ‘pie in the sky’.
- Education is a priority sector in many countries in which the Poverty Reduction Strategy Paper (PRSP) and sector programs are promoted. In order to expand educational cooperation in these countries, we need to build a system that allows Japan to respond to the standardization of aid modalities. As stated in both policy documents, Japan needs to try to conform to the donor coordination framework, especially to actively engage in educational cooperation for the target countries of the World Bank’s Fast Track Initiative.
- We propose two institution-building measures to grasp the overall picture of Japan’s ODA in the education sector and to be actively involved in the donor coordination framework: (i) create a system to collect and share comprehensive country information in a timely manner, and at the same time, (ii) build a capacity for individual research that responds to the domestic and international environment of each ODA priority country so as to prepare country-specific educational assistance plans, and link them with implementation and follow-up systems.

### **Promote Domestic Educational Research**

As part of the domestic institution building for effective cooperation in the education sector, there is a need to promote domestic academic research on educational development and cooperation, and a need for more efforts to accumulate and use intellectual information and human resources.

- As BEGIN points out, girls' education, education policy, and educational assistance in post-conflict nation building are certainly potential areas in which Japan may have a comparative advantage as a peace-loving, non-Western nation that has traveled a unique path of development. However, even in these important areas, there has not been much development of domestic resources or system building that would lead to effective cooperation that is responsive to local needs. Although we are seeing rapid progress in research and human resource development in these areas, an appropriate official support system should be strengthened. This is especially important because competent private-sector consultants determine the success of cooperation in the education sector.
- It is important to establish a knowledge management network that accumulates the knowledge on educational development to be used by related professionals. JICA launched the Education Issue-Specific Team in January, 2002 and this energetic team is expanding its activities. There is a need for such a movement to lead the formation of a nationwide network that involves related ministries, JBIC, development consultants, and universities.

### **Reform Educational Cooperation Schemes**

There is an urgent need to reform existing educational cooperation schemes, especially in the policy arena, to improve the effectiveness and efficiency of educational cooperation.

- School construction by general grant aid was an important component of the progress of educational cooperation during the 1990s. Also, "construction of school buildings and related facilities serving various needs" is considered a priority area in the BEGIN. However, school construction by Japan's general grant aid is receiving harsh criticism from the World Bank, OECD, and other international actors due to its high unit cost and lack of local participation. Japan does not have sufficient comparative advantage to declare it as its priority area. Very few bilateral donors are involved in school construction, so there is a potential for this area, if done properly, to become a unique contribution that Japan can be proud of. Significant efforts have been made to respond to the criticism, but it is now clear that fundamental reform is impossible unless restrictions on the scheme are removed at the policy level.
- These issues inherent in Japanese aid schemes have become a fatal restriction in countries where sector programs are advancing. In this

sense, recent diversification of educational cooperation schemes including Development Studies, Development Partnership Programs, Development Welfare Assistance, and technical cooperation projects with public participation should be welcomed. Ultimately, however, there is a strong need to build a framework that can remove restrictions imposed on various schemes, collaborate with other donors, and meet the individual needs of developing countries in a flexible manner.

### **Diverse Cooperation Areas**

It is important to build a flexible system for educational cooperation through diversified cooperation areas.

- After a period of trial and error, Japan's technical cooperation in science and math education and development studies focused on improving education policies is now appreciated by recipient developing countries, and is emerging as forms of cooperation that Japan can promote internationally. To overcome restrictions on domestic resources and meet the diverse needs of developing countries, however, it is also important to develop other areas of strength.
- The areas currently being considered include girls' education, education for children with disabilities, health education, and environmental education. The MEXT is trying to support these areas with budgetary and other measures. There is no other way to build a full-fledged support structure than to strengthen domestic institutions at the same time through the formation and implementation of projects. What is desirable for this purpose is close collaboration between the implementing agencies and other cooperating organizations, including universities, NGOs, and development consultants as well as steady, on-the-ground efforts in project formation.
- It is important to systematize Japan's experience in educational development and selectively using the knowledge base to formulate and identify projects that are appropriate for the recipient country.
- More fundamentally, it would also be meaningful to systematize the vast numbers of studies on existing policy interventions that have been discussed to promote development of the education sector, and through this effort attempt to diversify policy tools that will make Japan's assistance more flexible and responsive to the conditions of recipient countries.

### Focus on the Recipient Country

We need to reconfirm that the starting point for educational cooperation is the need of the developing country, before looking for ways to use Japan's experience.

- Before the international community began to emphasize 'ownership', Japan called it 'self-help effort' and defined its importance as the core principle of foreign aid. Before the 1990s, there was a strong belief in Japan that caution and prudence were needed for foreign interference in education because education is the fundamental basis of national culture.
- Recent policy documents often lack sufficient consideration for the needs of developing countries and self-help efforts and ownership. These new documents tend to emphasize 'the heart of the Japanese' and 'Japan's experience in education', suggesting a merger of cultural policy and educational cooperation that Japan has traditionally avoided. This is probably in the same vein as the increasingly active discussions of 'aid with a human face', 'aid with popular participation,' and 'aid in the national interests' in the context of overall policy for Japan's ODA. Educational cooperation by nature, of course, has an element of cultural exchange and Japan's educational cooperation should be conducted in areas where Japan has competitive advantage. As long as Japan's educational cooperation is financed by taxpayer money as part of public policy, obviously it should be evaluated and managed based on various criteria.
- However, if international cooperation supports social development in developing countries, the starting point must be a reflection of their needs and support for their ownership. In this cultural issue of education in developing countries, Japan is a donor with a unique, non-Western standpoint. We strongly hope that Japan will cherish its cultural sensitivity and self-help efforts as it always has while advancing international cooperation for educational development that is inspired by developing countries. Systematizing and using Japan's experience in educational development based on these premises will have significant meaning in proposing non-singular, multi-track, and diverse ways of educational development to the international community.

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## International Assistance in the Health Care Sector

### Masanori Kondo

International health care assistance has taken on increasing importance in recent years. In September 2000, the United Nations General Assembly adopted the Millennium Development Goals (MDGs) with support from 149 heads of state. Among the eight goals, three are directly related to health care, hence improving health care in developing countries is essential to achieve the MDGs.

Health care in developing countries is far from satisfactory but there has been some progress - from 1978 to 1998 the average life expectancy in the world increased from 61 to 66 years, the infant mortality rate declined from 87 to 57 per 1,000 live births, and the under-five mortality rate dropped from 124 to 83 per 1,000 live births. There is, however, still a gap of 14 years in life expectancy at birth between developed and developing countries. New and re-emerging infectious diseases such as HIV/AIDS and tuberculosis (TB) are an international problem.

About one-half of deaths caused by infectious diseases are attributed to three major illnesses: AIDS, malaria, and TB. Of the 300 million patients, 5 million die every year from these diseases, for which no effective vaccines have been developed. These diseases not only cause human suffering but also affect regional economies. According to one estimate, the Gross Domestic Product (GDP) of African countries would have increased by more than US\$ 100 billion if malaria had been eradicated on the continent. It is also estimated that an HIV infection rate of 20 percent among an adult population leads to a 1 percent annual reduction of GDP.

To cope with infectious diseases, existing resources need to be used effectively. The international community made a commitment to reduce the number of TB and malaria patients by 50 percent and HIV infections by 25 percent. These three diseases were discussed at the Kyushu-Okinawa Summit in July 2000, and President Bush of the United States announced a plan to provide US\$ 200 million in related assistance. In addition to securing necessary official funds, however, technical cooperation including the development of vaccines and drugs is essential. Cooperation among public

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Kondo is associate professor, International Christian University. This paper was written in July 2003.

agencies, private companies, and NGOs is also necessary.

This paper first describes international trends in the health care sector, followed by an analysis of the strategies and activities employed by multi-lateral and bilateral donors. Next, we describe donor efforts against malaria and HIV/AIDS, and conclude with a recommendation on the role to be played by Japan and the international community.

## ***Emphasis on the Health Care Sector***

### **Alma-Ata Declaration**

In September 1978, the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF) co-hosted the International Conference on Primary Health Care in Alma-Ata (currently known as Almaty) in the Republic of Kazakhstan. Representatives of 143 governments and 67 organizations attended this conference and adopted the Alma-Ata Declaration, which later became the reference point for the principles and policies dealing with health care in developing countries. The Declaration noted the inequality in health status of people in developed and developing countries, as well as the political, social, and economic inequality in each country, and also noted that political and economic stability and self-reliance for residents are essential to attain good health.

The Primary Health Care (PHC) advocated in Alma-Ata was defined as "essential health care based on practical, scientifically sound, and socially acceptable methods and technology made universally accessible to individuals and families in the community through their full participation and at a cost that the community and country can afford to maintain at every stage of their development." To improve PHC, the Declaration proposed an approach based on four principles - community participation, appropriate technology, maximum use of local resources, and cross-sector coordination. In practical terms, implementation goals included "education concerning prevailing health problems and the methods of preventing and controlling them; promotion of food supply and proper nutrition; an adequate supply of safe water and basic sanitation; maternal and child health care, including family planning; immunization against the major infectious diseases; prevention and control of locally endemic diseases; appropriate treatment of common diseases and injuries; and provision of essential drugs." This general policy that covered all angles was later called 'comprehensive PHC' and was criticized as too ambitious and unrealistic. In response to this criticism, the concept of 'selective PHC' was proposed, which suggests that stakehold-

ers should select high-priority disease control measures and implement individual programs vertically. UNICEF and the United States adopted this concept. As a result, the initial objective of improving the health status of entire communities was obscured.

### **Bamako Initiative**

After the Alma-Ata Declaration, in 1981 the World Health Assembly (of WHO) established a goal of Health for All by the Year 2000 (HFA) and declared that the strategy for its achievement would be based on PHC. Prevention rather than treatment and community-based health management rather than doctor medical practices in hospitals would be emphasized. Thus the idea of Community-Based Health Care (CBHC) was born. Based on this concept, community health workers and community health promoters were selected in each community in an effort to identify and meet the particular community's needs.

The oil shock and ensuing recession pushed developed countries toward political conservatism. Assistance for the health care sector was reduced throughout the 1980s. The accumulated debt of Latin American and African countries turned into crises, and the acceptance of structural adjustment policies thereafter significantly reduced government budget allocations for health care and education. The focus shifted to cost-effectiveness and the voice of the people who most needed aid was once again obscured. Even under such adverse circumstances, community-based health care, which can be improved with little cost, spread slowly in many communities.

Against this background, the African nations, WHO, and UNICEF hosted a conference in 1987 in Bamako, Mali and launched the Bamako Initiative. This initiative acted as a launching pad for a new form of health services in which local residents manage public shelters and the beneficiaries share drug costs. The idea was to enable joint management by the community and cost recovery from beneficiary payments so that essential drugs can be supplied to those who need them. UNICEF encouraged village health centers that embraced the beneficiary-payment principle, a core concept of the Bamako Initiative. This concept was popular among the U.S. and other donors who supported structural adjustments in developing countries.

This effort, however, was not entirely successful. According to this concept, poor people will pay for drugs no matter how difficult it is so that medical facilities with an inadequate supply of drugs will have some revenue even if health care budgets are reduced due to structural adjustments.

But this fails to give sufficient consideration to the people who do not have money, no matter how much they want to buy drugs.<sup>1</sup>

### **Sector Reform, Children, and Women**

During the 1990s, the central challenge of international assistance in the health care sector shifted to sector reform and capacity-building to make governments more self-reliant. This led to a major shift in emphasis from disease control and promotion of PHC through support for health service programs to construction of entire health care systems and capacity-building for governments. Common interests of donors included reform of entire administrative and fiscal systems in developing countries, decentralization, introduction of beneficiary payments and health insurance, and involvement of the private sector (IDC, 1999).

There was another trend. Based on recognition that past assistance focusing on economic development did not necessarily help raise living standards of the poorest people, the aid community began to focus on provision of minimum necessities for survival such as food, shelter, and clothing as well as safe drinking water, sanitation, health care, and education for children and women who are socially vulnerable. In 1993, UNICEF put the Convention on Rights of the Child into effect and formed an international consensus that all children have a right to Basic Human Needs (BHN). Moreover, the International Conference on Population and Development (Cairo, 1994) and the World Conference on Women (Beijing, 1995) emphasized reproductive rights and reconfirmed the choice and rights of women to bear children. This field used to be characterized by such ideas as 'control from above' and 'keeping the population down', but new perspectives such as individual choice and women's health were introduced. After this conference, reproductive health of unwed young people also became a legitimate topic in this field where the sole concern used to be married couples. Furthermore, the World Summit for Social Development, held the same year in Copenhagen, emphasized consideration for children and women's health care in a larger framework that encompassed poverty and urbanization. In 1996, the New Development Strategy of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Develop-

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1. In Kenya, for example, introduction of user fees in Sexually Transmitted Diseases (STD) centers led to a steep decline in the number of outpatients and an increase in the number of untreated STD patients. Recently, however, the concept of payment by beneficiaries seems to be regaining support among donors.

ment (OECD) confirmed the importance of children and women as the central stakeholders in development.

### **MDGs and Challenges Ahead**

The International Development Targets (IDTs), defined by the DAC in 1996, included numerical targets in the areas of poverty, education, gender, mortality rate, health care, and the environment. We can see that health care was already emphasized in the arena of international assistance. Among the 11 targets of MDGs 1 to 7<sup>2</sup>, which have roots in the IDTs, four are related to the health care sector:

- Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.
- Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.
- Have halted by 2015 and have begun to reverse the spread of HIV/AIDS.
- Have halted by 2015 and have begun to reverse the incidence of malaria and other major diseases.

The health care sector is recognized as essential to achieve the MDGs, one of the largest areas of concern for the donor community.<sup>3</sup> The shift in emphasis from individual projects to sector reform has since become a general trend in development assistance as well as in health care. From this perspective, in the near future policy coordination among donors and establishing ownership by governments of recipient countries will be especially important. These are the remaining challenges for Japan and other donors.

Educational assistance is essential in the health care sector. Many donors now provide assistance to the education sector for HIV/AIDS prevention and other health-related issues. While diffusion of knowledge is important, many efforts seem to go no further than acquiring knowledge. Turning knowledge into action is an important challenge in education, especially in health education. It is important for future assistance not only to spread knowledge but also to encourage changes in behavior.

Finally, we need to touch on the issue of 'vertical' and 'horizontal'

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2. Goal 8, "Develop a Global Partnership for Development" is set primarily for developed countries to work toward and complement the other seven goals.

3. However, there is no indication that the impact of the MDGs caused more financial aid to flow to the health care sector from the World Bank. Measures against infectious diseases seemed to have had a larger impact.

approaches in the health care sector. If we call disease-specific approaches 'vertical' and sector-wide approaches including community-based PHC 'horizontal', then the latter in which entire communities tackled health-related issues predominated for a period after the Alma-Ata Declaration. Today, we are witnessing a shift towards vertical policies that are easier to implement and produce larger impacts. For example, WHO is highly respected because it has attained concrete achievements, including eradication of smallpox. WHO scored big points with its disease control measures in recent SARS outbreaks. Nevertheless, education that empowers people, community-based health care activities and other horizontal policies are also important to overcome HIV/AIDS and other diseases that cannot be solved by immunization based on today's medical science. The aid community is now aware of the importance of education and empowerment, but projects that fully incorporate these elements tend to be overshadowed by other, more 'efficient' projects. For this reason, organizations that should be the 'voice' of the health care sector need to promote education and community-based initiatives more aggressively. From now on, we should pursue policies that include community-based NGOs as stakeholders and incorporate both vertical and horizontal approaches.

## ***Activities of Multilateral Donors***

### **Initiatives of International Organizations**

WHO has generally been the central force promoting international cooperation in health care, and its functions and importance remain unchanged. However, international financial institutions with more abundant financial resources such as the World Bank are increasingly involved in health care-related projects from the viewpoint of human development, and more diverse donors are also now involved in the health care sector (Japan Association for International Health, 2001).

Against this background, the United Nations established the Task Force on Basic Social Services for All in October 1995 to help coordinate the response of the UN system to the recommendations of UN conferences and summits. The aim was to strengthen the capacity of the UN system to provide appropriate support at the country and regional levels and to identify priority and focus areas. The Task Force examined six focus areas - population (mainly reproductive health and family planning), PHC, nutrition, basic education, drinking water and sanitation, and shelter. The primary members of the Task Force are WHO, UNICEF, and the World Bank. Initiatives from

international organizations in this area have so far taken many forms based on the foundation of the 1978 Alma-Ata Declaration. At this point, cooperation among organizations in the effort to solve global health care problems is paramount.

### **World Health Organization (WHO)**

The primary function of WHO is to coordinate and manage organizations, research, and activities related to international health. Its objective is to prepare proposals and suggestions for international conventions, agreements, and rules that promote partnerships. In its immunization expansion program, for example, WHO has a partnership with UNICEF, which supplies vaccines and other necessary goods and equipment. Another important function of WHO is research and studies on international health. It is waging campaigns against various illnesses while at the same time promoting primary health.

One of the most often mentioned success stories of WHO is its smallpox eradication program. In 1980, eradication of smallpox was declared by the World Health Assembly in Geneva. The success of this program was above all due to cooperation between donors and developing countries, but the partnerships were promoted by WHO. It received high marks when it obtained permission for its eradication activities even in countries at war. In the middle of the campaign, WHO stopped nation-wide vaccination programs in favor of vaccinating just 50 families who lived near an identified patient. Introduction of the Active Patient Discovery/Surveillance System was also successful.

In the 1980s and following the HFA Declaration, the strategic focus of WHO shifted from traditional treatment of illnesses and injuries and prevention of infectious diseases to overall improvement of health based on the concept of PHC. Accordingly, its activities changed from the traditional vertical programs designed to tackle specific illnesses to horizontal programs organized in accordance with the reality in different regions.<sup>4</sup>

Today, WHO's operations, based on its basic policy of PHC, include four main pillars: (i) preparing global guidelines for the health care sector, (ii) presenting global health standards, (iii) supporting member countries' health policies, and (iv) standardization, development, and transfer of

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4 However, the pendulum seems to be swinging again from the effectiveness of horizontal programs to the direction of emphasizing a vertical approach. The future direction of this trend is worth watching.

appropriate medical technologies and information (sending experts, providing equipment, materials and fellowships) (Kobayakawa, 1998).

Examining several specific programs is instructive:

- The highest priority since the Alma-Ata Declaration is to maintain and improve the standard of health by building core community institutions in health care and sanitation.
- The Action Program on Essential Drugs is a long-term program that began in 1970. The objective is to ensure that "people can obtain necessary drugs as cheaply as possible and that these drugs are safe, effective and of good quality, and are administered and used properly" by supporting the supply, management, and planning of essential drugs in developing countries.
- The HIV/AIDS Program will be discussed in detail later. Setting December 1 as World AIDS Day, WHO is implementing awareness and educational programs in various regions.
- The Tobacco Free Initiative has set May 31 as World No Tobacco Day with a slogan of "Tobacco or Health." WHO is educating people about how to reduce or control smoking.
- The Special Program for Research and Training in Tropical Diseases promotes basic and applied research on six tropical infectious diseases - malaria, schistosomiasis, filariasis, leprosy, leishmaniasis, and trypanosomiasis. It also trains experts with special knowledge and techniques including new and improved disease control approaches.
- The Global Polio Eradication Initiative promotes improved immunization ratios, enhanced surveillance, and network building. Based on the experience of smallpox eradication, WHO is also advancing a TB control strategy called DOTS (Directory Observed Treatment, Short-course) based on an immunization expansion plan.
- Through its humanitarian and emergency assistance, WHO tries to prevent adverse effects of ethnic and other conflicts on the health of the general population.
- WHO is also trying to improve the health infrastructure by tackling such issues as the delivery, availability of, and access to, services, management information systems, logistics, and disease surveillance.
- WHO is also actively involved in health care system reform. As part of this effort, it focuses on health-related human resource development and improving health services.

### **United Nations Children's Fund (UNICEF)**

UNICEF and WHO announced the Alma-Ata Declaration in 1978, followed by the International Year of the Child in 1979 and the launch of the Child Survival and Development Revolution Program. Even today, UNICEF's operations are guided by the 1959 Declaration of the Rights of the Child and the Convention on the Rights of the Child, adopted by the UN General Assembly in 1989. During the 1980s, UNICEF's top priorities were immunization and oral rehydration therapy (ORT). This therapy was recommended by WHO, adopted by both organizations, and subsequently implemented in many countries. Aggressive campaigns raised the immunization ratio from 20 percent in the 1980s to 80 percent in the early 1990s. This success was spawned by global political interest and revolutionary changes in awareness achieved through the efforts of UNICEF and WHO. UNICEF began to focus on nutrition based on a belief that malnutrition can cause physical and mental illnesses in children.

In 1983 UNICEF announced a new and economically feasible strategy for the Child Survival and Development Revolution. In this strategy, UNICEF accorded priority to four important health care activities it called GOBI - growth curve, ORT, breast feeding, and immunization. This strategy was consistent with mainstream thinking at the time - selective PHC - because the Child Survival and Development Revolution Program was inexpensive and efficient. In 1984, UNICEF announced an expanded version of GOBI called GOBI-FFF which included the additional elements of food supplements, family planning, and female education. The expanded initiative, however, was considered almost impossible to implement by health ministries of developing countries, the World Bank, and USAID. The original GOBI that had been announced the previous year received more support. For this reason, the scope of the Child Survival Program was reduced at the implementation stage and limited to ORT and immunization. UNICEF called these two programs the 'twin-engine' but many developing countries had no choice but to focus on one or the other.

In 1984, the Task Force for Child Survival was established by UNICEF, WHO, the United Nations Development Program (UNDP), the Rockefeller Foundation, and other partners. The objective of the Task Force was to identify determining factors for child deaths such as pregnancy, environmental pollution, poor nutrition, disabilities, and illnesses and promote all effective countermeasures such as immunization, ORT, and family planning in order to reduce global child morbidity and mortality rates. In 1990, the

United Nations held the World Summit for Children which proposed the Program 2000 and reconfirmed the central importance of children in development.

Currently, UNICEF operates mainly in six areas - health, water and sanitation, gender equality, nutrition, education, and emergency assistance. Main programs include the Expanded Program on Immunization (EPI), Acute Respiratory Infections (ARI) Program, Control of Diarrheal Diseases (CDD) Program, HIV/AIDS, Essential Drugs Program, Maternal and Child Health (MCH), and malaria prevention. UNICEF is very active in providing vaccines in partnership with WHO and others toward the goal of eradicating polio. It also developed a cold-chain transportation system which is effective for transporting vaccines.

In the area of nutrition, UNICEF trains nutritionists to disseminate accurate information and provides vitamin and iodine supplements in many developing countries. The MCH activities promote breast-feeding, which is an effective way to improve nutrition and prevent diarrheal diseases, and teaches parents how to make baby food with accessible foodstuffs. In 1990, UNICEF launched the Baby-friendly Hospital Initiative, which promotes breast-feeding using the "10 steps to successful breastfeeding" it prepared with WHO in 1989.

### **World Bank**

The World Bank began to support the health care sector from a human development perspective based on experience from the previous several decades - the quickest way to improve living standards in developing countries is to invest in people's welfare. More specifically, the Bank has shifted its focus from the population in the 1970s, to PHC in the 1980s, to health system reform in the 1990s. A big turning point for the Bank's aid operations in the health sector was the *World Development Report* 1993: Investing in Health. The central focus of this report was the relevance to the poor of policy choices in and out of the health sector. The report said that official policies required to achieve three goals - improve health indicators, reach the poor, and reduce costs - could be summarized as: (i) build an enabling environment for health improvements at the household level, (ii) improve government investments for health care, and (iii) encourage private sector involvement.

The Bank's strategy in the health care sector, Health, Nutrition, and Population (HNP), includes three elements: (i) improving the health, nutri-

tion, and life expectancy of the poor and disease prevention, (ii) ensuring the use of medical, nutritional, and family services and improving health systems in order to provide low-cost and high-quality prevention and treatment, and (iii) ensuring sustainable financing for the health sector by utilizing existing resources, ensuring effective provision of services, and establishing appropriate policies. The Bank has treated this strategy as its central task since fiscal year 1998.

Recent Bank operations in the health care sector center on HIV/AIDS prevention, malaria eradication, and reform of the health system to meet the needs of the poor. Health sector reform supports introduction of health insurance, establishing priorities, rural development with an emphasis on human development and the environment, and investing in infrastructure and institution building.

Three-quarters of the Bank's HNP lending has been provided since 1990. Recently, there has been an increase in International Development Association (IDA) credits in this area, the largest share of which is devoted to the social sector. Currently, the Bank provides an average of US\$ 1.3 billion annually in new loans for HNP projects. Supplementing the Bank's HNP lending are the special grant programs, which have more resources and a longer timeframe than typical Bank projects. Moreover, the special programs can target several countries simultaneously. Examples include the Special Program for Research and Training in Tropical Diseases, the River Blindness Elimination Program, the Population Program, the Safe Motherhood Initiative, the Task Force for Child Survival, the Global HIV/AIDS Program, and the Sub-Committee on Nutrition of the United Nations Administrative Committee on Coordination.

There are three possible reasons for the increase in the Bank's HNP lending. First, the Bank and governments are increasingly emphasizing human resource development and social sector reform at the macroeconomic level. Reflecting this change, the Bank in recent years has accorded the highest priority to poverty reduction, thus activities in the health sector that provide basic social services to the poor are considered as a high priority. Second is concern that rapid population growth causes environmental degradation in both urban and rural areas and deprives people of opportunities to escape poverty. Third is population growth that fuels demand for family planning. Developing countries, especially in Africa, are recognizing the harmful effects of population growth and the value of family planning.

The Bank's operations in nutrition are growing as well. Its nutrition proj-

ects focus on people who are susceptible to malnutrition, especially women in late pregnancy and children under the age of three, and emphasizes comprehensive intervention. Central components of the projects include monitoring child development, related education in nutrition, and supplying food to under-developed children. According to the Bank's research, many lives can be saved and others improved at low cost by eliminating vitamin and mineral deficiencies through an improved diet. The Bank is aggressively implementing projects that subsidize food and water supplies.

Recognizing that maternal mortality rates are still high in developing countries, the Bank is also increasing its efforts to improve maternal and child health. Projects are mainly implemented by NGOs and community groups to ensure that benefits reach intended targets. In addition, the Bank is putting much effort into the Information, Education and Communication (IEC) campaign that provides nutrition education, including how best to feed infants and recognize iodine deficiency symptoms. In November 1993, the Bank hosted the conference *Overcoming Global Hunger: A Conference on Actions to Reduce Hunger Worldwide*, and has since increased lending in this area.

The Bank is also active with tobacco-related illnesses. In 1991 the Bank announced a policy to stop investing in tobacco cultivation and manufacture, and since then has promoted ways to reduce smoking. Since 1998, the Bank has had projects that include disseminating information about tobacco's effects on health, effective taxation and pricing measures, improving trade regulations and contraband control, and banning advertisements and sales promotions. In these anti-smoking activities, the Bank partners with other international organizations such as WHO and UNICEF, governments, and NGOs.

The Bank's recent activities in these areas are increasingly incorporated into its country assistance strategies. Through sector analyses, the Bank is shifting toward activities in the human resource and social sectors that are now implemented with several ministries of recipient governments. In these operations, the Bank accords priority to basic health while emphasizing capacity building for health-related policy making, program planning, management, and administration. The Bank is also beginning to pay attention to women's health and its effect on the health and welfare of entire families, eradication of specific illnesses, and financing and other economic management issues (including investments in local hospitals) in the health sector. Furthermore, the Bank is increasingly emphasizing NGOs in project design.

The overall orientation of Bank assistance has changed from economic development to poverty reduction and BHN, and health sector assistance has shifted toward PHC. Efficiency is still of primary importance to the Bank, but while focusing on efficiency there was a tendency to put little effort into empowerment and capacity building, both truly useful tools for community development. A majority of budgets are used in administrative departments. While it takes time to implement community empowerment such as PHC, from now on, the World Bank needs to look for an aid modality based on a long-term perspective.

### ***Activities of Bilateral Donors***

#### **United States (USAID)**

The United States Agency for International Development (USAID) is the world's largest donor in the area of HNP in developing countries (Umenai, 2001). As part of its organizational reform in 1993, USAID created the Global Bureau in order to promote sustainable development and implement its programs related to global issues more efficiently and effectively. This bureau's role is to give technical advice and support to regional bureaus and foreign offices, oversee global issues and donor coordination, and finance research activities. The Global Bureau includes five offices for the five strategic goals of USAID (population, health, and nutrition; the environment; economic development; human capacity development; and democracy and governance) as well as cross-sector issues such as Women in Development (WID). The Population Health and Nutrition Center is one of them.

A 1986 policy paper said that the goal of its health assistance program was "to improve health status in USAID assisted countries as reflected in increased life expectancy" with special attention to children and mothers. USAID's goals in the HNP area remain the same after 10 years. USAID launched the Population Health and Nutrition Program and established the Population Health and Nutrition Center to promote the program. Its four objectives are: (i) reduce unintended pregnancies,<sup>5</sup> (ii) reduce death to women as a result of pregnancy and child birth, (iii) reduce infant and child mortality, and (iv) reduce sexually transmitted diseases with special focus on HIV/AIDS. Sustainability of HNP programs and program integration are an important common theme, and USAID is involved in activities to

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5. For example, USAID successfully established a private company to market condoms and contraceptive pills.

improve the quality and accessibility of projects in population, health and nutrition, and family planning and reproductive health.

One significant characteristic of USAID's health assistance is its emphasis on population. Since the election of President Bush, however, religious and political considerations have made it difficult to approach the issue with terms like 'population planning' and 'reproductive health', and as a result, HIV/AIDS work became more prominent. USAID has close partnerships with international organizations and NGOs due to its location, historic relationships, and personal connections. The needs and reality of health care in developing countries are meticulously identified and accumulated by its many resident representatives, some of whom are health care experts. USAID frequently exchanges information with the World Bank, WHO, and other UN agencies. It also has a network in the health care sector because it contracts many consultants, universities, and research institutions in the course of implementing its health care projects. This network enables USAID to collect, analyze, and accumulate information efficiently.

Contributions to health programs undertaken by WHO and other international organizations also account for a large share in the USAID budget. NGOs are considered essential partners for its foreign assistance programs. USAID provides grants to many NGOs that implement projects in line with the agency's country programs. As of 1993, 390 U.S. NGOs were registered with USAID and received 14.3 percent of Official Development Assistance (ODA) funds. Moreover, USAID has very close relationships with universities and research institutions that are an essential element of the implementation of its health care assistance.

Another characteristic of USAID's health assistance is that it does not support therapeutic treatments with the exception of malaria, acute respiratory infections, and diarrheal diseases. For this reason, there are very few clinicians among its experts. In terms of aid modality, USAID accords priority to advice on health policies in developing countries and administration of entire health care systems. As a result, experts in management and financial affairs are valued more than health care workers. In fact, about half of approximately 500 long-term experts dispatched all over the world are local experts, while medical doctors account for only about 20 percent of American experts. It has adopted a strategy to hire an entire organization to manage experts and nurture that organization instead of hiring individual experts.

### **United Kingdom (DFID)**

The Department for International Development (DFID) of the United Kingdom places its highest priority on helping the poor and emphasizes BHN assistance to the poorest countries based on humanitarian considerations. While health is an important part of BHN, it is notable that DFID has rapidly increased its assistance in social and community services in recent years from a perspective of emphasizing sustainability. The focus of DFID's health care assistance is placed on PHC and population. It should be noted that DFID does not focus on therapeutic treatments and therefore is not involved in building hospitals. The major recipients are least less-developed countries and British Commonwealth nations - four-fifths of U.K.'s bilateral aid is allocated to countries with a per capita income of less than US\$ 700 while three-quarters are allocated to British Commonwealth nations.<sup>6</sup>

As with the U.S., partnerships with international organizations are one of the characteristics of British health assistance, for example, the partnership with WHO is reflected in its large budget share. In the U.K., contributions destined for specific use are ODA, but general contributions are handled by the Department of Health. Another prominent characteristic is strong partnerships with NGOs. Among British NGOs, there are active groups with a long history, solid organizational base, and global fame. The government partially bears the cost of sending volunteers and implementing projects, and also supports NGO development education activities.

Another strong point of British aid, regardless of sectors, is that all types of aid - bilateral and multilateral, from project formation to implementation - are handled by a single organization, DFID. This arrangement avoids redundancies, turf wars, and lack of consistency that can be found in other donor countries. British assistance is focused on BHN assistance in the poorest countries, and within that category, important health care assistance is clearly focused on PHC and population.

### **Activities of Other Bilateral Donors**

We have thus far reviewed the aid activities of USAID and DFID. In addition, Japan, Germany, France, Holland, and Sweden are actively engaged in aid activities in the health care sector (Table 3-4).

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6. <http://www.dfid.gov.uk/>

**Table 3-4. Development assistance in the health and population sectors from major bilateral donors (average of 1997-99)**

Donor	Health (A)	Population (B)	Health and population (A+B)	Total ODA (C)	Share of health and population(%) (A+B) / C
	(US\$ million)				
Japan	339	21	360	11,774	3.1
U.S.	536	358	921	8,270	11.1
U.K.	267	19	286	3,566	8.0
Germany	118	66	184	5,651	3.3
France	184	2	186	5,895	3.2
Holland	80	21	101	3,041	3.3
Sweden	59	20	79	1,644	4.8

Source: Macroeconomy and Health Committee Report, OECD Chairman's Annual Report

Each country provides assistance based on its own development assistance goals. For example, Sweden allocates about 80 percent of its health assistance to programs related to women's health. Sweden concentrates its assistance to a few selected countries and also contributes to international organizations. On the other hand, the main focus of aid from France is medical research on infectious diseases and other issues.

### ***Fight against Malaria***

Malaria is present in more than 90 countries and more than 40 percent of the world's population is said to be in risk of infection. Every year, 200 to 300 million people are infected and 1.5 to 2.7 million die. A majority of malaria victims are children and pregnant and parturient women. Regionally, about 90 percent of malaria patients are said to be in Africa. It is reported that more children are dying of malaria now in southeast Africa than during the 1980s (WHO/UNICEF, 2003). African countries are spending US\$ 12 billion annually to combat malaria, which is estimated to reduce the annual economic growth rate by as much as 1.3 percent.

Malaria is a difficult disease. Vaccines for malaria are being developed, but none is effective so far. The majority of malaria victims reside in developing countries, so drugs to treat the disease do not represent a lucrative market for pharmaceutical companies. As a result, the share of research money allocated to malaria is very low. For example, in 1993, the international research budget for malaria was just US\$ 84 million, a fraction of the

US\$ 2.3 billion allocated for cancer research.<sup>7</sup> Developing countries are waiting for a new anti-malarial that replaces existing affordable drugs such as chloroquine, to which drug-resistance is increasing. The malaria parasite is becoming resistant to affordable drugs such as chloroquine, and developing countries are waiting for a new anti-malarial to replace it.

Current plans to control malaria include establishing early diagnosis and treatment systems, measures to reduce transmission, epidemiological surveillance, and cooperative research among domestic and foreign research institutions (Kobayakawa, 1998). A few countries including China, some Latin American countries, Vietnam, and the Solomon Islands are successfully controlling malaria by using traditional methods, including mosquito nets. A majority of countries, including those in Africa, have yet to come up with effective countermeasures.

### **Changes in Assistance Trends**

Following the global anti-malaria campaign launched by the League of Nations during World War II, WHO began the Malaria Eradication Program that had a global reach. The program used DDT spray to kill the mosquitoes that spread the virus. It was successful in many temperate countries but eventually stalled due to protozoan resistance to chloroquine, the mosquito's resistance to DDT, lax management, and increasingly serious environmental contamination by residual DDT. The plan has since been toned down and is now called the Malaria Control Program.

In 1992, WHO hosted the Malaria Summit in Amsterdam, which adopted the World Declaration on the Control of Malaria and the Global Malaria Control Strategy. The technical elements of the strategy included: providing early diagnosis and prompt treatment; planning and implementing selective and sustainable preventive measures including vector control; detecting early, containing, or preventing epidemics; and strengthening local capacity in basic and applied research to promote regular assessments of malaria in a country.

While smallpox control relied mainly on vaccines, malaria control needs environmental and individual protection. In 1998, WHO began the Roll Back Malaria (RBM) campaign, which will be described later, and is emphasizing malaria control in Africa. Health care systems are essential to control malaria - it is essential to coordinate with other sectors including

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7. According to the campaign of Medecines sans Frontiers Japan

education, agriculture, and the environment, as well as work with communities and private health care providers to improve organizations and financing.

### **Efforts of International Organizations**

#### ***WHO***

The World Health Organization has three priorities in malaria control projects: (i) help each country strengthen its health sector so it is capable of fighting malaria with prevention plans at all levels, (ii) build and maintain partnerships with related organizations and donors to support harmonious implementation of planned projects in each country, and (iii) support global research and development of cost-effective malaria control measures.

The Roll Back Malaria campaign is a global partnership launched by WHO, UNICEF, UNDP, and the World Bank in 1998 in reaction to the concerns of countries plagued by ever-increasing malaria infections and deaths, especially those in Africa. Governments of affected countries, development assistance agencies, NGOs, international private organizations, and research groups joined the campaign later. The goal of RBM is to halve the world's malaria deaths by 2010, and halve them again by 2015. To achieve this goal, all stakeholders need to be involved.

The campaign focuses on four strategies selected for the sustainability of their efficiency, effectiveness, and prevention as well as cost benefit: provide early diagnosis and timely treatment, (ii) provide insecticide-treated mosquito nets and vector control, (iii) prevent and manage malaria during pregnancy in order to alleviate the negative effects on the health of mothers and children, and (iv) prevent and deal with infectious diseases. RBM seeks to strengthen and improve health systems, tries to improve the situation by mobilizing and empowering communities most afflicted by malaria, and tries to achieve better use of resources through partnerships with governments, civil society, and the private sector.

Partner countries of RBM are also engaged in other activities. They prepare strategic plans, reduce taxes and duties on insecticide-treated mosquito nets and insecticides, and lower their prices to affordable levels. Efforts to reduce debt and secure long-term financial resources also contribute to malaria prevention. RBM is also trying to develop affordable and effective new drugs together with pharmaceutical companies.

At the African Summit on Roll Back Malaria in April 2000, representatives of 44 malaria-afflicted countries agreed on interim goals to be

achieved by 2005: (i) at least 60 percent of those suffering from malaria should be able to access and use correct, affordable, and appropriate treatment within 24 hours of the onset of symptoms, (ii) at least 60 percent of those at risk for malaria, particularly pregnant women and children under five, should benefit from suitable personal and community protective measures such as insecticide-treated mosquito nets, and (iii) at least 60 percent of all pregnant women at risk of malaria, especially those in their first pregnancies, should receive intermittent preventive treatment.

### *World Bank*

In FY1999 the World Bank began two activities in the area of public health. First, following a declaration by WHO, UNICEF, UNDP, and the Bank to launch a global malaria elimination campaign in October 1998, the Bank promised to take a drastic approach toward elimination of malaria by focusing on health system reform and providing complementary support to other sectors including education and infrastructure. The Bank also recognized malaria as a high-priority disease that needs its immediate attention. As a result, the Bank has so far implemented malaria elimination projects in 46 countries. In light of the steady increase in malaria-related deaths and resistance to drugs, the Bank decided to place priority on vaccine administration. Preventive inoculation is one of the most cost-effective measures in the health sector. The Bank supports afflicted countries' efforts to increase the population that can be inoculated, introduce new vaccines and establish the order of inoculation priorities. Moreover, the Bank is providing financial assistance to the Medicines for Malaria Venture (MMV) under a partnership with several private foundations. Bayer, a major pharmaceutical company based in Germany, signed a contract with MMV to develop a new medicine for malaria in cooperation with WHO. Progress under this initiative is important because development of new medicines for malaria has not kept up with general expectations.

### **Efforts of Bilateral Donors**

#### *United States (USAID)*

USAID has been involved in projects that support the prevention, early detection, and treatment of malaria. For example, USAID has been engaged in the development of new vaccines and experimenting with various technologies and antibodies. In October 2001, the agency announced a \$3.7 million, three-year grant to support the research and development of a novel,

widely effective malaria vaccine by Maxygen, Inc.<sup>8</sup> In 2002, it announced a plan to expand NETMARK, a successful malaria control project, to African countries. Through the NETMARK project, USAID partnered with the commercial sector and expanded sales of insecticide-treated mosquito nets, and has mobilized the commercial sector and invested to develop markets for insecticide-treated mosquito nets in African countries.

### *United Kingdom (DFID)*

DFID has been involved in various malaria control activities. Since 1997, DFID has spent more than £1.5 billion for health services in developing countries. In May 2003, it indicated its long-term commitment to tackle infectious diseases including malaria and announced an additional contribution of US\$ 80 million to the Global Health Fund (GHF) to fight malaria.<sup>9</sup> With this contribution, the total of DFID's financial assistance reached US\$ 280 million. It plans to keep providing drugs and preventive items to help achieve the MDGs.

The GHF is a mechanism intended to build a partnership between public organizations and the private sector to support and improve basic health in developing countries by preventing and treating infectious diseases, including malaria. It has two functions: make preventive items available and strengthen insurance systems, and help with cross-sector HIV/AIDS assistance. DFID supports the former. In light of heavy burdens shouldered by the poor in developing countries, the Fund focuses on HIV/AIDS, TB, and malaria and centers its activities in sub-Saharan Africa. Preventive items for cost-effective intervention include drugs, diagnosis, and condoms. Long-term institution building requires continued efforts on the part of recipient countries and support from multilateral and bilateral donors. These efforts by the GHF are a new form of multilateral assistance in the health sector. The key element of GHF is the timely transfer of resources to developing countries to support poverty reduction strategies, sector programs, and the decision-making and development processes at the country level.

The U.K. actively supports government efforts to maintain access to medicines for malaria, but the GHF does not overlap with these efforts at the country level. It supplies preventive items that are required in developing countries but have not been the focus of DFID and other efforts in the

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8. <http://www.usaid.gov/press/releases/2001/pr011003.html>

9. [http://62.189.42.51/DFIDstage/news/PressReleases/files/pr30\\_1may03.html](http://62.189.42.51/DFIDstage/news/PressReleases/files/pr30_1may03.html)

health sector. DFID supports GHF in response to the success of its efforts. Success is measured by flexible fiscal assistance, consent to donor monitoring of progress and program impact, and effective integration of the GHF and national programs.

### *Japan*

If population is the strong point of American and British assistance in the health care sector, Japan's strong point is TB and polio. Along with international organizations and other donors, Japan has been providing assistance in the health sector, beginning with these areas, to improve health and health care in developing countries. Japan is actively involved in the fight against malaria and other parasites that present especially serious health problems in tropical regions. The government plans to create bases in Asia and Africa for human resource development and research activities and promote information exchange. In the Kyushu-Okinawa G8 Summit in July 2000, infectious diseases were discussed as a major challenge for developing countries. The Japanese government announced its Okinawa Infectious Diseases Initiative and plans to spend \$US 3 billion during next five years.

Against the background of such efforts by the government, the Japan International Cooperation Agency (JICA) has been supporting malaria prevention in various parts of the world. For example, JICA is hosting a local training program in Tanzania for laboratory technicians and nurses. Training includes instructions on definite diagnoses of malaria and maintenance of microscopes and other laboratory equipment. The program is administered and guided by JICA experts, and trained 705 people by 2001.<sup>10</sup> In Indonesia, JICA's goal since 2001 is to build capacity to implement and monitor actions to control malaria tailored to the epidemiological character of the region based on past studies, and to suppress the spread of malaria in model regions. In Papua New Guinea, JICA has been involved in comprehensive research assistance to prevent malaria since 2001, strengthening research functions at Papua New Guinea University, and skills development to plan and implement malaria-related research, human resource development, and preparation of a malaria suppression strategy.

In terms of government-private sector cooperation, many Japanese pharmaceutical companies; the Ministry of Health, Labor and Welfare; WHO; and the Special Program for Research and Training in Tropical Diseases

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10. <http://www.jica.go.jp/tanzania/activities/09.html>

(TDR) launched a partnership project in October 1999 called the JPMW Alliance, which aims to develop new anti-malarial drugs. The objective of the Alliance is to screen chemical compounds for anti-malarial effects that are provided free-of-charge by Japanese pharmaceutical companies. The JPMW Coordination Center in Tokyo administers the project, and screening is performed at Kitasato Institute. The TDR and related pharmaceutical companies are expected to continue their research in pursuit of effective anti-malarial compounds.

### ***Fight against HIV/AIDS***

HIV/AIDS is one of the newest diseases to confront mankind; it was first confirmed by the U.S. government's Centers for Disease Control and Prevention (CDC) in 1981. Once infected by HIV, the virus slowly destroys the immune system over two to 20 years, which leads to eventual death.

Since 1986, WHO has been the center of international efforts to contain HIV/AIDS. The Joint United Nations Program on HIV/AIDS (UNAIDS) was established in 1996 as the successor to WHO's Global Program on AIDS (GPA). The mission of this organization is to lead multi-sector efforts to prevent HIV transmission; provide care and support for HIV carriers and AIDS patients; alleviate social, economic, and human impacts of the epidemic; and reduce vulnerability of individuals and communities.

Since the 1990s, the issue of HIV/AIDS has been recognized as a serious global problem. The G8 Summit held in Kyushu and Okinawa in July 2000 declared a commitment to increase efforts in the health sector, including those aimed at reducing new HIV infections. The United Nations General Assembly, held in August of the same year, included prevention of epidemics (including HIV/AIDS) as one of the MDGs. The UN General Assembly Special Session on HIV/AIDS, held in June 2001, renewed the recognition that HIV/AIDS is a global problem and presented guidelines for international cooperation. At the Kyushu Okinawa Summit held the following month, the G8 leaders joined the UN Secretary-General to establish the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the G8 countries committed US\$ 1.3 billion in assistance (JICA, 2002).

### **Status of HIV/AIDS Infection**

The total number of HIV carriers in the world is estimated to have reached 40 million (UNAIDS, 2002). About 95 percent of the newly infected reside in developing countries, and about one-half are children under the age of 15.

The number of adult HIV carriers is increasing much faster than the worst-case forecast made in 1990, growing steadily to 25.5 million in 1996 and to the current level of about 40 million (Table 3-5).<sup>11</sup> Another big problem is that fewer than 10 percent receive appropriate treatment and medicines. According to a recent report of the U.S. Department of Health and Human Resources, as many as 25 million people have died of AIDS in the world during the past 20 years.

**Table 3-5. HIV/AIDS patients in 2002 (million)**

Group	Patients	Newly infected	Deaths
Total	42.0	5.0	3.1
Adults	38.6	4.2	2.5
Women	19.2	2.0	1.2
Children under 15	3.2	0.8	0.61

Source: UNAIDS AIDS Epidemic Update, 2002.

Strategies to fight HIV/AIDS include: (i) improving the social environment (education), (ii) prevention (vaccines), (iii) treatment (chemotherapy), (iv) epidemiology research, (v) immunology research, and (vi) virology research. Among these, the development of preventive vaccines (virus-specific CTL [CD8 positive lymph cells] and virus-specific neutralizing antibodies) has not reached the clinical testing stage. In the current situation, the only viable means to stop the infection is considered to be the first strategy - improving the social environment. There are four infection routes for HIV/AIDS - sexual intercourse, blood transfusion, sharing intravenous needles, and mother-child transmission.

HIV/AIDS is currently the largest problem in many African countries. According to UNAIDS (2002), 28.5 million or over 70 percent of the 40 million HIV carriers in the world live in Sub-Saharan Africa, a region that is believed to be vulnerable to HIV/AIDS mainly because of poverty, conflicts, and cultural and customary behavior. As a matter of serious concern, it is estimated that less than 60 percent of AIDS patients in Sub-Saharan African are under treatment.<sup>12</sup> According to a study by the World Bank, the average life expectancy in Sub-Saharan Africa is falling rapidly due to

11. The number of HIV carriers is more difficult to estimate than that of AIDS patients because in many cases carriers are not aware of their infection.

12. Statement of Dr. M. R. Reich, Director, Harvard Center for Population and Development Studies (at a meeting of FASID's International Development Assistance Trend Study Group, February 13, 2003).

increased deaths caused by AIDS, with some countries falling back to levels recorded in the 1960s.

Thirty-seven percent of the world's AIDS patients reside in Central and East Africa (UNAIDS, 2002). The situation in southern Africa is even worse - according to the same source, the share of HIV carriers in adult population is 39 percent in Botswana, 31 percent in Lesotho, 34 percent in Swaziland, 34 percent in Zimbabwe, and 20 percent in South Africa. In Botswana and South Africa, the number of new infections has risen dramatically in just a few years. Food shortages seem to have an effect in many countries. The situation in these African countries is dire because the fight against HIV/AIDS becomes exponentially more difficult as the number of infected people rises.

The new infection rate is highest in those of 15-24 years. In some areas of countries where HIV/AIDS spread in the early 1980s, such as Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe, 10 to 40 percent of pregnant women are infected. It is estimated that infections begin in the early teens and peak before they reach 25. As a result, more than 90 percent of infant infections in the world are believed to occur in Africa. Moreover, fewer teachers and fewer children attending school (especially girls) has a negative impact on the society. In Malawi and Zambia, 30 percent of school teachers are said to be infected with HIV.

The incidence of AIDS in pregnant women under age 20 has dropped from 21 percent in 1998 to 15.4 percent in 2001 (UNAIDS, 2002). Although changes in the infection rate cannot be clearly attributed to changes in sexual behavior, communal pressure in a male-dominated society may work to control sexual behavior and reduce infections among young women (UNAIDS, 1999).

Thailand and Uganda are often cited as success stories. Thailand has traditionally had well-developed PHC, and its fight against HIV/AIDS has been successful due to local participation, counseling, and nurturing of self-help groups. In addition, at the central government level the Ministry of Public Health and the Secretariat of the Prime Minister were actively involved, promoting the 'Condom 100 percent' campaign and providing special budgets for the heavily infected Northeastern region. PHC was not well-developed in Uganda, but tremendous local participation led to reduction of the HIV infection rate among young, pregnant women.<sup>13</sup> Senegal is a

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13. Uganda's statistics are said to be problematic.

leader in HIV/AIDS prevention. There are reports that preventive actions in Ethiopia and South Africa have led to reduced incidence of HIV/AIDS among pregnant women. It is also reported that programs to manage sexually transmitted diseases (STDs) through early diagnoses, treatment, and promotion of safe sex have markedly reduced STD infections, with successful examples in Zambia and Zimbabwe. Based on these examples, 40 countries in sub-Saharan Africa have prepared plans to tackle HIV/AIDS and 19 have established National AIDS Councils, a noteworthy achievement that gives hope for future improvements.

The problem of HIV/AIDS is not confined to Africa; it is also serious in Asia. The CDC of the United States pointed out that AIDS is spreading very rapidly in Cambodia, China, and India as it did in Africa 10 years ago, and warned that unless steps are taken to reverse the trend, the incidence of HIV/AIDS will rise to a destructive level. According to an estimate by the United Nations, 0.8 to 1.5 million people in China were infected by HIV at the end of 2001 and the number may reach 10 million by 2010. India has estimated the number of HIV carriers in the country to be 4 million, the second largest in the world after South Africa. An American study predicts the number of infected in India will reach 20 to 25 million by 2010.

### **Assistance Trends**

The HIV/AIDS epidemic is causing serious problems in developing countries and many are preparing national plans to deal with them. However, international assistance from developed countries is still essential because poor countries lack funds, technology, and human resources. Their efforts include: (i) recognition that HIV/AIDS not just as a health care issue, but also a challenge for development; (ii) assistance that is not narrowly focused on HIV/AIDS, but also includes STDs and reproductive health; (iii) emphasis on social aspects including human rights, women, and discrimination; and (iv) emphasis on sub-Saharan Africa, although assistance is provided to a wide variety of countries.<sup>14</sup>

The donor perspective about HIV/AIDS has expanded out of the health care sector to include political, economic, and social issues. As a future task, reporting systems need to be improved. There are more than a few countries where data are reported more than one-and-a-half years late. The DAC, the United Nations Population Fund (UNFPA), and the Netherlands

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14. [http://www.amsmed.or.jp/aijic/jica\\_jp03.htm](http://www.amsmed.or.jp/aijic/jica_jp03.htm)

Interdisciplinary Demographic Institute (NIDI) are trying to establish a common reporting method.

Another serious issue is lack of funds. Among the 22 DAC member countries, 14 provide 80 percent of total HIV/AIDS funding in developing countries. Public interest in the U.S. is on the rise, and the country is an especially large donor in this area, accounting for about one-half of bilateral ODA. In addition, we cannot ignore the interests of American pharmaceutical companies that manufacture AIDS drugs. The U.K. and Holland follow the U.S. as the largest bilateral donors. Japan and Germany spend very little in this area (Table 3-6).

**Table 3-6. Bilateral donor funding for HIV/AIDS (1998)**

Bilateral donor	Expenditure (US\$ million)	Share (%)
Australia	12.2	4
Belgium	5.2	2
Canada	14.8	5
Denmark	7.8	3
Finland	1.5	<1
Germany	15.0	5
Japan	14.0	5
Luxemburg	2.0	1
Holland	21.5	7
Norway	14.9	5
Sweden	15.2	5
Switzerland	2.1	1
U.K.	26.3	9
U.S.	147.3	49
Total	300.0	100

While multilateral donors provide 20 percent of total ODA in the area of HIV/AIDS, 95 percent of it comes from UN agencies. The World Bank share in this area is relatively small. About 80 percent of recipients are governments and NGOs. The share of HIV/AIDS spending in total bilateral ODA by DAC member countries increased from 0.2 percent in 1987 to 0.7 percent in 1998, while the same share in multilateral ODA is declining. About 35 percent of HIV/AIDS assistance is used globally, while 56.8 percent goes to sub-Saharan Africa, 26.5 percent to Asia and the Pacific, 13.8 percent to Latin America, 2.3 percent to Eastern Europe, and 0.5 percent to Middle East and North Africa.

Despite assistance from developed countries and the urgent necessity for

HIV prevention, there is simply not enough access to preventive measures or aid money to turn back the tide in the developing world. According to *Access to HIV Prevention: Closing the Gap*, published by the Global HIV Prevention Working Group, less than one in five people at risk of HIV infection has access to an HIV prevention program.

Moreover, the annual funding for HIV prevention is US\$ 3.8 billion less than the amount deemed necessary by 2005 (Global HIV Prevention Working Group, 2003). In a report submitted to WHO, a research group at Harvard University emphasized the need to significantly increase aid to the health care sector in light of the HIV/AIDS problem (Sachs et al., 2001). The feasibility of this scenario is still totally unknown.

### **Efforts by International Organizations**

#### *WHO and UNAIDS*

WHO announced its global strategy in the fight against HIV/AIDS in 1987. It established the Global Program on AIDS (GPA) and promoted national HIV/AIDS plans in developing countries. As a result, about 150 countries are now either preparing or implementing medium-term plans.

UNAIDS was established in January 1996. Under the leadership of the United Nations, UNAIDS consolidated HIV/AIDS-related projects that were formerly implemented by WHO, UNICEF, UNDP, UNESCO, UNFPA, and the World Bank. UNAIDS is expected to coordinate donor activities and promote more efficient HIV/AIDS activities.

The main role of UNAIDS is development of HIV/AIDS policies, research, and technical development. To fulfill that role, UNAIDS has dispatched program advisors to about 50 countries and international teams to strategic regions in addition to having employees at headquarters in Geneva. Because its core activities are not financial assistance, as is the case for WHO, there is an emphasis on coordinating with other donors, including Japan.

The same year it was established, UNAIDS and WHO created a Working Group on HIV/AIDS and STD, began a program called UNAIDS-WHO Joint Global HIV/AIDS & STD Surveillance. The objective of this Working Group is to strengthen the international, inter-regional, and global networks and improve surveillance of HIV/AIDS and STDs. To do so, it is conducting research with national HIV/AIDS programs, states, international organizations, and experts; collecting the best available information; improving the data quality; and promoting formation and implementation of

HIV/AIDS policies and projects at the national, regional, and global levels.

*The United Nations Population Fund (UNFPA)*

At the International Conference on Population and Development in 1994, UNFPA advocated a comprehensive strategy for the population problem. Emphasis includes women's issues, looking at population assistance from the broad perspective of reproductive health and development, and collaboration with NGOs and other actors involved in the population problem.

UNFPA places a special emphasis on preventing HIV infections and is working to incorporate prevention activities into reproductive health programs. More specifically, it emphasizes basic HIV/AIDS prevention and reducing HIV/AIDS infection risks through sex, mother-child transmission, and transmission through blood. UNFPA also attaches importance to improving the status of women from a broad perspective. While its central mission is to collaborate with other donors within the framework of UNAIDS, it also provides direct assistance to individual countries through the National HIV/AIDS Control Program.

*World Bank*

The World Bank began HIV/AIDS prevention and control programs in 1986 when many countries were still skeptical about the epidemic. Its first HIV/AIDS project was a family health project in Zimbabwe approved in FY1987. In 1988, Thailand became the first Asian country to receive assistance. Initially, the Bank focused on reforming health care systems that serve as the foundation for the implementation of HIV/AIDS programs because country-level programs received abundant grant money from WHO's Global Program on AIDS and bilateral donors. It began to assist individual projects in FY1989 as the HIV/AIDS problem spread. At the same time, the Bank became more active in policy analyses. In 1997, the Bank published a report on HIV/AIDS (World Bank, 1997). According to the Bank, the four keys to successful HIV/AIDS assistance are strong commitment by the government, simple project design, management capacity building, and sufficient evaluation efforts.

HIV/AIDS needs to be tackled through a broad array of activities. Based on the recognition that HIV/AIDS is a high priority development issue and not just a health issue, the Bank is also providing comprehensive program assistance ranging from prevention and treatment to health and social development projects. Moreover, the Bank promotes political will and commit-

ment at the top level, provides information through research activities, collaborates with local NGOs and other international organizations, and implements population projects and programs to control sexually transmitted infections. It is involved in a project to provide drugs for STDs and HIV/AIDS-related infectious diseases, development of awareness and condom distribution campaigns, and a research project to analyze socioeconomic impacts of HIV/AIDS in order to find cost-effective prevention and care.

The Bank launched the Multi-country HIV/AIDS Program (MAP) under a partnership with African governments in 2001 and provided US\$ 500 million in interest-free IDA credits. The objective of MAP is to increase resources to prevent the spread of HIV/AIDS through a comprehensive and sector-crossing approach and provide access to prevention/treatment programs. The Bank's HIV/AIDS assistance in FY2002 was more than \$US 300 million, including new loans to Benin, Burkina Faso, Burundi, Jamaica, Madagascar, and Senegal, in addition to US\$ 500 million for the second stage of MAP.

#### *Establishment of a New International Fund*

The United Nations General Assembly in 2001 called for the establishment of a global HIV/AIDS and health fund with a goal of accumulating US\$ 1.3 billion. Later, this fund was renamed as the Global Fund to Fight AIDS, Tuberculosis and Malaria with expanded target diseases. The fund was organized as an independent entity and not as a subordinate organization of the World Bank or the United Nations. The European Union insisted it should emphasize treatment, while the U.S. and Japan insisted it should emphasize prevention. As a result, a compromise adopted a policy of "emphasizing prevention which leads to treatment and care."

In the G8 Summit held in Evian, France in June 2003, President Bush of the United States announced a plan to contribute US\$ 1 billion to this fund over the next five years. The European Union and France announced annual contributions of 1 billion Euros and 150 million Euros, respectively. This fund is effective and African countries view it favorably, but experts are somewhat skeptical about the eventual success of this plan.

#### **Efforts of Bilateral Donors**

##### *United States (USAID)*

USAID is more actively involved in the issue of HIV/AIDS than other donors. One reason is that it has become more difficult for the government

to provide assistance for reproductive health for religious and political reasons since President Bush took office. USAID maintains that its basic mission is long-term and sustainable development and not short-term remedies. Its main strategy includes three elements: HIV/AIDS prevention programs using effective measures to prevent infection; policy reform that reflects social, cultural, legal/regulatory, and economic conditions pertinent to HIV/AIDS and other STDs; and development and experimentation with new means to prevent infection and reduce the negative effects of widespread infection.

The first element includes promotion of safe sex through Information, Education, and Communications(IEC); increasing the demand for, access to, and the correct use of condoms; and controlling STDs by improving diagnoses and treatment services and educating people about STDs. The second element includes promotion of countermeasures that are coordinated through multiple sectors at a higher policy level within the government, consideration for funds and long-term sustainability of programs at all levels, and dealing with social prejudice against HIV carriers and those at risk of infection. USAID promotes research activities that assess the effectiveness of existing programs, activities to reduce the risk of HIV infection in women, pilot projects and research activities to reduce the impact of HIV/AIDS in severely afflicted areas, and activities to support the use of public sanitation infrastructure and HIV/AIDS vaccines. The U.S. has a policy of not providing or distributing medicines that alleviate the effects of HIV/AIDS and STDs. It also encourages host countries to bear a significant portion of recurrent costs.

#### *United Kingdom (DFID)*

Traditionally the strong point of the U.K. in the health care sector has been population, and it is not a stretch to say that its current HIV/AIDS assistance is a direct extension of that tradition. In 1991, the Overseas Development Administration (ODA) of the British government announced a population initiative called Children by Choice not Chance. Since then, the ODA provided assistance based on an initiative to reduce unwanted pregnancies and ensure that women participate in and benefit from a better family life, with a focus on HIV/AIDS.

DFID, which succeeded ODA in 1997, established an HIV/AIDS policy strategy that included six elements: (i) find and support political leaders in this area; (ii) improve organizational capacity of states; (iii) resolve poten-

tial high risk including women's and children's rights; (iv) coordinate as much as possible with other areas, especially health, education, and livelihood; (v) support prevention and treatment programs; and (vi) support knowledge development and evaluate project strategies of multilateral donors. The HIV/AIDS strategy of DFID is unique in that it is not a combination of individual disease-specific strategies but is based on a more strategic and comprehensive approach.

DFID plans to spend £200 million over the next five years to fight infectious diseases (TB, malaria, HIV/AIDS).<sup>15</sup> Bilateral aid includes technical cooperation in Zambia and support for the government's HIV/AIDS education activities. At the same time, it is extending its efforts from government-led activities to NGOs and other local level activities for educational activities, including HIV/AIDS education. In South Africa, DFID is working with commercial organizations on a multimedia campaign against HIV/AIDS, rape, and other violence against women.<sup>16</sup>

### *Sweden (SIDA)*

Sweden was the first country to provide direct family planning assistance, including distribution of contraceptives, to developing countries in the 1950s. As the country began its bilateral aid programs in 1962, it made efforts to establish the UNFPA and the International Planned Parenthood Federation (IPPF). Since then, Sweden has been actively collaborating with the United Nations. In the 1970s, Sweden provided US\$ 35 million annually in aid in the population area. In the early 1980s, however, the program was halted as a result of criticism that Sweden's assistance promoted sterilization in India and Bangladesh. Its annual assistance in this area had declined to US\$ 16 million by 1984 but the International Conference on Population (Mexico City) provided momentum for a resurgence of population aid. In 1991, the Swedish International Development Cooperation Agency (SIDA) spent US\$ 42 million and declared population assistance as one of its priorities because it supports development in developing countries and helps them achieve economic and social equity. Within the area of population and HIV/AIDS assistance, SIDA has a broad-based approach with a focus on health care policy and sexual/reproductive health. It provides aid to eligible countries (Angola, Chile, Ethiopia, India, Tanzania, Uganda, Zambia, and

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15. <http://www.dfid.gov.uk/>

16. <http://62.189.42.51/DFIDstage/AboutDFID/Education/themes/hiv/activities>

Zimbabwe) and cooperates with UN Agencies (WHO, UNDP, UNICEF, UNESCO), and international and Swedish NGOs. SIDA implements programs that consider development by improving the status of women. Women, gender, and equality are essential elements of all its programs.

### *Japan*

The Japanese government considers AIDS as a global challenge and is promoting the fight against it. In 1994 it launched the Global Issues Initiative on Population and AIDS (GII) as a unique action plan to aggressively tackle the problems of HIV/AIDS in developing countries. This comprehensive approach combines direct population assistance, including family planning and support in the population area; indirect population assistance including primary education, literacy education, and support to improve the status of women; and HIV/AIDS efforts including dissemination of knowledge on HIV/AIDS, inspection, and research. In 1995, the Overseas Medical Cooperation Committee organized a special AIDS task force that completed a report on the possibility of international cooperation in the area of AIDS in 1996 (JICA, 1996). The report listed six areas with high potential for HIV/AIDS cooperation: (i) clarification of current status (examination mechanisms, surveillance activities); (ii) treatment and home care for AIDS patients/HIV-infected persons; (iii) safe supply of blood and blood products; (iv) infection prevention activities for at-risk groups; (v) AIDS education for local people, and (vi) support for HIV/AIDS research. Moreover, the government announced the Okinawa Infectious Diseases Initiative at the Kyushu Okinawa Summit in July 2000 with a target of providing US\$ 3 billion during the next five years to fight infectious diseases including HIV/AIDS. The government is currently promoting multilateral cooperation through WHO and UNAIDS and bilateral cooperation, and intends to expand these activities.

At JICA, the Planning Department and the Environment, WID, and Other Global Issues Division are tackling this issue as coordinator of HIV/AIDS-related activities. JICA's assistance in this area is mainly project technical cooperation, provision of medical equipment and supplies, and training programs. The recipient countries are in Asia, Africa, and Latin America. Its strategic development objectives include prevention and control of HIV/AIDS, care and support for HIV-infected and AIDS patients and their families, and implementation of effective, national-level countermeasures. For each development objective, medium-term targets are defined.

The medium-term targets for the first objective are reduction of sexual transmission risk, reduction of mother-child transmission risk, reduction of infection risk through blood transfusions, reduction of infection risk among drug users caused by contaminated needles, development and practical application of effective vaccines, and effective anti-HIV medicines or anti-retrovirals. The medium-term targets for the second objective are relief of suffering caused by physical symptoms, including AIDS-related opportunistic infections, and protection of the human rights of people living with HIV/AIDS and their families. The medium-term targets for the third objective are planning appropriate measures at the national level, improved administrative capability for measures against HIV/AIDS, and modification of public finances for health care (JICA, 2002).

### **Development of AIDS Medicines in Developed Countries**

Development of AIDS medications occurs mainly in developed countries.<sup>17</sup> An HIV/AIDS treatment drug was developed in 1994 and announced at an HIV/AIDS conference in 1995. In 1996, a type of medication called HAART therapy was developed. It can prevent the onset of AIDS even if a person is infected with HIV. However, the cost of HAART therapy is as much as US\$ 10,000 per person per year, and is out of reach for typical HIV carriers in Africa.

On the other hand, Brazil and India are trying to produce generic AIDS drugs domestically despite objections from the U.S.. These generic AIDS drugs have virtually the same ingredients as drugs that are patented in the U.S. and other countries, but pharmaceutical companies in Brazil and India are selling them cheaply without paying patent fees. They claim this is justified because the drugs are being sold to developing countries and aid agencies. Especially in Brazil, generic drugs are sold domestically without problems because the government has approved unlicensed AIDS drugs. According to WHO, the cost for these drugs distributed by Indian and other pharmaceutical companies is only about ¥70,000 per year. At the 13th International HIV/AIDS Conference in 2000, a Brazilian expert on manufacturing anti-AIDS drugs called on developing countries in Africa and other regions to promote technical transfer and information exchange for production of these drugs.

In 1997, the South African government enacted exceptional rules to

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17. This issue is discussed in detail by Yamagata (2003) on which this chapter is based.

restrict the application of patents under the TRIPS (trade-related aspects of intellectual property rights) agreement in an attempt to import cheap, Indian-made generic drugs. Alleging patent infringement, 39 pharmaceutical companies filed suit in South Africa and made this incident an international problem. The Brazilian government proposed to WHO a price database of AIDS drugs so that developing countries can purchase them at the lowest price, and otherwise tried to increase the export of its unlicensed drugs, drawing criticism from pharmaceutical companies in developed countries.

Against such a background, domestic and international NGOs pressured pharmaceutical companies and won an announcement in May 2000 by five companies based in the U.S., the U.K., Switzerland, and Germany to sell AIDS treatment drugs to developing countries at one-fifth of their normal prices. In April 2001, the suit in South Africa was settled out of court with terms favorable to the government. As a result, drugs made by Indian pharmaceutical companies and African companies that received technical assistance from Thailand and Brazil became available, and the annual cost of HAART therapy declined from US\$ 10,000 to a mostly universal level of US\$ 350. New movements followed, including Kenya's enactment of a new industrial property law with provisions for parallel importing, and introduction of treatment programs using cheap AIDS drugs in Nigeria and other countries. Moreover, the WTO (World Trade Organization) Ministerial Conference in November 2001 declared that public health efforts should not be hindered by intellectual property rights.

The problem has not been solved entirely, however, because pharmaceutical companies in developed countries would not be interested in developing drugs for developing countries if patents are not applied to their products. In fact, already some major pharmaceutical companies have publicly admitted that they are now less motivated. But even at the lower cost of US\$ 350 per year, the therapy is still out of reach for the majority of HIV carriers in developing countries where health insurance systems are not fully developed. Only 30,000 patients in Africa currently receive this treatment. Today, the World Bank is building a scheme to stimulate drug development in developed countries. The International AIDS Vaccine Initiative provides funds for development of AIDS vaccines, but WHO and the World Bank do not have authority to guide private pharmaceutical companies. We cannot foresee that the Global Fund to Fight AIDS, Tuberculosis, and Malaria will move toward vaccine development. We need more active and

constructive discussions about the duration of patents and the ideal form of cooperation between the public and private sectors with special attention to pharmaceutical companies.

## **Conclusions**

Three of the eight MDG goals are directly related to the health care sector, a clear indication of the increasing importance of the sector. One-third of UNDP's Human Development Index (HDI) is represented by the value of average life expectancy, which largely depends on the quality of the health care sector. In contrast, however, many donors have not focused sufficiently in this area with the exception of specialized organizations such as WHO, but now with the existence of MDGs, donors can no longer overlook the importance of this sector.

The trend of development assistance in the health care sector has gone through significant changes under the initiatives of WHO, UNICEF, and the World Bank. Many problems need urgent international attention: the issue of PHC, the choice between 'vertical' and 'horizontal' approaches, aid coordination and sector reform, the fight against malaria and HIV/AIDS in Africa and other regions, and the issue of public-private cooperation between the governments of developing countries and private-sector stakeholders in developed countries, including pharmaceutical companies.

Finally, the author would like to stress that there is a growing expectation for Japan to play a more active role as health care issues are increasingly regarded as global challenges. Relatively speaking, Japan has focused on physical projects in the health care sector such as hospital construction. Even compared to other sectors, there is no denying that the lack of Japanese experts is glaring in this sector. Japan places too much emphasis on treatment in contrast to the American emphasis on prevention (Reich and Marui, 1989). Moreover, Japan needs to adapt to the recent trend of supporting health sector reform and using the private sector because we cannot deny the impression that Japan has fallen behind the World Bank and DFID.

In the fight against HIV/AIDS, Japan should actively contribute to the efforts of WHO and the World Bank to build partnerships and establish funds, especially because the Japanese government recognizes the issue as a global problem. To strengthen Japan's role in light of the increasing importance of expert assistance from the international community, more cross-sector collaboration and coordination is needed. An urgent task for the near future, therefore, is to train not only health care workers but also experts in

related areas. There is an urgent need to prepare a clear and firm strategy that is in line with international trends of the health care sector and develop the necessary human resources. These efforts will increase the visibility of Japan's international contribution in this sector.

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# Trends in Environmental Aid Policies

Junko Ohara

## Historical Perspective

The issues of global environment were first raised by a 1972 report published by the Club of Rome,<sup>1</sup> *The Limits to Growth* (Meadows et al., 1972). The report offered this conclusion on the future course of human society:

*If the present growth trends in world population, industrialization, pollution, food production, and resource depletion continue unchanged, the limits to growth on this planet will be reached sometime within the next one hundred years. The most probable result will be a rather sudden and uncontrollable decline in both population and industrial capacity.*

This report had a tremendous impact on development discussions at that time. In June 1972, the United Nations Conference on the Human Environment, the first-ever international conference on environmental issues, was held in Stockholm. In December of the same year, the United Nations Environment Programme (UNEP) was established to provide information about global environment problems. Interest by the international community on global environment problems then waned as it dealt with oil shocks and debt crises in developing countries. Global environment problems came back in the spotlight in the late 1980s when destruction of the ozone layer over Antarctica began to be confirmed. Momentum build with publication of a 1987 report by the World Commission on Environment and Development (the Brundtland Commission<sup>2</sup>) entitled *Our Common Future* (World Commission on Environment and Development, 1987). This report is famous for popularizing the concept of sustainable development,<sup>3</sup> which is

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Ohara is a program officer at the International Development Research Institute, FASID

1. The Club of Rome is a private organization established in March 1970 as a legal entity in Switzerland. Members include scientists, economists, planners, educators, and executives of many nationalities. When *The Limits to Growth* was published, there were about 70 members from 25 countries and none held public offices.
2. The World Commission on Environment and Development (the Brundtland Commission) was established in 1983 by the United Nations General Assembly with a mandate to explore the vision for the global environment in the 21st century and prepare a strategy to realize it.
3. Sustainable development is defined as "development which meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987, p. 66)

based on the assumption that "poverty is a cause and a result of global environmental problems." The report explained the causes of global environment problems:

*Those who are poor and hungry will often destroy their immediate environment in order to survive: They will cut down forests; their livestock will overgraze grasslands; they will overuse marginal land; and in growing numbers they will crowd into congested cities. The cumulative effect of these changes is so far-reaching as to make poverty itself a major global scourge.*

Opinions of the Brundtland Commission on global environment problems were carried on by the World Bank in its *World Development Report 1992: Development and the Environment*, which encouraged preparation and implementation of a two-fold strategy to achieve both economic development and environmental improvements based on an assumption that "sustained and equitable economic growth alleviates poverty, and as a result, improves environmental protection." At the United Nations Conference on Environment and Development (Rio Summit) in Rio de Janeiro in June 1992, governments made a public commitment to balance the environment and development and adopted *Agenda 21*,<sup>4</sup> a long-term action plan for global regeneration. Discussions on the connection between poverty and the environment continued after the Rio Summit.

Beginning in the early 1990s, the emphasis shifted from two-way causality between poverty and environmental destruction (the poor are both the cause and the victims of environmental destruction) to one-way causality (the poor are victims of environmental destruction). Behind this change was the perception by the international community that poverty reduction is the most important task in development assistance. The World Bank started this trend in 1990 by making poverty reduction the theme of its development strategy. In 1996, the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD)

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4. Agenda 21 includes 40 chapters, including poverty reduction, changes in consumption patterns, protection of human health, natural resource management, waste management, financial assistance, and technology transfer.

5. In May 1996, the DAC adopted the New Development Strategy (Shaping the 21st Century: The Contribution of Development Cooperation) which established goals for the international community toward the 21st century about poverty, education, health, and the environment. The New Development Strategy contains eight goals: a reduction by one-half in the proportion of people living in extreme poverty by 2015; prevalence of primary education in all countries by 2015; elimination of gender dispar-

adopted the New Development Strategy<sup>5</sup> and four years later in 2000, the United Nations adopted Millennium Development Goals.<sup>6</sup> As a result, the international community began to discuss development issues in all areas, including the environment, from the perspective of reducing poverty.

At the Rio Summit, developed countries and developing countries clashed hard over sharing responsibilities for global environment problems. Developed countries insisted that "the global environment problems are common, global problems and the damage of global environmental degradation is equally shared by both developed and developing countries. So both groups of countries must tackle these problems together" and "If developing countries give priority to economic development and neglect environmental protection, they will in the near future be responsible for a majority of the pressure to the global environment and the speed of deterioration will increase. Therefore, efforts of developing countries are important in protecting the global environment."

Developing countries countered with these arguments: "Since the global environment problems of today are caused by the past economic and social activities of developed countries, they are responsible for it. Therefore, it is absurd to demand developing countries the same responsibility for the global environment problems as the developed countries. . . Economic development of developing countries must not be restricted on the grounds of global environment problems which are attributable to past activities of developed countries" and "Since developed countries achieved economic development in the past while causing large-scale environmental destruction, it is unfair to force environmental protection measures onto countries who are now on their way to economic development."

The Framework Convention on Climate Change,<sup>7</sup> which was adopted at the Rio Summit following these debates, states the principle of 'shared but

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ity in primary and secondary education by 2005; a reduction by two-thirds in the mortality rate for infants and children under 5 by 2015; a reduction by three-fourths in the maternal mortality rate by 2015; access to reproductive health services for all individuals of appropriate ages no later than the year 2015; the current implementation of national strategies for sustainable development in all countries by 2005; and current trends in the loss of forest, water and other resources reversed by 2015. To achieve these eight goals, the document concludes that it is essential for developed and developing countries to work together, and emphasizes the importance of global partnerships (Ministry of Foreign Affairs, Japan, Medium-Term Policy on Official Development Assistance / Notes). The Millennium Development Goals, adopted by the United Nations General Assembly in 2000 are based on this New Development Strategy.

6. Refer to the earlier paper in this book about the Millennium Development Goals.

different responsibilities' of developed and developing countries for global warming. The Framework Convention on Climate Change became effective in March 1994, and beginning following year, the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP) is held every year to augment deficiencies of the Convention and making it legally binding. The Third Conference (COP3), held in Kyoto in December 1997, adopted the Kyoto Protocol as the first step against global warming.<sup>8</sup> The protocol set a specific goal for developed countries to reduce between 2008 and 2012 their total emission of greenhouse gases, including carbon dioxide (CO<sub>2</sub>), by 5.2 percent compared to the year 1990. At the same time, the protocol offered three provisions as supplemental mechanisms for each country to achieve their respective numerical target by the deadline: Joint Implementation (JI),<sup>9</sup> Clean Development Mechanism (CDM),<sup>10</sup> and Emission Trading (ET).<sup>11</sup> These three economic means are collectively called as the Kyoto Mechanism. The COP5 in October 1999 set a goal of making the Kyoto Protocol effective by 2002, the 10-year anniversary of the Rio Summit.

At COP6 in November 2000, however, negotiations collapsed as the European Union (EU) and the United States could not agree on implementation rules to reduce greenhouse gas emissions - the former supported bind-

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7. Its objective is to stabilize the concentration of greenhouse gases in the atmosphere. The convention states that developed countries recognize the importance of reducing the emissions of CO<sub>2</sub> and other greenhouse gases to a prior level by the end of the 1990s, and will implement policies and measures to control emissions and protect sinks and reservoirs, and submit information about policies, measures, and expected effects to be reviewed by the Conference of the Parties. During the Rio Summit, 155 countries signed the convention (The Environment Agency Director-General's Secretariat Administration Division, *The Latest Environmental Keywords* (published by the Economic Research Association), *Results of the United Nations Conference on Environment and Development*).

8. The objective is for developed countries as a group to reduce six greenhouse gases (CO<sub>2</sub>, methane, nitrous oxide, and the chlorofluorocarbons HFC, PFC, and SF<sub>6</sub>) (Japan, 6 percent; U.S., 7 percent; EU, 8 percent; Canada, 6 percent; Russia, 0 percent; Australia, 8 percent; New Zealand, 0 percent; and Norway, 1 percent). To achieve the reduction target, parties are allowed to count additional sinks and reservoirs of greenhouse gases such as forests (limited to changes in land use and afforestation and reforestation in 1990 and thereafter); use the Joint Implementation and Clean Development Mechanism in which developed countries can count the reduction in emissions realized by projects implemented with other developed countries and with developing countries; and engage in emission trading. The Global Environment Facility (GEF), which will be discussed in detail in the next section, is recognized as the financing mechanism for the Kyoto Protocol.

9. A system that allows developed countries to implement projects designed to reduce greenhouse gas emissions in other developed countries and be credited with some of the resultant reduction in emissions.

10. A system that allows developed countries to implement projects designed to reduce greenhouse gas emissions in developing countries and be credited with some of the resultant reduction in emissions.

11. The Kyoto Protocol allows the trade of emission allotments between developed countries for which numerical targets for reducing greenhouse gas emissions are established.

ing targets while the latter did not. The second meeting of COP6 was planned in July 2001, but in March 2001 the U.S. pulled out of the Kyoto Protocol. The U.S. claimed that it was unfair because targets to reduce greenhouse gases were not imposed on developing countries, and that the Protocol would have a significant impact on American industries. Since then the EU has led an international effort to make the Kyoto Protocol effective without the U.S., but its effectiveness will inevitably be compromised if the U.S. - the largest consumer of oil that is also responsible for about one-quarter of total greenhouse gas emissions - does not participate. For this reason, the international community is still trying to persuade the U.S. to return to the Kyoto Protocol as soon as possible.

In October 2001 COP7 established administrative rules for the Kyoto Mechanism and emphasized the importance of economic means in the fight against global warming. Currently, economic means such as the Clean Development Mechanism and emissions trading are attracting attention as being effective for sustainable reduction of greenhouse gas emissions. In fact, the World Bank launched the Prototype Carbon Fund (PCF) to create a market that aims to reduce greenhouse gas emissions and began its operation in April 2000. Solicitation for contributions to the PCF ended in 2002. The PCF has since been replaced by the Community Development Carbon Fund and the BioCarbon Fund (which will be discussed later).

The World Summit on Sustainable Development (WSSD, the Johannesburg Summit) held in September 2002 saw some progress, including new numerical and time-bound targets to manage hazardous chemicals,<sup>12</sup> improve public health,<sup>13</sup> recover marine resources,<sup>14</sup> and protect biodiversity.<sup>15</sup> Initial expectations for the Kyoto Protocol to be effective at the Summit were dashed because of the U.S. pull-out and delayed ratification by Russia, despite ratification by the EU and Japan immediately before the Summit.<sup>16</sup> The Summit adopted the Johannesburg Plan of Implementation, but a majority of the content was nothing more than reconfirmation of past international agreements, including Agenda 21, Millennium Development

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12. Achieve, by 2020, that chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment.

13. Halve, by 2015, the percentage of people who lack access to basic sanitation facilities.

14. Maintain or restore stocks to levels that can produce the maximum sustainable yield with the aim of achieving these goals for depleted stocks on an urgent basis and where possible not later than 2015.

15. Achieve, by 2010, a significant reduction in the current rate of loss of biological diversity. Provide new and additional financial and technical resources to developing countries to do so.

Goals, Doha Ministerial Declaration adopted at the Fourth World Trade Organization (WTO) Ministerial Conference in November 2001, and the Monterrey Consensus adopted at the United Nations International Conference on Financing for Development in March 2002.

Since the WSSD, the EU and Japan have continued their efforts to make the Kyoto Protocol effective early. Russia finally ratified it in November 2004.<sup>17</sup> With ratification by Russia, a heretofore unmet condition - that ratifying developed countries must account for at least 55 percent of total CO<sub>2</sub> emissions for 1990 - has been met, the Protocol will become effective as early as the beginning of 2005. The Kyoto Protocol will come into force as international law, which will be a significant step toward the prevention of global warming. The position of the U.S. on the Protocol did not change after Russia's ratification.

Since the Rio Summit in 1992, aid agencies have been actively promoting environmental assistance to developing countries. Specifically, they support efforts by developing countries to deal with two kinds of environmental issues - global issues, including global warming, depletion of the ozone layer, and loss of biodiversity; and regional environmental issues that include air pollution, water pollution, and access to safe drinking water and sanitation services. Different donors have different priorities for these environmental issues depending on their development strategies. This chapter analyzes trends in the environmental aid policies of major donors, and then offers an outlook and challenges for environmental aid policies of the international community.

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16. The first condition for the Kyoto Protocol to go into effect is ratification by 55 or more signatories. The second is that the CO<sub>2</sub> emissions in 1990 by developing countries that have ratified it accounts for 55 percent of total emissions. As of September 2002, the first condition was met with ratification by the EU and Japan, but the second condition was not met, primarily because the U.S., which had accounted for 36 percent of total CO<sub>2</sub> emissions in 1990, did not ratify the Protocol. Meeting the second condition without ratification by the U.S. required ratification by Russia, which accounted for 17 percent of total CO<sub>2</sub> emissions in 1990. The Kyoto Protocol will become effective 90 days after both conditions are met.

17. Russia ratified the Kyoto Protocol because it determined that emissions trading would bring economic benefits in light of the EU launch of Emissions Trading Scheme (ETS) in January 2005. After the collapse of the Soviet Union, Russia's CO<sub>2</sub> emissions were reduced by about 30 percent compared to the 1990 level. Russia intends to sell its surplus emissions rights in the EU and elsewhere. Russia is limiting its participation in the Kyoto Protocol to the first stage from 2008 to 2012.

## ***Trends in the Environmental Aid Policies of Major Donors***

### **World Bank**

The World Bank has promoted mainstreaming environmental issues by introducing safeguard policies for the environmental and social aspects of its projects, supporting recipient countries in preparation of National Environmental Action Plans (NEAPs), and incorporating environmental objectives in its sector lending programs. The Bank has also been actively involved in coping with threats to the global environment by playing the role of secretariat for financing mechanisms including the Global Environmental Facility, the Multilateral Fund for the Implementation of the Montreal Protocol,<sup>18</sup> and the Carbon Fund. However, its environmental efforts have not achieved satisfactory results for these reasons - the Bank's policies were beyond the implementing capacity of recipient countries; environmental issues were still not considered important in the Bank's programs; and recipient countries were not sufficiently aware of the importance of environmental issues. The Bank reflected on this experience and announced a new Environment Strategy in July 2001 to improve the effectiveness of its environmental efforts (World Bank, 2001).

### *Environment Strategy*

The Environment Strategy emphasized the necessity to construct aid projects based on levels of institutional development and environmental management capabilities of each recipient country. It also established a goal of promoting environmental improvements as a basic element of strategies and actions for development and reducing poverty. Since 1990, the Bank's mission is to reduce poverty within the framework of economic development. The New Environment Strategy also stated that priority would be accorded to regional environmental issues that were strongly correlated with poverty. The Environment Strategy established these three objectives:

**Improve Quality of Life.** We will focus on three broad areas: *Enhancing livelihoods, preventing and reducing environmental health risks, and reducing people's vulnerability to environmental hazards.* To enhance livelihoods, the Bank will help improve sustainable management and protection of ecosystems and natural resources on which poor people depend heavily.

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18. Established reduction schedules and other specific regulations toward the abolition of ozone depleting substances including CFCs, halon, and carbon tetrachloride. It was adopted in 1987 based on the Vienna Convention for the Protection of the Ozone Layer adopted in 1985.

To prevent and reduce environmental health risks, interventions will focus on cost-effective measures to reduce human exposure to air pollution, waterborne diseases, and toxic chemicals. To reduce people's vulnerability to environmental hazards, the Bank will support upland and coastal resource management, assess the impacts of natural disasters, and improve weather forecasting and the dissemination of weather-related information.

**Improve Quality of Growth.** The Bank will promote better policy, regulatory, and institutional frameworks for sustainable environmental management; and harness the role of the private sector to become an engine for sustainable development.

**Protect the Quality** of regional and global commons.

In addressing global challenges, we will apply the following key principles:

- Focus on the positive links between poverty reduction and environmental protection.
- Focus first on local environmental benefits and then build on those that overlap with regional and global benefits.
- Address the vulnerability and adaptation needs of developing countries.
- Facilitate transfer of financial resources to client countries to help meet the costs of generating global and environmental benefits not matched by national benefits.
- Stimulate markets for global environmental public goods.

The Environment Strategy stated that environmental issues must not be treated as a sector but should be incorporated into investments, programs, sector strategies, and policy dialogs, and emphasized *strengthening analytical and advisory activities, addressing environmental priorities through project and program design, and improving the safeguard system*. Moreover, it stated that sustainable development is a long-term goal, and that its achievement requires concerted pursuit of economic prosperity, environmental quality, and social equity, and calls for behavioral changes by individuals and organizations. The necessity for the following institutional reforms was stressed:

- Enhance the Bank's accountability and incentives.
- Train environmental specialists to increase their influence on sector programs and country programs, and improve the environmental skills of staff who do not specialize in the environment.
- Restructure and increase the budget for improving safeguard and compliance systems, mainstreaming the environment in development, link-

ing corporate environmental priorities and global environment issues with country programs, promoting cross-sector and cross-institutional approaches and programs, and strengthening efforts to address sub-regional and regional environmental challenges.

- Build partnerships with other development organizations, civil society, and the private sector to advance the Bank's objectives and use the Bank's limited resources effectively.
- Introduce a framework that will track Bank performance on the environment, monitor implementation of the strategy, and report regularly on progress.

### *Carbon Fund*

The World Bank began operating the Prototype Carbon Fund (PCF) in April 2000 (the operational period is until December 2012). The Kyoto Protocol, adopted at COP3 in December 1997, set greenhouse gas reduction targets for developed countries with specific numbers, and at the same time tried to increase the flexibility of regulations by providing provisions for JI, CDM, and ET because these targets are difficult to achieve with only domestic efforts. The PCF represents an attempt to implement these flexibility measures by creating a market for reducing greenhouse gases (World Bank Tokyo Office, 2002).

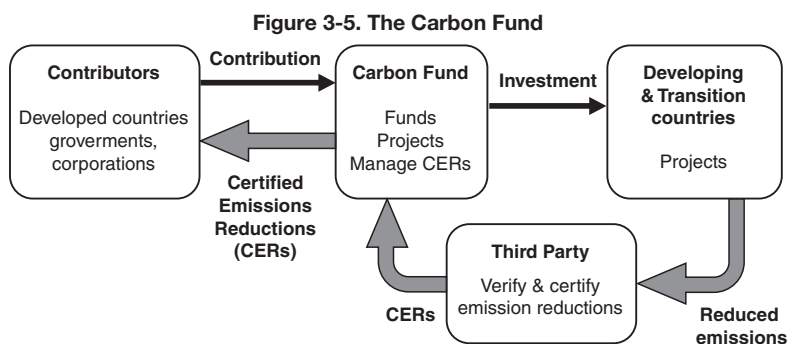
The PCF is supported by contributions from governments and the private sector. Funds are invested in projects to reduce greenhouse gas emissions in developing and transition countries. Reductions in emissions created by the projects are verified and certified by a third party and returned as Certified Emission Reductions (CERs) to contributors based on their contribution ratios (Fig. 3-5). Six governments and 17 corporations participate in the PCF (Table. 3-7). Japan is represented by the government and eight corporations, providing more than one-third of total funding (US\$ 180 million).

Developed countries can partner with developing and transition countries that are not bound by numerical targets to implement greenhouse gas reduction projects and obtain the resultant reduction as CERs and use them as their own emission quotas. The cost of greenhouse gas reduction is more than \$US 50 per ton of carbon in developed countries, but there are many opportunities in developing countries to do the same for US\$ 5 to \$15.<sup>19</sup> For this reason, developed countries can obtain emission reductions cheaply by

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19. World Bank News Release No. 2000/176/S

participating in the PCF and then use them to achieve the reduction targets set out by the Kyoto Protocol. On the other hand, developing and transition countries can profit from selling potentially large emission reductions to developed countries and obtain technologies to address global warming at the same time.



Source: prepared by the author

**Table 3-7. Corporations and governments participating in the Prototype Carbon Fund**

Company	Sector	Country	Governments
BP Amoco	Petroleum	U.K.	Canada
Chubu Electric	Power	Japan	Finland
Chugoku Electric	Power	Japan	Norway
Deutsche Bank	Finance	Germany	Sweden
Electrabel	Energy	Belgium	Netherlands
Fortum	Energy	Japan	Japan
Gaz de France	Energy	France	(through JBIC)
Kyushu Electric	Power	Japan	
Mitsubishi Corp.	Trading	Japan	
Mitsui & Co.	Trading	Japan	
Norsk Hydro	Petroleum	Norway	
Rabobank	Finance	Netherlands	
RWE	Power	Germany	
Shikoku Electric	Power	Japan	
Statoil	Petroleum	Norway	
Tohoku Electric	Power	Japan	
Tokyo Electric	Power	Japan	

Source: World Bank Tokyo Office (2002)

The solicitation for contributions to the PCF ended in 2002. The PCF was replaced by the Community Development Carbon Fund and the BioCarbon Fund in September 2002 and November 2003, respectively. Contributors determined their participation based on the project selection criteria of each fund. These two funds were created because the benefits of carbon emission trading did not reach the poorest areas of developing countries and to demonstrate the importance of: (i) using the Kyoto Mechanism for regional development of the least developed countries, and (ii) the effectiveness of the Kyoto Mechanism for carbon sequestration via forests and plants. These two areas were difficult for private corporations to reach; they are the main actors in creating carbon emission rights.<sup>20</sup>

The Community Development Carbon Fund was announced during WSSD and began operation in July 2003. Its objective is to provide funds to small projects in developing countries and projects in rural areas to reduce greenhouse gases. The BioCarbon Fund deals with projects related to managing ecosystems and soil including forests and farmland. After the implementation rules<sup>21</sup> for afforestation as the absorption CDM were adopted at COP9 in December 2003, the fund became operational in May 2004 with capital of US\$ 1.5 million. Compared to developed countries, developing countries use less energy - the main source of carbon emissions - and therefore it is more difficult for them to reduce carbon emissions by controlling energy consumption. Projects for absorbing greenhouse gases and immobilizing carbon through plants, however, are more likely to be implemented in developing countries.<sup>22</sup> The BioCarbon Fund is effectively promoting emissions trading in developing countries and providing associated financial and technological benefits.

Both the Community Development Carbon Fund and the BioCarbon Fund have a fund-raising target of US\$ 100 million. Tables 3-8 and 3-9 show the participation status of each fund.

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20. Explanation by Mr. Yugo Nakamura, who is in charge of the World Bank's carbon finance businesses, provided to the author through e-mail.

21. (i) Fixed-term credits were adopted in light of the impermanence of earned credits; (ii) additions of projects were specified with similar descriptions with the emission source CDM; (iii) small-scale sinks CDM were accepted; (iv) examples of items to be included by participants' socioeconomic and environmental impact assessment were provided; and (v) the end of 1989 was set as the base year for reforestation, the same as domestic forests in the Annex I countries, and other rules were balanced with the rules of the emission source CDM (Ministry of Foreign Affairs, Japan, Summary and Evaluation of the Ninth Conference of the Parties to the United Nations Framework Convention on Climate Change (COP9), [http://www.mofa.go.jp/mofaj/gaiko/kankyo/kiko/cop9/cop9\\_gh.html](http://www.mofa.go.jp/mofaj/gaiko/kankyo/kiko/cop9/cop9_gh.html) ).

22. It established reduction schedules and other specific regulations toward abolition of ozone depleting substances, including CFCs, halon, and carbon tetrachloride. It was adopted in 1987 based on the Vienna Convention for the Protection of the Ozone Layer adopted in 1985.

**Table 3-8. Corporations and governments participating in the Community Development Carbon Fund**

Company	Sector	Country	Governments
BASF	Chemical	Germany	Austria
Daiwa Securities SMBC Principal Investments	Finance	Japan	Canada Italy
ENDESA	Energy	Spain	Netherlands
Idemitsu Kosan	Petroleum	Japan	
KfW	Development agency	Germany	
Nippon Oil Corp.	Petroleum	Japan	
Okinawa Electric	Power	Japan	
Swiss Re	Insurance	Switzerland	

Source: Website of the Community Development Carbon Fund, <http://carbonfinance.org/cdcf/>

**Table 3-9. Corporations and governments participating in the BioCarbon Fund**

Company	Sector	Country	Governments
French Development Agency	International development	France	Canada Italy
Eco-Carbone as representative of Lesley Investments	Project development	France	
Okinawa Electric	Power	Japan	
Tokyo Electric	Power	Japan	

Source: Website of the BioCarbon Fund, <http://carbonfinance.org/biocarbon/>

### Global Environment Facility (GEF)

The GEF is a grant mechanism to help pay for the efforts of developing countries to conserve and improve the global environment.<sup>23</sup> The Arche Summit in July 1989 emphasized the "urgent necessity to protect the environment for future generations." The Joint Development Committee of the World Bank and the International Monetary Fund (IMF), meeting in September of the same year, considered establishing a facility to support the efforts of developing countries to address global environment problems. The GEF was first established in May 1991 in a pilot phase that lasted until June 1994. Based on its three-year pilot phase and discussions at the Rio Summit in 1992, in March 1994 the Joint Development Committee discussed reorganizing and increasing the capital of the GEF, and agreed on a basic framework and funding for the first phase (GEF-1) from July 1994 to June 1998 (approximately US\$ 2,022 million). Earlier, the Montreal Proto-

23. The GEF is discussed as a separate entity because it is co-administered by three implementing agencies - the World Bank, UNDP, and UNEP.

col was adopted in 1987 and the Framework Convention on Climate Change and the Convention on Biological Diversity was signed at the Rio Summit in 1992.<sup>24</sup>

The GEF is administered by its three implementing agencies, and its trust fund was established within the World Bank. The allocation of GEF funds for FY 2000 was US\$ 276.7 million (58 percent) to the World Bank, US\$ 176.1 million (37 percent) to the United Nations Development Programme (UNDP), and US\$ 26 million (5 percent) to UNEP.<sup>25</sup> Each implementing agency has unique comparative advantages - the World Bank is mainly in charge of investment projects; UNDP focuses on technical cooperation including the development of human resources and organizations to address global environment problems; and UNEP mainly supports the Science and Technology Advisory Panel which appraises all GEF projects and advises on GEF policies. As of November 2004, there were 176 GEF member countries, and the Council, its central decision-making body, includes 32 members - 16 from developing countries, 14 from developed countries, and two from transition countries.

Projects that have been appraised and approved by the Council are implemented under a partnership with one of the three implementing agencies (UNDP, 2001a). Until the second GEF Assembly in October 2002, GEF support for developing country efforts to address global environment problems was limited to four areas - climate change, biodiversity, international waters, and the ozone layer. The second Assembly added two new areas - land degradation and persistent organic pollutants. GEF activities in climate change and biodiversity include acting as the funding mechanism for the Framework Convention on Climate Change and the Convention on Biological Diversity, respectively. Tables 3-10 and 3-11 show the funding breakdown by thematic and geographical areas, respectively, from 1991 to 2003.

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24. Its objectives are protection of biodiversity, sustainable use of biodiversity elements, and fair and equitable distribution of profits generated by the use of genetic resources, including preparation of national strategies and plans, listing regions and species important for domestic environmental conservation, establishing conservation areas, guaranteeing access to genetic resources, technology transfer, and financial assistance. It was signed by 157 countries during the Rio Summit (Energy Conservation Center, Japan, Results of the United Nations Conference on Environment and Development. <http://www.eccj.or.jp/summary/environment/02.html>).

25. Institute for Global Environmental Strategies, 2001, p. 43 <http://www.iges.or.jp/gef/report2.pdf>

**Table 3-10. GEF funding by thematic area, 1991 to 2003**

Thematic area	Funding ('000 US\$)	Share (%)
Biodiversity	1,638.7	37.1
Climate change	1,590.9	36.0
International waters	633.0	14.3
Ozone layer	172.0	3.9
Persistent organic pollutants	86.3	2.0
Land degradation	19.2	0.4
Multiple areas	278.2	6.3
Total	4,418.3	100.0

Source: GEF Annual Report 2003, p. 14

**Table 3-11. GEF funding by geographical area, 1991 to 2003**

Geographic area	Funding ('000 US\$)	Share (%)
Asia	1,196.7	27.1
Latin America, Caribbean	1,006.1	22.8
Africa	904.5	20.5
Europe, Central Asia	752.3	17.0
Regional	93.6	2.1
Global	465.0	10.5
Total	4,418.2	100.0

Source: GEF Annual Report 2003, p. 14

### United Nations Development Programme (UNDP)

UNDP advocates *sustainable human development* as the principle for development and focuses on *energy and the environment* as one of its priority areas. UNDP insists that energy and the environment are the foundation of sustainable development, and that the current state in which poor people suffer significantly from environmental degradation and lack of access to safe and affordable energy is a global problem that cannot be addressed by one country. These problems are closely linked to climate change, loss of biodiversity, and destruction of the ozone layer. UNDP helps strengthen each country's capacity to address environmental issues at the global, national, and community levels by sharing best practices and providing innovative policy advice.<sup>26</sup> Capacity 2015 is a program designed to enhance the environmental capacity of UNDP. Capacity 2015 is registered in the Type II Partnership Initiatives (Commitments) announced at WSSD;<sup>27</sup> its implementation period is January 2003 to January 2015.

26. UNDP website. <http://www.undp.org/energy/index.html>

27. Type II Partnership Initiatives (Commitments) is a document that summarizes specific plans to be undertaken collaboratively by various actors including governments, international organizations, NGOs, and corporations to reduce poverty and conserve the environment (FASID, 2002).

Capacity 2015 succeeded Capacity 21,<sup>28</sup> a trust fund whose objective was to improve national capacity to address environmental problems for the ultimate goal of implementing Agenda 21. Capacity 2015 aims to build the capacity of developing and transition countries at the regional level toward achieving the Millennium Development Goals in addition to implementation of Agenda 21 (Fig. 3-6). It is designed to function as a platform that includes partnerships, networks, funds, and regional cooperation for capacity development programs. Its principles include:<sup>29</sup>

- Local and national actors need to achieve ownership, define their own needs, and implement their own solutions. Capacity development is an ongoing process of transformation.
- Urgent short-term poverty concerns and longer-term sustainability issues require carefully integrated responses.
- Civic engagement and sound participatory processes are key elements in the design, implementation, and monitoring of social, economic, and environmental policies and practices.
- The approach should be universal but flexible, allowing for different emphases in response to varying sustainable development priorities among different communities, countries, and regions.
- Work should be through partnerships and strategic alliances, emphasizing the key role of networking in knowledge acquisition.
- Capacity development must include the development of the necessary enabling environments at all levels.
- Existing capacities need to be developed, not replaced.
- Cultural identities and values need to be recognized and respected.

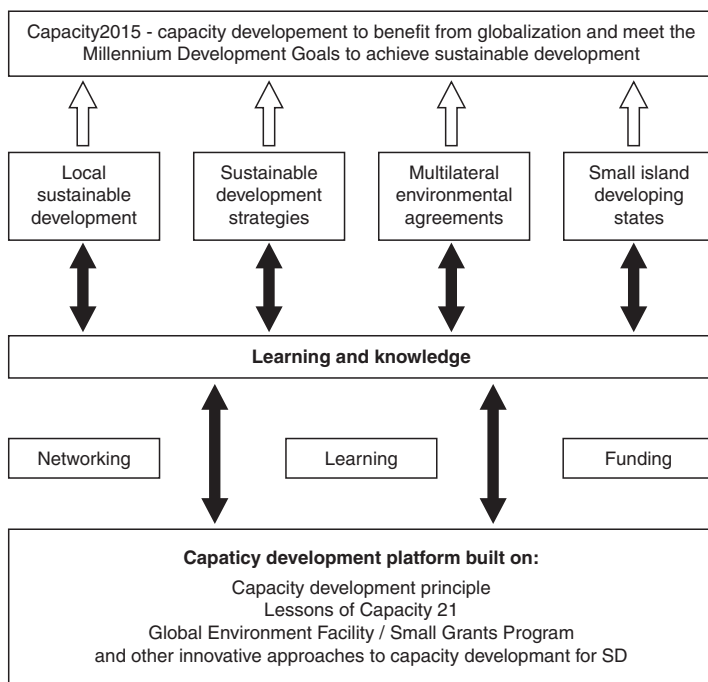
Capacity 2015 has also adopted the following approaches that have been proven effective through experience in Capacity 21, the GEF Small Grants Program, and other capacity development programs:

- Address local capacity development needs and tie them to national economic, social, and environmental policies and processes.

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28. Capacity 21 was created in 1992, immediately after the Rio Summit that adopted Agenda 21. In the 10 years before it was reformed into Capacity 2015, about US\$ 85 million was spent and projects to strengthen environmental capacity were implemented in more than 75 developing and transition countries (UNDP, 2001a). Japan's contribution to Capacity 21 was 36 percent of all contributions; US\$85 million (see UNDP Web site <http://www.undp.or.jp/environment/>).

29. UNDP Web site <http://www.undp.org/wssd/docs/2015Brief.doc>

**Figure 3-6. Capacity 2015**

Source: UNDP, 2002, p.9

- Help local groups and their supporting local and national governments, the private sector, and civil society organizations to overcome capacity constraints to achieve economic, social, and environmental sustainability.
- Promote local, national, regional, and global partnerships among public and private sectors and the major groups of civil society, giving each new opportunity to use their respective strengths and resources and learn from each another.
- Ensure strong synergies among all relevant capacity-development initiatives, particularly those related to multilateral environmental treaties, poverty reduction strategies, and sustainable development strategies.

### **United Nations Environment Program (UNEP)**

Following the United Nations Conference on the Human Environment, UNEP was established in 1972 to provide information about the environ-

ment. UNEP provides information on global environment problems by periodically publishing the *Global Environment Outlook*. Portions of the third edition published in February 2002 (UNEP, 2002a), cover the *state of the environment and policy responses, 1972-2002, human vulnerability to environmental change, outlook 2002-2032, and options for action*. Below is a brief summary of its content (FASID, 2002 and Global Environment Centre Foundation, 2002).

In many areas, the state of the environment is much more fragile and degraded than it was in 1972. The world can now be categorized by four major divides -Environmental, Policy, Vulnerability, and the Lifestyle. The four gaps are a serious threat to sustainable development. The poor tend to have a lower capacity to cope with environmental changes and are therefore very vulnerable to environmental threats. To address vulnerabilities of the poor to environmental changes, these policies need to be implemented:

- **Reducing Vulnerability.** There is a large and widening vulnerability gap between well-off people who have better coping capacity and are becoming gradually less vulnerable, and the poor who grow increasingly vulnerable. It is vital to the sustainable development effort that this gap is addressed, as well as vulnerability itself. For the most significant improvements, priority should go to policies that reduce the vulnerability of the poor as part of general strategies to reduce poverty.
- **Adapting to Threats.** Such adaptations might include both physical adjustments or technical measures (such as constructing a higher sea wall) and changing behavior, economic activities, and social organization in order to be more compatible with existing or emerging conditions or threats.
- **Early Warning.** Many actions can be taken to protect life and property if warning is received in time.

It is also important to assess and measure vulnerability. Both people and environmental systems can be assessed for vulnerability. An assessment should identify the location of vulnerable populations, threats to their well-being, the extent of their vulnerability, risks to the environmental capacity to provide goods and services, and preventive steps that can improve environmental conditions and reduce negative effects of humans on the environment.

Over the next 30 years, much of the environmental change that will occur has already been set in motion, and by the same token, many of effects of environmentally relevant policies put into place over the next 30

years will not be apparent until long afterward. Under this circumstance, options for future actions include:

- Rethink environmental institutions because they need to adapt to new roles and partnerships to fulfill present obligations and confront emerging environmental challenges.
- Strengthen the policy cycle so that it becomes more rigorous, systematic, integrated, and able to develop policies that are better attuned to specific localities and situations.
- Provide an enhanced international policy framework to overcome the fragmentation and duplication inherent in the present system.
- Use trade more effectively for sustainable development to capitalize on new opportunities provided by trade liberalization.
- Harness technology for the environment and manage the associated risks to maximize the potential of new technologies to deliver substantial environmental and social gains.
- Adjust and coordinate policy instruments, including legal frameworks and measures such as valuing environmental goods and services, to ensure that markets work to promote sustainable development and voluntary initiatives that will develop appropriate packages which work more effectively for the environment.
- Monitor policy performance to improve levels of implementation, enforcement, and compliance.
- Re-define and share roles and responsibilities among local, regional, and global levels to provide efficient solutions for managing complex situations at different scales.

### **U.S. Agency for International Development (USAID)**

The U.S. Agency for International Development (USAID), the bilateral aid agency of the United States, sees global environment problems from the perspective of U.S. national interests based on the recognition that "not only the U.S. is directly and adversely affected by global climate changes, loss of biodiversity, spread of pollutants, use of toxic chemicals, and decline of fish stocks, but conflicts over natural resources such as land, water and forests that could escalate into regional conflicts pose a significant threat to the security of the U.S." The USAID environment programs help reduce the potential for conflict by encouraging equitable access to natural resources and the benefits those resources provide. On the economic front, growing numbers of American businesses, from producers of 'green technologies' to

large sectors of the U.S. tourism industry to food processors, all profit from sound environmental management in developing countries. USAID helps these countries strengthen their environmental protection and natural resource management capacity while linking program benefits to the U.S. economy. Programs are designed to align with agency-level objectives (USAID, 2003, p.69-70):

- Sustainable management of natural resources
- Conservation of biological diversity
- Environmentally sound and efficient energy use
- Sustainable urbanization
- Reductions in the threat of global climate change

The Agency's programs and approaches vary by environmental challenge and regional priority. For example, programs in the Latin America and Caribbean and Africa regions emphasize biological diversity and natural resource management as well as urban environmental problems. In the Asia and Near East regions, urban environmental problems are of particular concern. In the Europe and Eurasia region, programs concentrate on policy issues and strengthening environmental standards. In FY 2003, USAID allocated US\$ 757 million for programs related to protection of the global environment, which represented about 8 percent of the total budget (US\$ 9,994 million).<sup>30</sup>

The USAID FY 2003 Performance and Accountability Report reflects President Bush's policy of establishing measurable goals before providing aid. Performance in the environmental area for FY 2002 is reported based on 74 strategic objectives and a context indicator - hectares of land under improved management - established for the environment sector. The report concluded that of the 74 strategic objectives, 55 met or exceeded their targets, two did not meet targets, and 17 were not required to report because they had been established less than a year ago. The area under improved management during FY 2002 (67,874,766 ha) exceeded the planned target (66,457,474 ha) (USAID, 2003, p. 17).

One element of USAID environmental assistance that attracts our attention is the Debt-for-Nature Swap. Under this scheme, the U.S. government and international NGOs assume the external debt of a developing country in

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30. The program area that receives the most funding is economic growth and agricultural development (US\$ 3,703 million, 37 percent) followed by stabilization of world population and protection of human health (US\$ 2,163. million, 22 percent) ,and saving lives with humanitarian assistance (US\$ 2,067 million, 20 percent) (USAID, 2003, p. 43).

return for the country's commitment to implement nature conservation policies such as setting up conservation areas. This mechanism converts external debt to a nature conservation fund. The number of debt-for-nature swaps has increased every year since the enactment of the Tropical Forest Conservation Act (TFCA) of 1998 in the U.S. Within three years, debt-for-nature swaps were implemented in Bangladesh, Belize, El Salvador, Peru, and the Philippines, providing a total of more than US\$ 60 million for conservation of tropical rainforests in these countries (USAID, 2003, p. 74). More recently, the U.S. government contributed US\$ 5 million and the Nature Conservancy donated US\$ 1.16 million. The Panamanian government then agreed to convert its external debt of US\$ 10 million to a nature conservation fund to protect the Chagres River watershed, which includes Chagres National Park. The government is supposed to pay US\$ 5.6 million over the next 14 years to Fundacion Natura (a Panama NGO), which will manage the conservation area. It has also agreed to contribute US\$ 5 million to the established fund so that investments in this area will continue even after the term of the agreement expires.<sup>31</sup>

The debt-for-nature swap was developed because developing countries are putting more pressure the entire environment because of their accumulated debt. While it can achieve debt reduction and nature conservation at the same time, some serious problems have occurred; entrusting NGOs to manage conservation areas has led to indigenous people being chased away and stripped of their rights to the land and resources.

### **United Kingdom Department for International Development (DFID)**

In a paper on international development (British Government, 2000), the British government publicly pledged concrete efforts to address global environment problems:

- Use Rio + 10 to endorse the International Development Targets and reinforce progress toward sustainable development.
- Deliver its Kyoto target and move beyond it toward its goal of reducing the U.K.'s CO<sub>2</sub> emissions by 20 percent by 2010.
- Work with developing countries and the IMF and World Bank to better integrate environmental sustainability into poverty reduction strategies.
- Help least-developed countries to benefit from the Clean Development Mechanism and consider further ways to improve developing country

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31. USAID, 2003, p. 74. Nature Conservancy website, [http://www.tnc.or.jp/doc/k/k400\\_030710.htm](http://www.tnc.or.jp/doc/k/k400_030710.htm)

access to clean and sustainable energy sources in light of the report of the G8 task force on Renewable Energy.

- Work with businesses to increase their opportunities to be environmentally responsible.
- Help least-developed countries benefit from multilateral environmental agreements by helping them participate more effectively in negotiations.
- Press for a 50 percent increase in resources for the third replenishment of the Global Environment Facility from 2002 to 2006.

Following these policy commitments, DFID, the British aid agency, focused on the environmental issues that seem to be strongly correlated with poverty and listed some actions as important lessons learned from developing countries that were addressing environmental issues that adversely affect the poor.<sup>32</sup>

- Integrate poverty and environmental issues into national plans, including poverty reduction strategies.
- Address poverty and environmental issues in the implementation of policies, programs, and projects in priority sectors such as health, transportation, energy, and agriculture.
- Protect and expand environmental assets of the poor, including land, forests, fishery resources, and access to water supply.
- Improve access of the poor to environmental technologies.
- Eliminate corruption in developing and developed countries that leads to illegal exploitation of natural resources and gives priorities to large projects that increase supply of water and energy rather than their efficient use.
- Reform subsidy systems that have adverse effects on the environment.
- Evaluate the environment in terms of monetary values.

Since Clare Short was appointed Secretary of State for International Development in 1997, DFID has placed poverty reduction at the core of its development strategy and has examined its environmental efforts from the perspective of poverty reduction. Hilary Benn replaced Clare Short in 2003. Recently, DFID launched its Public Service Agreement (PSA) as a medium-term policy for 2003-2006 to achieve the MDGs by 2015. The 2003-2006 PSA states that its overall goal is to "Eliminate poverty in poorer countries in particular through achievement by 2015 of the Millennium Development Goals."

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32. DFID website, [http://www.dfid.gov.uk/AboutDFID/files/epd/epd\\_main.htm](http://www.dfid.gov.uk/AboutDFID/files/epd/epd_main.htm)

Under that overarching goal, it specifies five objectives - (i) reduce poverty in sub-Saharan Africa; (ii) reduce poverty in Asia; (iii) reduce poverty in Europe, Central Asia, Latin America, the Caribbean, the Middle East, and North Africa; (iv) increase the impact of key multilateral agencies in reducing poverty and effectively responding to conflict and humanitarian crises; and (v) develop evidence-based, innovative approaches to international development. Five corresponding targets were also specified: (i) progress toward the MDGs in 16 key countries;<sup>33</sup> (ii) progress toward the MDGs in four key countries;<sup>34</sup> (iii) improved effectiveness of international systems; (iv) secure agreements by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for developing countries; and (v) increase the proportion of DFID bilateral programs for low income countries from 78 percent to 90 percent and achieve a sustained increase in the index of DFID bilateral projects evaluated as successful.

More detailed, numerical targets were established under these five targets, but they are mainly concerned with the proportion of people living in poverty, primary school enrollment, the ratio of girls to boys enrolled in primary school, under-5 mortality rates, prevalence rates of HIV infection in pregnant and parturient women, proportion of births assisted by skilled birth attendants, and the proportion of DFID bilateral program going to low income countries. In the 2003-2006 PSA, there are no objectives, targets, and performance indicators related to the environment. This indicates that DFID's current focus is to achieve the MDGs by 2015, especially the goal of halving of the proportion of people living in poverty, and that its assistance concentrates assistance on education and health. An environment policy division that existed within the DFID in 2002 no longer exists. Currently, DFID address environmental issues by incorporating environmental policies into its poverty reduction strategies rather than addressing them separately.

## Japan

Since the Rio Summit in 1992, Japan has actively addressed global environment problems. At the Summit, Japan announced that it would increase its aid in the environment sector from ¥900 billion to ¥1 trillion over five years beginning in 1992. Eventually, it provided more than its target - ¥1,440 bil-

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33. Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mozambique, Nigeria, Rwanda, Sierra Leone, South Africa, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe.

34. Bangladesh, China, India, and Pakistan.

lion - over the five years until 1996. The breakdown was ¥189 billion in grants, ¥1,037 billion in loans, ¥108 billion in technical cooperation, and ¥108 billion in contributions to international organizations (JICA, 2001, p. 136). From 1996 to 2002, aid to the environment sector was 25 percent to 30 percent of total aid, with the exception of 1997 (Table 3-12). Total environmental aid during 2002 was 35 percent for Japan, while that of the U.S. was only 8 percent (in FY 2003, the environment budget was US\$ 757 million while the total budget was US\$ 9,994 million). Another characteristic of Japan's environmental assistance is that loans are a high percentage of aid awarded in the environmental sector (Table 3-12).

**Table 3-12. Japan's aid to the environment sector, 1996 to 2002 (billion yen)**

FY	Grants <sup>a</sup>	Loans <sup>a</sup>	Technical cooperation <sup>b</sup>	Multilateral <sup>c</sup>	Total aid	Percent of total aid
1996	30.07	386.47	25.34	15.38	463.2	27
1997	36.46	162.34	30.07	15.81	244.7	15
1998	28.99	328.09	30.42	26.31	413.8	26
1999	29.37	464.45	28.25	13.60	535.7	36
2000	24.42	386.06	28.43	13.61	452.5	32
2001	24.20	198.89	32.44	15.79	271.3	23
2002	25.26	340.57	26.93	12.61	405.4	35

a. Grant and loan amounts are based on Exchanges of Notes.

b. Technical cooperation figures are based on actual expenditures by JICA.

c. Multilateral aid is based on budgets and includes contributions to international organizations.

Source: Ministry of Foreign Affairs, Japan, 2002, p. 84; Ministry of Foreign Affairs, Japan, 2004, Annex Figure IV-31

At the United Nations General Assembly Special Session on Environment and Development five years after the 1992 Rio Summit, Japan announced the Initiatives for Sustainable Development toward the 21st Century (ISD) to further expand its environmental assistance. The Initiative summarized the three principles of Japanese environmental assistance - (i) global human security, (ii) ownership, and (iii) sustainable development - and six action plans focused on: (i) air and water pollution and waste disposal, (ii) global warming, (iii) nature conservation and afforestation, (iv) 'fresh water' problems, (v) public awareness and strategy building, and (vi) promotion of strategic research for sustainable development.

In August 2002, Japan announced the Environmental Conservation Initiative for Sustainable Development (EcoISD), an extension of the ISD to further expand its environmental assistance. Since then, Japan has been pro-

moting its environmental assistance based on the EcoISD. The EcoISD has three principles: (i) human security, (ii) ownership and partnership, and (iii) pursuit of environmental conservation and development and five basic policies: (i) capacity development in environment, (ii) active integration of environmental considerations, (iii) Japan's leading role, (iv) cooperation under a broad and comprehensive framework, and (v) application of Japanese experience and scientific knowledge. Based on these basic policies, action plans are in these priority areas:<sup>35</sup>

- **Global Warming.** Raise awareness that global warming threatens to spoil sustainable development, disseminate appropriate technologies as countermeasures, and enhance the capacity to address this issue from scientific, social, and systemic perspectives.
- **Pollution Control.** Support measures to control pollution and improve living standards (air and water pollution and waste management) in urban areas, mainly in the Asian regions in which economies are rapidly growing.
- **Fresh Water.** Support implementation of water supply and sewage systems that are appropriate for the target country's urban and rural areas, as well as to promote cooperation for water resource management and water quality control.
- **Conservation of the Natural Environment.** Support developing countries in their management of nature reserves, forest-related issues, prevention of desertification, and natural resource management with consideration for efforts to eradicate poverty.  
The initiative also lists these new efforts by Japan:<sup>36</sup>
- **Training.** Human resource development for 5,000 people in the environment field over a five-year period beginning in FY 2002.
- **Loans.** Provision of yen loans with the most concessional terms for projects in environment fields to provide incentives to developing countries to resolve global environmental issues.
- **Grants.** More grants to promote efforts to improve the global environment.
- **Collaboration.** Promote of wide-ranging collaboration with international organizations.

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35. Ministry of Foreign Affairs, Japan website,  
[http://www.mofa.go.jp/mofaj/gaiko/oda/seisaku/bunya/kankyo/wssd\\_gai.html](http://www.mofa.go.jp/mofaj/gaiko/oda/seisaku/bunya/kankyo/wssd_gai.html)

36. Ministry of Foreign Affairs, Japan website,  
[http://www.mofa.go.jp/mofaj/gaiko/oda/seisaku/bunya/kankyo/wssd\\_gai.html](http://www.mofa.go.jp/mofaj/gaiko/oda/seisaku/bunya/kankyo/wssd_gai.html).

- **Evaluation.** Improve methods for ex-post evaluation of Japan's environmental ODA.

Table 3-13 shows the implementation status of the EcoISD for FY 2002. Japanese environmental assistance covers a wide range of issues, from global problems including global warming and loss of biodiversity to local problems including waste management, air pollution, industrial pollution, and water supply and sewerage systems. Other characteristics include Japan's focus on Asia and building the environmental capacity of developing countries through training and human resource development.

In December 1997 when COP3 was held in Kyoto, Japan launched the Kyoto Initiative on global warming. The Kyoto Initiative is the basic policy for Japan's assistance in the area of global warming. The initiative includes three pillars (Ministry of Foreign Affairs, Japan, 1997, p. 138):

- **Capacity Building.** Over the five-year period beginning in FY 1998, Japan will train 3,000 people in developing countries in fields related to global warming.
- **Loans.** Japan will grant ODA loans with the most concessional terms available internationally to fund projects designed to combat global warming (0.75 percent annual interest rate, 40-year repayment period).

**Table 3-13. Implementation status of the EcoISD for FY 2002**

Action plan	Implementation status FY 2002 <sup>a</sup>
Global warming	<ul style="list-style-type: none"> <li>• Laos: Project for Rehabilitation of the Nam Ngum I Hydropower Station (G)</li> <li>• Vietnam: Project for Afforestation on the Coastal Sandy Area in Southern Central Viet Nam (G)</li> <li>• Indonesia: Muara Karang Gas Power Plant Project (L)</li> <li>• China: Afforestation and Vegetation Cover Project (Gansu, Inner Mongolia) (L)</li> <li>• Indonesia: Forest Fire Prevention Management Project 2 (TCP)</li> <li>• Energy Conservation Center (Turkey, Iran) (TCP)</li> <li>• Technologies for Prevention of Global Warming (T)</li> <li>• Measures against Global Warming Course (T)</li> <li>• Vietnam: Renewable Energy Master Plan in the Northern Part of the Socialist Republic of Vietnam (D)</li> </ul>
Measures against environmental degradation	<ul style="list-style-type: none"> <li>• Vietnam: Project for Supply of Equipment for Waste Management in Hanoi City (G)</li> <li>• Bangladesh: Project for Mitigation of Arsenic Contamination (G)</li> <li>• Nicaragua: Projects for Provision of Garbage Trucks in Nine Cities (Gr)</li> <li>• China: Environmental Improvement Project (Henan, Anhui) (L)</li> <li>• Vietnam: Ho Chi Minh City Water Environment Improvement Project (II) (L)</li> <li>• Environment Center (Indonesia, China, Chile, Mexico, Egypt) (TCP)</li> <li>• Argentina: Industrial Pollution Prevention (TCP)</li> <li>• Acid Deposition Monitoring Network in East Asia Training (T)</li> <li>• Malaysia: Study on Land Fill Safety for Garbage Dumps (D)</li> <li>• Cambodia: Study on the Solid Waste Management in the Municipality of Phnom Penh (D)</li> </ul>

Addressing water problems	<ul style="list-style-type: none"> <li>• Honduras: Tegucigalpa Water Supply Rehabilitation Project (G)</li> <li>• Tanzania: Project for Rural Drinking Water Supply in Hanang, Singida Rural, Manyoni and Igunga Districts (G)</li> <li>• India: Yamuna Action Plan Project (L)</li> <li>• Tunisia: Rural Water Supply Project (II) (L)</li> <li>• Syria: Project for Establishment of Water Resources Information Center (TCP)</li> <li>• Morocco: Project for Rural Water Supply (TC)</li> <li>• India: Integrated Pollution Abatement and River Basin Management Project for the Ganges Basin (D)</li> <li>• East Timor, Cambodia, Vietnam: Living Environment Project (construction of wells) (NGO)</li> <li>• Myanmar: Project for Secure Water Supply in the Central Dry Zone (JNGO)</li> <li>• Sierra Leone: Bandajuma Liberian Refugee Camp Water Supply and Sanitation Project (JNGO)</li> </ul>
Conservation of natural environment	<ul style="list-style-type: none"> <li>• Indonesia: Project for Rehabilitation of the National Park Degraded by Forest Fire (G)</li> <li>• Senegal: Coastal Region Afforestation Project (G)</li> <li>• India: Rajasthan Forestry and Biodiversity Project (L)</li> <li>• Indonesia: Biodiversity Conservation Project (II) (TCP)</li> <li>• Belau: International Coral Reef Center (TCP)</li> <li>• Sustainable Mangrove Ecosystem Management Technology (T)</li> <li>• Iran: Anzari Wetland Ecosystem Conservation Project (D)</li> <li>• The Philippines, China, Ecuador, Chad, Nepal: Environmental Conservation Project (afforestation) (NGO)</li> <li>• Uganda: Kalinzu Forest Environment Education Center Construction Project (JNGO)</li> <li>• Fiji: Promotion of Environmental Education through Afforestation by Local Youth (JNGO)</li> </ul>

a. (G): general project grants, (Gr): grassroots grants, (L): loans, (TCP): technical cooperation project, (T): JICA training, (TC): other technical cooperation, (D): development study, (NGO): NGO project subsidy, (JNGO): grants to support Japanese NGO

Source: Ministry of Foreign Affairs, Japan, 2004, p. 141

In FY 2002, about 1,700 people received training in fields related to global warming. Ten projects were granted loans with the most concessional conditions for a total of ¥187.5 billion (on the basis of Exchange of Notes) (Ministry of Foreign Affairs, Japan, 2004, pp. 138-139).

In August 1999 the Japanese government announced its Medium-Term Policy on Official Development Assistance which aimed to improve the efficiency and effectiveness of Japanese aid for the next five years. This policy also considers environmental conservation as a top priority: "Through its own experiences, Japan has learned much about developing technologies for pollution control to achieve economic growth while preserving the environment. Both Japan's experiences and technologies can play a significant role in promoting social and economic development and in achieving sustainable development in developing countries. Japan will support the environmental programs and efforts of developing countries and assist in the enhancement of their environmental capacities. Moreover, cooperation and collaboration

with local governments and NGOs on issues regarding environmental conservation will be of vital importance."

The policy states that Japan will actively support environmental programs in accordance with ISD and the Kyoto Initiative and that Japan will pay special attention to projects related to environmental conservation through ODA loans on concessional terms.

Agencies such as JICA and JBIC are also strengthening their social and environmental considerations when considering Japanese ODA. JICA revised its Guidelines for Environmental Considerations that were introduced in 1990 and completed new JICA Guidelines for Environmental and Social Considerations in March 2004 and began enforcing them in April 2004 (JICA, 2004). JBIC integrated two Guidelines for Environmental Considerations - each designed for its international financial operations and overseas economic cooperation operations - and created the Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations in April 2002 and began enforcing them in October 2003 (JBIC, 2002).

### ***Challenges for Environmental Aid Policies***

Features of donor environmental aid policies that we have examined include:

- Emphasize support for local environmental issues that focus on improving quality of life for the poor from the perspective of poverty reduction, exemplified by the environment strategies of the World Bank and DFID.
- Use market mechanisms to reduce greenhouse gas emissions in transition and developing countries, exemplified by the PCF, Community Development Carbon Fund, and BioCarbon Fund of the World Bank.
- Provide financial support for efforts by transition and developing countries to address global environmental issues including global warming, destruction of the ozone layer, and loss of biodiversity, exemplified by GEF.
- Support for improving the capacity of developing countries to address environmental problems, exemplified by the Capacity 2015 of UNDP and Japan.
- Set goals and objectives for efforts on environmental conservation in developing countries and provide results-oriented support, exemplified by USAID.
- Provide support by converting external debt of developing countries into

nature conservation funds, exemplified by the USAID debt-for-nature swap.

Based on this summary of donor environmental aid policies, several points about the future of environmental assistance bare discussion.

**Millennium Development Goals.** The most important task of development assistance in the international community right now is to achieve the MDGs by 2015. Poverty reduction will remain the main objective of the international development strategy, and within environmental aid policies the international community will emphasize support for local environmental issues, including air pollution, water pollution, and natural disasters that target the poor. Developing countries are also more interested in local environmental issues that directly affect their lives rather than invisible global environmental issues.

An overemphasis on poverty reduction, however, has led to an emphasis on the MDGs that are directly related to improving the capacity of the poor, such as education and healthcare. We can see this tendency in the DFID PSA 2003-2006. There is a tendency to see environmental issues from the perspective of poverty reduction; as a result, there is a degree of disregard for the environmental issues. In fact, there is not a connection to poverty in all environmental issues, so there is a limit to resolving environmental issues from the perspective of poverty reduction. It is necessary to not dwell on the connection to poverty and rather focus on environmental issues themselves.

**Kyoto Protocol.** The Protocol will become effective early in 2005 and the EU will launch its intra-regional Emissions Trading Scheme (ETS) in January 2005, realizing a CO<sub>2</sub> emission trading market.

According to one estimate, the size of EU CO<sub>2</sub> emission trading market will reach 10 billion euros.<sup>37</sup> Following the EU, Canada and Japan plan to create similar markets. The interest in international markets for trading emissions is growing. When the Kyoto Protocol becomes effective, developed countries that have signed the protocol will have an obligation to achieve its targets for reducing greenhouse gases, so there will be active trading of greenhouse gas emission rights. But at the same time, the reduction targets of the Protocol are extremely difficult to achieve with domestic (and intra-regional) efforts alone, thus there will be an active effort to reduce emissions through the CDM and JI mechanisms as well.

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37. Asahi Shimbun, November 4, 2004, morning edition, p. 4

According to a report published by the World Bank at COP9 in December 2003, *State and Trends of the Carbon Market 2003*, the amount of traded greenhouse gas emission rights increased more than five-fold from 13 million tons in 2001 to 70 million tons in 2003 (World Bank, 2003). The value of carbon emission rights is estimated to reach US\$ 10 billion by 2007.<sup>38</sup> Initially (from 1996 to 2000), greenhouse gas emissions were traded among developed countries, but the situation is rapidly changing. The share of emission reductions by relevant projects in transition and developing countries increased from 38 percent in 2001 to 60 percent in 2002 to 91 percent in 2003 (from January to September) (World Bank, 2003, p. 13). When we look at countries in which these projects were implemented, most are in Latin America and Asia, but there are few African countries and few least-developed countries in Asia. The World Bank's Community Development Carbon Fund and BioCarbon Fund were developed to deal with these problems. The two funds will grow in importance as developing countries try to realize sustainable development through the CDM.

Many developing countries are reluctant to address global environment problems because addressing global warming by reducing the emissions of greenhouse gases, for example, represents a significant burden to developing. For the time being, use of the CDM is probably the most effective and realistic means to reduce greenhouse gas emissions in developing countries.

**Developing Country Debt.** Accumulated debt and poverty are restricting investments in the environment. The causal linkage between poverty and environmental destruction - the idea that the former causes the latter - is no longer emphasized. Even if the direct adverse effect of poverty on the environment is small, there is an indirect link; because these countries are poor and have accumulated debt, rapid economic growth becomes the most urgent priority and they cannot afford to care for the environment. We cannot say that reduction of accumulated debt and poverty will directly increase investments for the environment, but there is no doubt that the former is a necessary condition for the latter. In this sense, the USAID debt-for-nature swap is a well thought-out mechanism. Various adverse effects of the debt-for-nature swap have been reported, including usurpation of rights of indigenous people who live in conservation areas, but we should not renounce the mechanism itself. Rather, we should try to resolve incidental

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38. World Bank press release, December 4, 2003, Carbon Market Doubles, But Poor Countries Bypassed According to World Bank Report

problems during implementation. Possible measures include preliminary surveys for social considerations. When involuntary relocation of indigenous people cannot be avoided, the administrator should first obtain their consent and provide compensation for the land and resources they will lose due to the relocation and help them secure alternative livelihoods.

These three points about environmental assistance suggest ideas about the future of Japanese assistance.

**Greenhouse Gases.** Japan should reduce greenhouse gas emissions by using the CDM. Realistically, it is impossible for Japan to achieve its target under the Kyoto Protocol (6 percent reduction from the 1990 level in the five years from 2008 to 2012) by domestic policies alone because Japanese industries are strongly opposed to introduction of environmental taxation. There are, however, many opportunities in developing countries to reduce greenhouse gas emissions at a low cost, so if Japan uses the CDM and implements emission reduction projects in developing countries, it can count those reductions toward its own reduction target.

The Japanese government and Japanese companies should also consider participating in the World Bank's Community Development Carbon Fund and BioCarbon Fund.

In recent years the concept of corporate social responsibility<sup>39</sup> has been emphasized. By using the CDM, corporations can reduce greenhouse gas emissions and at the same time enjoy the reputation of contributing to the sustainable development of developing countries. Considering that Japanese corporations cannot expect significant reduction in greenhouse gas emissions by their own activities, they should actively try to reduce emissions in developing countries, for example, by providing Japanese energy-saving technologies.

In light of various opportunities to reduce greenhouse gas emissions, developed countries and their corporations will have to answer not only how much, but also where and how they have reduced greenhouse gases.

**Environmental Assistance.** Japan gives priority to environmental assistance in its development assistance strategy. Aid to the environment sector in 2002 was 34.9 percent of total assistance. Japanese environmental assistance covers various issues from global to local, and special emphasis is

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39. Contemporary societies demand corporations be responsible not only to their shareholders, but also to other stakeholders including employees, consumers, and local communities. For this reason, corporations are being evaluated not only by profits, but also from the perspective of social responsibility.

placed on building the capacity of developing countries to address these problems. Japan's continuing policy of emphasizing the environmental sector while the international community emphasizes poverty reduction to achieve the MDGs and accords priority to education and healthcare assistance is valuable when advocating for importance of environmental assistance to the international community.

Japan does not dwell on the connection with poverty. It has adopted a policy to first focus on environmental issues, but also deals with poverty while addressing environmental issues, which provides assistance with an emphasis on resolving environmental problems. Aid agencies in other countries should emulate Japan's such policy orientation with their environmental assistance. There is room for improvement as well. Japan can establish goals and indicators for each activity and provide results-oriented assistance like USAID in order to improve the effectiveness and efficiency of its aid. As in the example of the USAID debt-for-nature swap, introduction of a mechanism to reduce the external debt of developing countries and use the money for environmental protection in these countries is worth considering.

Donors are implementing policies to cope with global environment problems, but the current level of action is hardly enough to stop the degradation of the environment. This can be clearly seen by comparing the report (IPCC, 1990) of the Intergovernmental Panel on Climate Change (IPCC)<sup>40</sup> which stated that "the global CO<sub>2</sub> emissions must be reduced by 60 percent in order to stabilize the concentration of greenhouse gases in the atmosphere at the 1990 level"<sup>41</sup> to the reduction target for all developed countries in Kyoto Protocol (5.2 percent).

The IPCC's Third Assessment Report (April 2001) predicted that between 1990 and 2100, the average temperature of the earth will rise by 1.4 to 5.8 degrees centigrade and the sea level will rise 9 to 88 centimeters

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40. An intergovernmental organization with the objective of gathering and evaluating the latest scientific, technical, and socioeconomic knowledge on global warming and advising governments. It was established in 1998 by the UNDP and the World Meteorological Organization (WMO).

41. The report states that stabilizing the concentration in the atmosphere at the level at that time (1990) requires these reductions in the emissions of greenhouse gases: carbon dioxide >60, methane 15-20 percent, nitrous oxide 70-80 percent, CFC-11 70-75 percent, CFC-12 75-85 percent, HCFC-22 40-50 percent. Carbon dioxide, CFC and nitrous oxide are removed from the atmosphere only slowly, so it takes several decades to several centuries for their concentration in the atmosphere to fully respond to changes in emissions. Therefore, the earlier the reduction, the more effective it will be at stabilizing the concentration at a certain level. Conversely, the longer we continue emissions at current levels, the larger the required future reduction (Japanese translation "IPCC Global Warming Report: Summary of the Report of the Intergovernmental Panel on Climate Change" p. 47-49)

(IPCC, 2001). The rise in temperature will worsen the problems of water and food shortages, and the endemic area of malaria and other tropical infectious diseases will expand to include temperate latitudes. In the worst case scenario, Northern China, Korea, and western Japan may be included in the malaria risk area by 2100.<sup>42</sup> The rise in sea level will also expose islands and coastal regions to socioeconomic risks including submersion of residential areas and loss of fishery resources from changes in coastal ecology. If the sea level rises by one meter, low countries such as Bangladesh and the Maldives will lose a majority of their soil. If the current trend continues, we will suffer the worst consequences - conflicts over water and food will intensify, the endemic area of tropical infectious diseases with high mortality rates will expand, and land submersion will create a massive number of refugees.

To prevent such tragedies, how can we address global environment problems effectively? First, we need to raise the awareness of every person in the world about global environmental crises. Thorough environmental education should be provided world-wide. Heightened awareness about global environment problems will strengthen efforts in various sectors (consumer, industrial, transportation) and levels (local, state, global) and will eventually lead to significant improvements. Also, people in developed countries must control excessive consumption, and at the same time cooperate with developing countries to solve their poverty problems so that people in developing countries can afford to turn their eyes to environmental issues.

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# Water-Related Issues and International Development

Koichiro Ishimori

## ***Water and Development***

We cannot ignore the importance of water when thinking about the development of poor countries. About 70 percent of the human body is water, and a 70-kg adult male needs to consume about 2.5 liters of water daily to survive. We must understand that water is absolutely essential for humans from a physiological perspective before considering any development issues.

Water is important for the development of poor countries for several reasons. Although each developing country is unique, growth of the agriculture sector is generally more effective at reducing poverty than growth of other sectors, especially in countries with small income discrepancies (Timmer, 1997). A water supply that helps stabilize or expand agricultural production is important for agriculture-related economic activities.<sup>1</sup> Women often have the considerable burden of securing water for domestic use, which limits economic activities that could increase household income and limits schooling opportunities for girls (Third World Water Forum Secretariat, 2002). Water pollution and lack of sanitation are also problems. Other data from this source are alarming: A child dies every eight seconds from water-related illnesses and 80 percent of diseases in developing countries are caused by unsanitary water. Water is extracted from major aquifers on almost all continents at a rate faster than it can be replenished, which in some circumstances can cause land subsidence. Some large dams built in developing countries have forced relocation of entire villages and led to environmental problems. The problem of too much water - floods - has been overshadowed by the problem of too little water, but floods also deserve attention. They are responsible for one-third of economic losses and more than one-half of fatalities caused by natural disasters, and are especially severe in the Asian

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Ishimori is evaluation officer, Project Development Department, Japan Bank for International Cooperation. The opinions expressed in this paper are those of the author and not JBIC.

1. 85 percent of water removed from its source in all developing countries is used for agriculture, while 6 percent is used for domestic purposes, and 9 percent for industry. (International Water Management Institute, 2001 (Water for Rural Development)) In Japan, water usage in 1999 was 66 percent agriculture, 19 percent domestic, and 15 percent industrial. (Land and Water Bureau, Ministry of Land, Infrastructure and Transport, 2002)

monsoon region.<sup>2</sup>

### ***Global Efforts to Tackle Water Issues***

What are the efforts of the international community to deal with such diverse water issues? It was only 30 years ago when the world's attention first turned to water problems at the 1972 United Nations Conference on the Human Environment in Stockholm.<sup>3</sup> This conference, popularly known as the Earth Summit, paved the way for the first intergovernmental conference on water, the United Nations Water Conference in 1977. Participants at this conference discussed not only conservation of water resources, but also many issues related to their use and development and adopted the Mar del Plata Action Plan.<sup>4</sup> The following year the World Health Organization (WHO) began to implement projects to supply safe water and sanitation to the world's population (JICA, 2002). These initiatives contributed to the 1980 UN General Assembly resolution that designated the 10 years from 1981 to 1990 as the International Decade for Water Supply and Sanitation and vowed to achieve the goal of Water for All by 1990.<sup>5</sup>

The International Conference on Water and the Environment held in Dublin in early 1992 claimed that urgent actions were needed to curb over-use and water pollution, and to solve the problem of droughts and floods (JICA, 2002). The conference also adopted the Dublin Statement on Water

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2. World Water Vision, Vision Report (<http://watervision.cdinet.com/visioncontents.html>). When looking at world water problems, floods have not been adequately discussed (JICA, 2002). For this reason, Japanese representatives are planning to emphasize the importance of dealing with the problem of too much water at the Third World Water Forum, which will be held in Kyoto, Osaka and Shiga in March 2002.
  3. Because the Earth Summit focused on environmental pollution, conservation of water resources was discussed from that perspective as well. Principle 2 of the Declaration of the United Nations Conference on the Human Environment states: The natural resources of the earth, including the air, water, land, flora and fauna and especially representative samples of natural ecosystems, must be safeguarded for the benefit of present and future generations through careful planning or management, as appropriate. See <http://www.unep.org/Documents/Default.asp?DocumentID=97&ArticleID=1503> for the original document.
  4. At the United Nations Water Conference, the First Committee discussed: (i) general examination of water resources, (ii) water use and its efficiency, and (iii) the environment and health. The Second Committee considered: (i) planning, management, and institutional issues; (ii) education, training, and research; (iii) regional cooperation; and (iv) international cooperation. Participants also considered, creating a fund for water resource development and establishing an international cooperation organization, but neither idea materialized. Instead, they decided to strengthen existing organizations (Environment Agency, 1977, Chapter 8, Section 2).
  5. Although this goal was not achieved by 1990, the 10-year campaign greatly enhanced international awareness of the significant effects that insufficient water supplies have on the people in developing countries.

and Sustainable Development<sup>6</sup> for the United Nations Conference on Environment and Development (the Rio Summit), which was to be held later the same year. The Dublin Statement was influential because it transformed the conventional concepts of water supplies and sanitation. For example, the supply-driven approach to development exemplified by the International Decade for Water Supply and Sanitation was replaced by a demand-driven approach based on the principle of water as an economic good. Before the Dublin Statement, the issue of water supplies was discussed from a perspective of health and sanitation, but ever since has been viewed as a critical element of poverty reduction.<sup>7</sup>

World leaders gathered a few months later at the Rio Summit and adopted Agenda 21, which included an action program on Protection of the Quality and Supply of Freshwater Resources (Chapter 18).<sup>8</sup> Against such a background, international organizations began to compile water-related information. In 1995 the World Bank produced a video program, *Earth Faces Water Crisis*, and two years later, the UN World Meteorological Organization published a report called *Comprehensive Assessment of the Freshwater Resources of the World*.

By 1996 there was an increasing recognition that water-related efforts since the Rio Summit were inadequate when compared to other issues such as global warming (JICA, 2002). It also became clear that many water-related international organizations existed in different areas of specialization, but their work was not at all coordinated. This situation led to the creation of two umbrella organizations in 1996.<sup>9</sup> One is the Global Water Partnership established primarily by the government of Sweden, the World Bank, and UNDP. This organization provides support for practical action plans in water management, as well as networking to share information and build partnerships. The other umbrella organization is the World Water Council, organized under the leadership of the International Water Resources Association<sup>10</sup> and headquartered in Marseilles, France, which provides

6. The Dublin Statement emphasizes actions based on the following four principles: (i) the 'finitude' of fresh water resources, (ii) participatory approaches for water development and management, (iii) women's role in the provision, management, and safeguarding of water, and (iv) water as an economic good. See <http://www.wmo.ch/web/homs/documents/english/icwedece.html>.

7. On the other hand, some have pointed out that the Dublin Statement is nothing but empty rhetoric for developing countries (Biswas, 2004).

8. <http://www.un.org/esa/sustdev/agenda21chapter18.htm> for the original.

9. Nakamura, 2000, <http://www.jiid.or.jp/j/ARDEC/ardec18/p16.pdf>

10. Other participating organizations include the International Commission on Irrigation and Drainage, International Water and Sanitation Centre, Water Supply and Sanitation Collaborative Council, the World Conservation Union, and International Water Management Institute.

information and policy recommendations about global water crises. In 1997 the World Water Council held the first World Water Forum during which participants decided to prepare World Water Vision for the 21st century. The actual World Water Vision<sup>11</sup> was adopted during the second World Water Forum held in the Netherlands in 2000.

The Millennium Assembly of the United Nations adopted the Millennium Development Goals in September 2000. The importance of safe water supplies was recognized under the three of these goals - reducing child mortality, improving maternal health, and ensuring environmental sustainability.<sup>12</sup>

More recently, the World Summit on Sustainable Development was held in 2002 in Johannesburg, South Africa. This summit reconfirmed one of the targets set for the Millennium Development Goal to "halve by 2015 the proportion of people without sustainable access to safe drinking water" and adopted a resolution to "halve by 2015 the proportion of people without access to basic sanitation (sewage facilities, etc)." The summit also produced a commitment to develop integrated water resources management and water efficiency plans by 2005.<sup>13</sup>

The Third World Water Forum was held in Kyoto, Osaka and Shiga in March 2003. The preparatory secretariat received 442 water-related action plans that were compiled as the Portfolio of Water Actions.<sup>14</sup> As many as 337 sessions were held during the forum to discuss what was necessary to realize the World Water Vision and achieve the Millennium Development Goals. The Ministerial Conference held as a part of the forum issued a Ministerial Declaration with 29 items. This declaration specifically recognized the importance of paying adequate attention to poverty and gender, as well as to good governance, capacity building, and finance.<sup>15</sup>

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11. The World Water Vision has a motto of From Vision to Action. <http://watervision.cdinet.com/commreport.htm>

12. According to the Secretariat of the Third Water Forum, the importance of clean water is suggested in the two goals of reducing child mortality and improving maternal health. The importance of a clean water supply is explicitly mentioned in relation to the goal of ensuring environmental sustainability. [http://www.worldbank.or.jp/03agenda/05mdg/mdg\\_top.html](http://www.worldbank.or.jp/03agenda/05mdg/mdg_top.html) for details.

13. [http://www.johannesburgsummit.org/html/documents/summit\\_docs/2009\\_keyoutcomes\\_commitments.doc](http://www.johannesburgsummit.org/html/documents/summit_docs/2009_keyoutcomes_commitments.doc)

14. Overall, many submitted water actions were related to 'water resources management and benefit sharing' and 'safe drinking water and sanitation'. Compared to other regions, Asian countries had more projects related to 'water for food and rural development' and 'disaster mitigation and risk management', while European countries and international organizations had more projects on 'water resources management and benefit sharing'. African countries had more projects related to 'safe drinking water and sanitation'. <http://www.world.water-forum3.com/jp/mc/pwadata/index.html>

15. [http://www.world.water-forum3.com/jp/mc/md\\_final.pdf](http://www.world.water-forum3.com/jp/mc/md_final.pdf)

In March 2004, exactly a year after the World Water Forum, United Nations Secretary-General Kofi Annan created the Advisory Board on Water and Sanitation to raise awareness of water and sanitation issues, help mobilize funds for water and sanitation projects, and encourage new partnerships. A month later, the twelfth session of the UN Commission on Sustainable Development focused on water, sanitation, and human settlements as priority themes for 2004-2005, and reviewed progress in these areas in relation to implementation of Agenda 21, the Millennium Development Goals, and the Johannesburg Plan of Implementation. During the thirteenth session, to be held in 2005, the Commission plans to decide on specific actions to further enhance efforts in these areas.

### ***Trends in Water-Related Aid***

There have been several international resolutions about water-related issues during the past 30 years. Let us now turn to what developed countries and international organizations have and have not done in response to these resolutions. This section analyzes water-related projects supported by bilateral aid agencies of developed countries and international organizations.<sup>16</sup> The author used the Creditor Reporting System (CRS) data compiled by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).<sup>17</sup> Under the CRS, water-related projects fall under the categories of Water Supply and Sanitation and Agricultural Water Resources.<sup>18</sup> For quantitative analysis of Water Supply and Sanitation projects, the author used the number of these projects.<sup>19</sup>

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16. Developed countries and international organizations include 22 member countries of OECD/DAC: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, United States, European Commission, Asian Development Bank (ADB), Inter-American Development Bank (IDB), African Development Bank (AfDB), and International Development Association (IDA) of the World Bank Group.

17. This analysis covers a period from 1973 when OECD/DAC began collecting data for all development projects undertaken by member countries and organizations, to 2000, the latest year for which complete data were available at the time of writing.

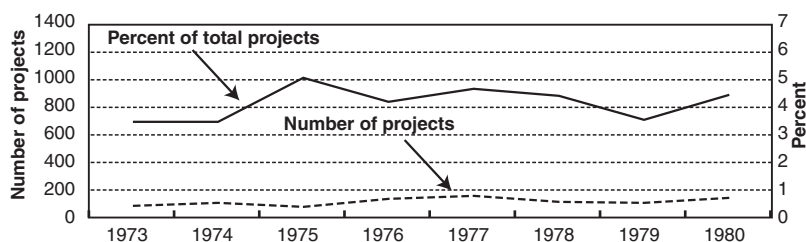
18. According to the CRS categorization, Agricultural Water Resources (Code 31140) refers to irrigation, reservoirs, hydraulic structures, and ground water exploitation for agricultural use.

19. While it was possible to use the 'cost' of water supply and sanitation projects in the quantitative analysis, the author decided that comparing project cost was inappropriate because it varied greatly among different types of projects (for example, between human rights- or gender-related projects and nuclear power plant or airport construction projects). Instead, the author decided to use the number of projects, but the number of projects does not necessarily indicate the impact of projects.

## Water Supply and Sanitation Projects

Only 71 Water Supply and Sanitation projects were implemented during 1973, a year after the Earth Summit, which represented only 3.5 percent of a total of 1,983 projects. After 1975, however, the share of Water Supply and Sanitation projects increased to more than 4 percent. The share was 4.6 percent in 1977 when the UN Water Conference adopted the Mar del Plata Action Plan and 4.5 percent the following year. Not a single Water Supply and Sanitation project was implemented between 1973 and 1979 for Water Resources Protection, which was the main focus of the Earth Summit and the UN Water Conference. About 54 percent of all Water Supply and Sanitation projects were in the sub-category of Water Resources Policy and Administrative Management,<sup>20</sup> while about 30 percent were Water Supply (large and small systems)<sup>21</sup> projects. The countries and organizations that supported most Water Supply and Sanitation projects from 1973 to 1979 were Canada (116 projects), Germany (81), the United Kingdom (59), France (57), and the European Commission (44). During the same period the World Bank Group as a whole provided assistance to 87 water-related projects. The annual number of World Bank projects increased from nine in 1973 to 21 in 1979 (Garn and Alfonso, 1988).

**Figure 3-7 Change in number of Water Supply and Sanitation projects, 1973-1980**

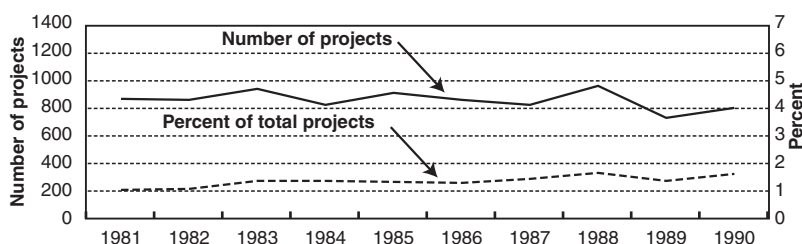


20. According to the CRS categorization, Water Resources Policy and Administrative Management (Code 14010) refers to water sector policy, planning and programs, water legislation and management, institution capacity building and advice, water supply assessments and studies, groundwater, water quality and watershed studies, and hydrogeology.

21. According to the CRS categorization, Water Supply and Sanitation - Large Systems (Code 14020) refers to water desalination plants; intake, storage, treatment, pumping stations, conveyance, and distribution systems; sewerage; and domestic and industrial waste water treatment plants. Water Supply and Sanitation - Small Systems (Code 14030) refers to water supply and sanitation through low-cost technologies such as handpumps, spring catchment, gravity-fed systems, rain water collection, storage tanks, small distribution systems, latrines, small-bore sewers, and on-site disposal (septic tanks).

Next we turn to the International Decade for Water Supply and Sanitation from 1981 to 1990, declared under a 1980 UN General Assembly resolution. The number of Water Supply and Sanitation projects was 176 in 1981, increased to 245 in 1986, and 309 in 1990. The share of these projects in all aid projects, however, was essentially flat during these years because the number of projects in other categories increased as well. The share was a little over 4 percent until 1988, but declined in 1989.

**Figure 3-8 Change in number of Water Supply and Sanitation projects, 1981-1990**



The average share during this decade was about 4.2 percent, little different from the 4.1 percent average between 1973 and 1979, which suggests that the resolution for the International Decade for Water Supply and Sanitation kept the share of these projects at the level of the 1970s, but did not have enough impact to increase it. Projects during this decade had two distinct characteristics. First, the share of Water Supply (large and small systems) projects among all projects between 1981 and 1990 was about 45 percent, a significant increase from about 30 percent during the previous seven years. This was because the International Decade for Water Supply and Sanitation focused largely on water supply. Accordingly, the share of Water Resources Policy and Administrative Management projects decreased from about 54 percent between 1973 and 1979 to about 44 percent between 1981 and 1990. Second, projects to protect water resources, which were scarce during the 1970s were also scarce even in the 1980s, perhaps because of the emphasis on water supplies discussed earlier.

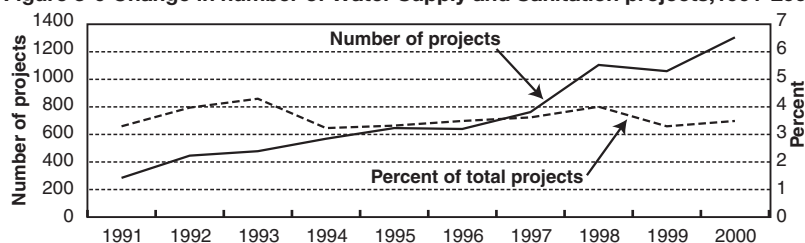
The first Water Resources Protection<sup>22</sup> projects were two implemented

22. According to the CRS categorization, Water Resources Protection (Code 14015) refers to inland surface waters (rivers, lakes, etc), conservation and rehabilitation of ground water, prevention of water contamination from agro-chemicals, and industrial effluents.

by Sweden in 1988, but the numbers remained small - four in 1989 (Canada, one and Sweden, three) and four in 1990 (Denmark, one and Sweden, three). Countries that had the most Water Supply and Sanitation projects between 1980 and 1990 were France (366), the Netherlands (262), Germany (228), Japan (195), and Canada (175). The World Bank Group as a whole had 129 projects during the same period. The annual number of water-related projects undertaken by the World Bank Group was mostly constant from 1980 to 1987, but trended lower after that with five projects in 1988 and 10 in 1989 (Garn and Alfonso, 1988, 1990).

During the decade following the International Decade for Water Supply and Sanitation (1991 to 2000), the share of Water Supply and Sanitation projects among all aid projects was about 3.6 percent, lower than the 4.1 percent between 1973 and 1979 and 4.2 percent between 1980 and 1990. The annual share was less than 4 percent during each year of the decade except 1993, when it recovered to 4.2 percent, perhaps due to effects from the Dublin Conference and Rio Summit held in the previous year.

**Figure 3-9 Change in number of Water Supply and Sanitation projects, 1991-2000**



This decline of share among all projects was a result of several factors. First, Canada and the European Commission - which ranked first and fifth in the number of water-related projects implemented during the 1973-79 period, respectively - failed to implement more of such projects during the 1990s, although their numbers did not decline. The top five countries that implemented the most Water Supply and Sanitation projects between 1991 and 2000 were Sweden (784), the Netherlands (673), France (664), the United Kingdom (631), and Germany (585). The World Bank Group supported 118 projects during the same period and its annual average decreased from 12.9 in 1980 to 11.8 in 1990. Second was the recent diversification of aid projects. According to the CRS of OECD/DAC, there were about 84 areas or fields of aid in 1973, but the number increased to about 180 by

2000. Third was aid fatigue experienced by aid agencies, partly due to the realization that the International Decade for Water Supply and Sanitation "saw some progress but billions of people still lacked access" [to water].<sup>23</sup> Although Water Supply and Sanitation projects stagnated in general, Spain and the UK increased the number of their projects dramatically starting in 1997 or 1998 (Table 3-14).<sup>24</sup>

**Table 3-14. Number of Water Supply and Sanitation projects implemented by major donors**

Year	Sweden	Netherlands	France	UK	Germany	Spain	Japan	Canada	EC	Ireland	WB
1991	22	42	25	6	24	1	24	7	11	NA	10
1992	60	46	27	60	27	1	35	23	21	NA	11
1993	47	68	44	22	30	5	48	11	56	NA	13
1994	68	52	74	29	43	0	57	29	22	NA	10
1995	76	71	81	43	39	3	49	30	34	NA	12
1996	62	56	77	45	30	2	51	43	29	NA	11
1997	65	76	68	35	72	85	58	49	14	NA	13
1998	166	124	115	112	73	101	61	43	37	NA	13
1999	135	70	96	94	117	100	35	86	19	NA	11
2000	83	68	57	185	130	107	33	36	34	104	14

Source: OECD/DAC (2001; 2002), World Bank Annual Reports (1990 to 2000)

Next we will examine changes in the content of water-related projects from 1991 to 2000. The share of Water Supply (large and small systems) projects increased from about 45 percent during the 1980s to about 58 percent because water supply was considered important in Agenda 21 and other policy declarations even after the International Decade for Water Supply and Sanitation. On the other hand, Water Resources Policy and Administration Management projects which had the largest share during the 1970s were on the decline, with its share down from 54 percent during the 1970s to about 28 percent. Water Resources Protection projects were still scarce, with a share of about 3 percent of all Water Supply and Sanitation projects.

Japan was by far the most prominent donor during the same period

23. Around 1990, bilateral aid agencies, international organizations, and scholars began to believe that this dismal situation was due to an approach based on supply-driven aid consultations and government-centered aid programs, and shifted to a new, demand-based approach with more active participation of the private sector and civic societies (Overseas Development Institute, 2002).

24. Spain's rapid increase was probably a result of the government's commitment toward the Copenhagen Declaration on Social Development while the UK was influenced by Clair Short who became Secretary of State for International Development in 1997.

(Table 3-15), although it is not supporting as many projects. Japan has provided far more aid than even the World Bank every year since 1993 with the exception of 1999.<sup>25</sup> Sweden and the Netherlands implemented the most projects during this period, but their dollar amounts were much smaller than other countries. Spain and the United Kingdom drastically increased their projects during the latter half of the 1990s, and the UK increase in dollar amounts was especially remarkable.

**Table 3-15. Major donor aid for Water Supply and Sanitation projects (US\$ million)**

Year	Sweden	Netherlands	France	UK	Germany	Spain	Japan	Canada	EC	Ireland	WB
1991	58	45	188	30	240	28	302	32	18	NA	1,225
1992	52	55	130	197	291	34	718	45	53	NA	911
1993	43	156	196	22	218	49	1,422	2	119	NA	1,153
1994	34	64	258	19	472	0	1,240	24	17	NA	975
1995	30	107	261	36	457	37	1,181	13	30	NA	981
1996	59	92	400	65	346	19	1,731	33	27	NA	609
1997	17	100	233	58	557	18	1,501	27	9	NA	682
1998	71	115	156	227	429	28	1,082	15	120	NA	552
1999	45	61	205	221	271	56	725	19	67	NA	1,052
2000	28	46	156	182	356	78	1,791	34	139	6	903

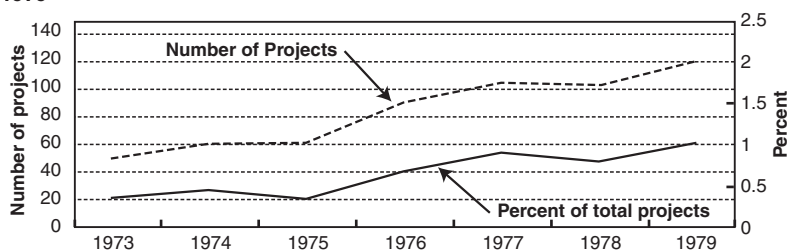
Source: OECD/DAC (2001; 2002);, World Bank Annual Report (1992, 1994, 1995, 1996, 1999, 2000)

### ***Agricultural Water Resources Projects***

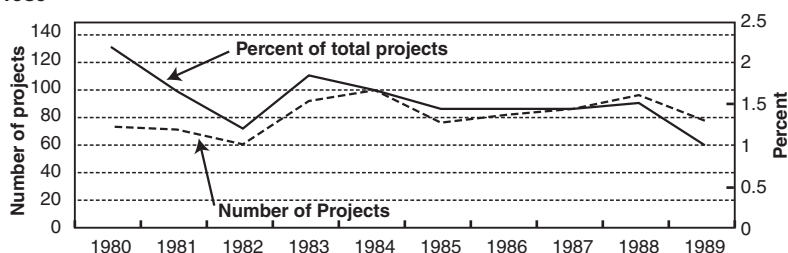
In 1973 only 16 Agricultural Water Resources projects were implemented, about 0.8 percent of all aid projects (1,983). This share did not change much and remained at 1 percent in 1974 and 1975. The number of projects in this category increased in 1976 and their share of all projects (2,512) increased as well to about 1.5 percent. This rising trend continued partly due to the Mar del Plata Action Plan that was adopted in 1997 by the UN Water Conference.<sup>26</sup> In 1979, 61 such projects were implemented and were 2 percent of all aid projects. Overall, 252 Agricultural Water Resources projects were implemented between 1973 and 1979 and were 1.47 percent of all aid projects (17,076). The top three donors involved in these projects were France (41 projects), IDA (39), and Germany (23).

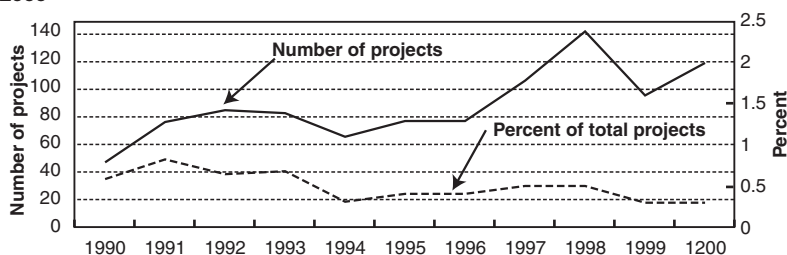
25. One of the reasons Japan is so prominent in aid amounts is that Japan has always emphasized infrastructure building in its aid programs.

26. Agricultural Water Resources are specifically mentioned in a section entitled Agricultural Water Use beginning on page 70.

**Figure 3-10 Change in number of Agricultural Water Resources projects, 1973-1979**

Next we turn to the 1980s. The increasing trend that began in the late 1970s continued in 1980 during which 73 Agricultural Water Resources projects were implemented, about 2.2 percent of all aid projects (3,302). The annual number of such projects has stagnated since then. After reaching 99 in 1983, the number of projects declined to 78 in 1989, a level close to that of 1980. As a result, the share of Agricultural Water Resources projects (815) in all aid projects (55,353) during the decade was 1.47 percent, identical to that of the preceding decade. One reason for this stagnation was that during the 1980s - the International Decade for Water Supply and Sanitation - donor contributions in the area of water were concentrated in Water Supply and Sanitation. Meanwhile, there was a change in the top three donors in the field of agricultural water. France again topped this ranking with 146 projects, but the second position was taken by the United States (117), followed by the Netherlands (93).

**Figure 3-11 Change in number of Agricultural Water Resources projects, 1980-1989**

**Figure 3-12 Change in number of Agricultural Water Resources projects, 1990-2000**

The decline continued into the 1990s. In 1990 there were only 48 projects in the category, or about 0.6 percent of all aid projects (7,832). Even in 1993, after the Dublin Conference and Rio Summit, the number of projects was 81 or 0.7 percent of all aid projects (10,982). The Global Water Partnership and World Water Council in 1996 and the first World Water Forum in 1997 did not have much impact on Agricultural Water Resources projects. Ninety-six such projects were implemented in 1999, which was the lowest share, about 0.3 percent among all aid projects (31,665). Due to this trend, the share of these projects (854) of all aid projects (171,837) during the 1990s fell to just 0.49 percent, about 1 percent lower than the previous two decades.

This decline in share is because the number of all aid projects almost quadrupled during the 1990s, while the number of Agricultural Water Resources projects essentially stayed the same as the 1980s. The sluggish growth of Agricultural Water Resources projects can be attributed to several factors: a declining number of new, viable irrigation facility construction projects; increasing costs of expanding existing irrigation facilities; and declining agricultural prices. This decade saw a significant change in the ranking of major donors involved in Agricultural Water Resources projects (Table 3-16). Japan and the Netherlands gained a huge lead by implementing 142 and 141 projects, respectively. France kept the top position in the 1970s and 1980s, but supported only 49 such projects in the 1990s. Japan rapidly increased the number of Agricultural Water Resources projects beginning in 1988 and implemented at least 10 projects each year with an average of 14 each year throughout the 1990s. The Netherlands also had an average of 14 projects each year beginning in 1986, although its annual numbers fluctuated.

Japan's increase in the 1990s can be attributed to the characteristics of its

ODA - the so-called request-based principle and an emphasis on economic infrastructure. The number of Agricultural Water Resources projects undertaken by Japan fell to five in 2000 for reasons we will discuss later. Another new trend was the emergence of Spain and the UK in 1997 and 1998. The aid amount from major donors (Table 3-17, including loans) reveals that Japan provided much more aid in dollar amounts than the Netherlands, although these top two countries supported almost the same number of Agricultural Water Resources projects from 1990 to 2000. This fact is indicative of the difference in aid philosophy between the two countries.<sup>27</sup> In 2000, aid from France supported the largest number of projects in the 1970s and 1980s but declined to one-seventh of the emerging UK and the same level as Spain.

**Table 3-16. Number of Agricultural Water Resources projects implemented by major donors, 1990-2000**

Year	IDA	France	Germany	US	Netherlands	Japan	Spain	UK
1990	2	3	6	6	6	10	2	1
1991	6	10	3	9	16	14	0	1
1992	1	4	1	3	21	12	0	10
1993	0	3	7	4	22	11	0	2
1994	4	3	3	0	8	11	0	8
1995	5	8	4	0	14	15	0	4
1996	0	6	9	1	11	25	0	1
1997	4	4	5	0	9	16	20	7
1998	2	5	5	0	24	18	39	11
1999	7	3	6	1	10	10	15	11
2000	5	8	10	0	10	5	15	24

Source: OECD/DAC (2001, 2002)

**Table 3-17. Major donor aid for Agricultural Water Resources projects (US\$ million)**

Year	IDA	France	Germany	US	Netherlands	Japan	Spain	UK
1990	197	13	28	49	43	198	23	6
1991	346	48	17	40	25	320	0	0.4
1992	54	11	4	51	21	327	0	58
1993	0	26	112	25	24	57	0	0.7
1994	332	2	19	0	39	302	0	4
1995	469	88	34	0	19	309	0	2
1996	0	8	125	0.2	29	870	0	1
1997	238	12	39	0	19	372	2	3
1998	95	37	40	0	5	390	1	4
1999	254	20	16	20	9	138	1	3
2000	123	2	13	0	12	36	2	14

Source: OECD/DAC (2001, 2002)

27. Japanese aid from 1990 to 2000 was concentrated, in comparison to that of the Netherlands, on large-scale infrastructure projects. Japan's aid was one-half loans and one-half grants, while all of the Netherlands' aid was grants.

## Challenges

Bilateral donors, international organizations, and academic societies have implemented many aid projects and realized significant achievements. One such achievement was that 2.4 billion people gained access to safe water during the last 20 years,<sup>28</sup> but about 1.2 billion people have yet to secure safe water. This number is projected to grow to 2.7 billion in 2025 (Nikkei National Geographic, 2002). Amid this gloomy projection, the financial outlook for water-related investments is so bleak that discussions by international aid agencies and academic groups since early 1990 have focused on financial problems and how to establish sustainable financing mechanisms (Overseas Development Institute, 2002).

According to the World Water Vision prepared in 2000, the investment needed for water was US\$ 70-80 billion in 1995, a figure projected to reach US\$ 180 billion by 2025, of which US\$ 75 billion is estimated for water supplies and sanitation only (Table 3-18). Domestic public sectors and foreign ODA provided 74 to 77 percent of water-related investment needs in 1995, but this figure is projected to decline to about 23 percent in 2025 (Table 3-19) (World Bank, 2002). Based on these figures, about 77 percent of investment needs in 2025 - US\$ 180 billion - must be financed by domestic and foreign private investors.

**Table 3-18. Global water-related investment needs, 1995 and 2025 (US\$ billion)**

Sector	1995	2025
Agriculture	30~35	30
Environment and industry	10-15	75
Water supply and sanitation	30	75
<b>Total</b>	<b>70-80</b>	<b>180</b>

Source: World Bank (2002)

**Table 3-19. Composition of global water-related investments, 1995 and 2025 (US\$ billion)**

Investment source	1995	2025
Domestic		
Public sector	45-50	30
Private corporations	12-15	90
Foreign		
Donor agencies	9	12
Private investors	4	48
<b>Total</b>	<b>70-80</b>	<b>180</b>

Source: World Bank (2002)

28. <http://watervision.cdinet.com/pdfs/commission/cchpt2.pdf>

Such private sector-centered development will be problematic, especially for water supplies and sanitation. According to the World Bank, there are large regional disparities in private investments for water supplies and sanitation - they are virtually nonexistent in South Asia<sup>29</sup> where water resources are especially scarce and only US\$ 250 million in Africa (Overseas Development Institute, 2002). There are also diverse and significant problems associated with privatization itself.<sup>30</sup> Assuming that this situation continues and international aid organizations try to increase supplies of safe water to achieve three of the Millennium Development Goals - reducing child mortality, improving maternal health, and ensuring environmental sustainability<sup>31</sup> - they will have to focus on areas where private investments are very limited, populations are large, and water resources are especially scarce, such as northwestern India and Pakistan, western and northern China, and Africa, especially sub-Saharan Africa.<sup>32</sup>

Under such circumstances, Japan and the United States jointly announced the Clean Water for People initiative in June 2001.<sup>33</sup> The Japan-

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29. The World Bank's definition of South Asia includes India, Pakistan, Bhutan, Nepal, and Sri Lanka, but the author's understanding is that South Asia here refers to northwestern India and Pakistan.

30. An example is privatization in Cochabamba, Bolivia. Under pressure from the World Bank, the government agreed to privatize the water service of Cochabamba in 1999. Aguas Del Tunari, a subsidiary of US-based Bechtel Corporation, would run the system. The company trebled water rates soon after it took over and city residents began a protest that turned violent and caused hundreds of injuries. The Bolivian government took this incident seriously and decided to re-nationalize the water service and canceled the contract with Aguas Del Tunari. Bechtel Corporation sued the government for US\$ 25 million. For details, see "Company seeks compensation after Bolivians force re-nationalization" (<http://www.bretton-woodsproject.org/topic/privatesector/p2703boliviarenat.html>).

31. Within the international community, many are beginning to think that achievement of the Millennium Development Goals should be measured in individual countries. This trend is probably influenced by a recognition that world-wide achievement is difficult, although the author believes the original intent was world-wide achievement.

32. The Water Poverty Index: International Comparisons, developed by the World Water Council and Keele University's Centre for Ecology & Hydrology, is useful to identify high-priority countries.

33. Under this initiative, the United States will provide more than US\$ 970 million over the next three years to improve access to water and sanitation, promote watershed management and proper hygiene practices, and increase the productivity of water. In addition to grant support, the U.S. will provide local currency investment guarantees to encourage private investments in water services. Examples include the West Africa Water Initiative (WAWI), the Community Water and Sanitation Facility, and the Development Credit Authority program. Japan has provided more than 40 million people with access to safe drinking water and sanitation during the past five years. These efforts will continue in the future. The Japan Initiative aims at improving access to safe and stable water and sanitary sewage systems - (i) In a country or region where water supply coverage is relatively low, Japan will focus its efforts on sustainable supplies of safe drinking water. Japan will also implement model projects on water resource development, including ground water development. (ii) In a country or region where water supply coverage is relatively higher, Japan will support capacity-building for water resources management by establishing an autonomous committee on water resource management and creating models for public participation, with women playing a key role. (iii) In populated urban areas that face low coverage of sewerage systems, Japan will support their development. (International Development Journal, 2002) Japan will imple-

France Water Sector Cooperation was announced in March 2003.<sup>34</sup> Despite these efforts, however, the trend in international aid will remain unkind to India, Pakistan, Bangladesh, China, and sub-Saharan Africa. For example, the U.S. - Japan's partner in the Clean Water for People initiative - has announced a policy to increase its aid through the Millennium Challenge Account. Based on a results-oriented approach, distribution from this account is limited to countries that show strong commitments to good governance, human resource development in health and education, and sound economic policies. Other international aid organizations such as the World Bank are beginning to lean toward a results-oriented approach as well. When we consider these circumstances, India, Pakistan, Bangladesh, China, and sub-Saharan Africa - which do not receive high marks in governance<sup>35</sup> - may remain hard-pressed to obtain water-related assistance. This is a serious dilemma because these countries have large populations and severe problems, and are therefore critical to achieving the Millennium Development Goals.

### ***Future Role of Japanese Aid***

Water-related problems are rapidly increasing their scope and becoming more diverse. It would be ideal if Japanese aid can deal with all of them, but with realistic aid policies, Japan should focus on areas based on trends and characteristics of international aid, its own experience, and the comparative advantages that come with such experience.

Problems of too much water will remain lower in priority than those of too little water for a while, and Japan should concentrate more on the latter from the perspective of global aid coordination. Japan's experience and

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ment its grant and loan aid as well as technical cooperation for this purpose in close cooperation with local municipalities, NGOs, and the business sector. (Website of the Ministry of Foreign Affairs (<http://www.mofa.go.jp/mofaj/gaiko/kankyo/wssd/clearw.html>)).

34. Japan and France have identified the following activities as part of their initial collaborative efforts: (i) Development of the Senegal River Basin, focusing on water resource management as well as improved productivity of water for agricultural uses. (ii) Consultation and information exchange about the salinity of aquifers in Djibouti, aiming to increase water sources in the country. (iii) Create a master plan followed by feasibility studies of water supplies in Vientiane, Laos. [http://www.mofa.go.jp/region/europe/france/w\\_coop0303.html](http://www.mofa.go.jp/region/europe/france/w_coop0303.html).
35. USAID lists elimination of corruption, protection of human rights, and rule of law as factors to improve governance. According to Global Corruption Report 2001 by Transparency International, corruption ratings of India, Pakistan and Bangladesh are 2.7, 2.3, and 0.4, respectively. These ratings are quite low on a scale of 10. China and most African nations also have very low corruption ratings. ([http://www.global-corruptionreport.org/download/data\\_and\\_research.pdf](http://www.global-corruptionreport.org/download/data_and_research.pdf).) In terms of human rights, Pakistan, China, and many African countries have not signed or ratified several international human rights covenants and have some problems (UNDP, 2002).

comparative advantages from previous water-related aid should be used to shape future contributions.

Japan implemented 35 Water Supply and Sanitation projects during the 1970s. Among them, 31 were either in the sub-category of Water Resources Policy and Administration Management (16) or River Development (15). During the 1980s, most projects - 108 out of 194 - were concentrated on Water Resources Policy and Administration Management. Although some emphasis was placed on Water Supply and Sanitation (small systems) as well as on Water Resources Policy and Administration Management from 1990 to 1992, Water Supply and Sanitation (large systems) projects overwhelmed others beginning in 1993 or 1994. In 2000, 31 of 33 projects were in the Water Supply and Sanitation (large systems) category.

Japan's recent experience and comparative advantages are in Water Resources Policy and Administration Management and Water Supply and Sanitation (large systems) projects. Japan is a pioneer in Agricultural Water Resources projects because it has been involved in such projects since the early 1970s along with the IDA, France, and Germany. In the 1980s, Japan climbed to the number four position in number of projects, and became number one in the 1990s. Japan should continue its specialization in these three areas - Water Resources Policy and Administration Management, Water Supply and Sanitation (large systems), and Agricultural Water Resources - because they are consistent with Japan's Medium-Term Policy on Official Development Assistance, which was announced in August 1999.<sup>36</sup>

What contributions can Japan make in Water Resources Policy and Administration Management projects? The author believes that Japan should emphasize social systems and regulations related to water resource protection and water supplies. Recently some countries recognized and began trading water rights to improve the efficiency of water use and ultimately conserve finite water resources.<sup>37</sup> This is a beginning framework in

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36. This policy lists seven priority issues and sectors. One is Support for Poverty Alleviation Programs and Social Development, under which the government stated "As access to safe water constitutes a vital element in supporting human health, the scarcity of water resources could conceivably result in increased tensions in the future. For this reason, assistance for water resource development and the management and use of existing water resources has become increasingly important." Under another priority issue, Support for Economic and Social Infrastructure, the government declared that "Japan will continue to provide assistance for the development of social and economic infrastructure in developing countries. These projects will target such sectors as transportation, communication, electric power generation, and river and irrigation facilities, and efforts will be designed to correspond to the conditions and needs of individual countries."

which markets determine the allocation and pattern of water use, and it is likely that such markets will expand in the future. Current transactions are mostly limited within a country, but they will probably lead to international transactions. In the past, disputes over the water in international rivers often escalated to armed conflicts between nations.<sup>38</sup> In the future we may be able to resolve these disputes by more peaceful means. There is no guarantee, however, that forceful solutions will not be chosen because "the cost of war and cost of water rights development are not sufficiently investigated."<sup>39</sup>

Market mechanisms may reinforce the general tendency of water to flow only to where the money is, and for this reason, some degree of government intervention will be important in deciding water supplies and allocations.<sup>40</sup> Policy assistance for efficient water use, water resource protection, and establishment of water rights transactions<sup>41</sup> that can aid peaceful resolution of disputes is extremely important, as well as support for the construction of social and regulatory systems to protect the disadvantaged from ill effects of market-driven water supplies. Japan should push for active policy dialogues about user fees and cost recovery of urban and industrial water (OECD/DAC, 1999).

The World Bank has recently shifted its attention from policy dialogue and education to infrastructure loans aimed at water sector reform, but there are still very few Water Resources Policy and Administration Management projects undertaken by international aid organizations. Efforts in these projects would enhance the contribution of Japanese development aid.

What contributions Japan can make in Water Supply and Sanitation (large systems) projects? The OECD/DAC insists that Japan should implement Water Supply and Sanitation projects in rural, poor areas based on its

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37. Examples include Chile, Mexico, several states in Australia, and Colorado in the United States. See *Tradable Property Rights to Water of the Public Policy for the Private Sector* series <http://www.world-bank.org/html/fpd/notes/34/thobani34.html>

38. There is a detailed history of disputes over international rivers in *Third Water Forum Secretariat*, 2002, Chapter 7. For a description of disputes, see Elhance (1999).

39. An interview with Professor Mikiyasu Nakayama of Tokyo University of Agriculture and Technology.

40. Government intervention may also be important from the perspective of national security. Since the terrorist attacks on September 11, 2001, the concept of national security has expanded to include clean water that is vital to human life. In this light, governments may seek more direct control of water supply systems.

41. Water rights have long been traded in Japan, but "transfer of rights is hindered by turf wars between administrative agencies and their desire to increase construction in their own jurisdiction" (Nakanishi, 1994). Based on lessons from such negative experience, Japan can provide effective advice on water rights trading to developing countries.

expressed goal in the ODA Charter to reduce the number of people suffering from poverty (OECD/DAC, 1999). In reality, Japan's recent projects have been concentrated on construction of large-scale water supplies and sewerage facilities in urban areas (OECD/DAC, 1999). It is unproductive to debate which is better - small projects in rural areas or large projects in urban areas. Both are necessary and important. Recent experience of Japan in Water Supply and Sanitation projects is overwhelmingly concentrated on construction of large facilities in urban areas. In this sense, possible areas for Japanese water-related aid include technical assistance or facility construction of water supplies, sewerage, and wastewater treatment in urban areas, especially in countries where demand for safe water is very high.<sup>42</sup>

Japanese desalination technologies<sup>43</sup> are among the best in the world,<sup>44</sup> creating opportunities for contributions in this area. Demand for safe water is great in sub-Saharan Africa and other countries. Trends in international aid are becoming unkind to these countries, although they are very important to achieving the three Millennium Development Goals of reducing child mortality, improving maternal health, and ensuring environmental sustainability because of their large populations, scarce water resources, and water-related health and sanitation problems.<sup>45</sup> Despite these trends, however, aid to sub-Saharan Africa is an important part of Japanese diplomacy, as represented by the Tokyo International Conference on African Development (TICAD).<sup>46</sup> Projects to construct water supply facilities in sub-Saharan

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42. The importance of infrastructure building is stressed in paragraph 17 of the Ministerial Declaration of the Third Water Forum as well. The World Bank continues to value Japan's technical cooperation and aid for infrastructure building (Ueda, 2003). Assistance for wastewater treatment should include not only the so-called end-of-pipe technologies exemplified by sewerage facilities but also factories in industries that consume a lot of water (paper, pulp, food, chemicals, textiles, etc.). Japan has considerable experience and good technologies for wastewater treatment in such industries, so there is a lot of room for Japanese contributions in this area.

43. A seawater desalination plant is being constructed in Fukuoka, Japan, with planned completion in 2005. Seawater collection pipes are buried under the sea floor to reduce environmental impact to surrounding areas. Using the reverse osmosis method, this plant will produce up to 50,000 cubic meters of freshwater per day, with an improved recovery ratio (ratio of freshwater to the original seawater) of 60 percent versus a conventional 40 percent.

44. Japanese companies have installed more than 20 percent (in capacity) of desalination plants in the world (Nihon Keizai Shimbun, 2002). The largest seawater desalination plant in the world, built by Toray Industries, Inc., began operation in Trinidad and Tobago in April, 2002.

45. Population growth in sub-Saharan Africa is the fastest in the world, with a current population of about 600 million (JICA, 2002). There are 33 countries in the world in which daily water supplies are less than the minimum 20 liters per day, and 22 are located in sub-Saharan Africa. The Sahel - a semi-arid region in sub-Saharan Africa - has serious water supply issues because of water-borne diseases such as guinea worm, malaria, typhoid, and dysentery.

Africa are worthwhile, not only because they contribute to achievement of the Millennium Development Goals, but also because they serve the diplomatic interests of Japan.

Finally, let us consider Agricultural Water Resources projects. Although it is against the trends of other major donors except the Netherlands, Japan should continue to actively support these projects, including construction of irrigation facilities. As stated at the beginning of this paper, growth of the agricultural sector is more conducive to poverty reduction than that of other sectors. Although the extent of this effect is different in every developing country, it is especially true in countries where income discrepancies are small. For this reason, projects aimed at stabilizing or increasing agricultural production such as construction of irrigation facilities are very important for agriculture-centered economic activities. Also, considering the low efficiency of irrigation water use in developing countries as a whole, improved efficiency will reduce the amount of agricultural water needed for irrigation, and thus contribute to meeting some of the rapidly growing demand for industrial and domestic water.

It may serve Japan well to shift its focus from Asia to Africa in this area. As mentioned earlier, Japanese contributions to Agricultural Water Resources projects were quite significant, especially in the 1990s. However, irrigation-related projects in Asia are not feasible these days, either financed through loans or grants. This is especially true if such a project is designed to increase the production of crops that are likely to be exported to Japan in high volumes. This recent trend is reflected in OECD's CRS - the number of Agricultural Water Resources projects funded by Japan declined sharply in 2000, reversing its trend in the 1990s because of concern by the Liberal Democratic Party or the Ministry of Agriculture, Forestry and Fisheries that cheap imports from Asia may threaten Japanese farmers. In this sense, irrigation projects in Africa might be more feasible because the region is farther away from Japan and has fewer crops that are likely to be exported to Japan on a large scale. Agricultural Water Resources projects in Africa should be promoted aggressively because increased food production

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46. In the Second Tokyo International Conference on African Development (TICAD II) held in 1998, the Japanese government committed to provide approximately ¥90 billion of grant aid over the next five years. By October 2000 about ¥9.5 billion of aid had been provided for water supplies (Ministry of Foreign Affairs, 2001). The importance of water-related efforts is going to be stressed again in TICAD III, which is scheduled in October, 2003 (JICA, 2003).

through such projects will be very important to achieving the Millennium Development Goals.<sup>47</sup>

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47. Under the Japan-France Water Sector Cooperation initiative, announced in March 2003, Japan and France plan to join forces, among others, to increase the productivity of agricultural water in the Senegal River Basin.

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## Defining and Promoting Governance

### Masanori Kondo

Governance is becoming an increasingly important issue in development assistance. The Bush administration in the U.S. has made improved governance a prerequisite for a country to be eligible for increased aid. Secretary-General Kofi Annan believes it is the most important issue related to poverty reduction in developing countries (UNDP, 2002). International organizations such as the World Bank, as well as bilateral donor agencies in developed countries, are directing more aid to countries that exhibit 'good' governance. What is this concept called governance? How is it influencing development aid? What are recent aid trends in the field of governance? What is expected of Japan? This paper aims to answer these questions.

We will first clarify the general concept of governance and discuss its importance from three perspectives: international affairs, development aid, and economics. Next we will look at the philosophy and governance-related activities of the World Bank and the United Nations Development Program (UNDP) as representatives of multilateral aid organizations, followed by an examination of the same issues for the U.S. and the United Kingdom as representatives of bilateral donors. The final section discusses a desirable future course for Japanese aid directed toward improving governance, based on the international trends and the actions of other donors.

### What Is Governance?

Use of the term 'governance' is recent and its definition is not set in stone. The term is ambiguous because the concept includes both political and economic governance, and interpretations differ based on the emphasis accorded each aspect. Political governance includes various elements of democracy such as separation of powers, free elections, rule of law, freedom of the media, and respect for human rights. Economic governance includes fiscal balance, government spending, tariff rates, performance of public enterprises, size of non-performing loans, decentralization, government efficiency, transparency, and degree of corruption. Donors interpret governance in

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Kondo is assistant professor at International Christian University. This paper was originally written in April 2003 based on the author's research as a Japan International Cooperation Agency (JICA) visiting researcher for the fiscal year 2002. This paper was written in April 2003.

many ways, often based on whether or not they agree that multilateral organizations should be involved in political issues,<sup>1</sup> the extent to which bilateral donors can interfere with the domestic affairs of recipient countries, and whether donors should use coercion to force democratization.

In addition to the elements of political and economic governance, some observers have introduced a third element. The World Bank calls it 'institutional governance', but others use 'civic governance' (Mahbub ul Haq Human Development Centre, 1999) or 'administrative governance' (Ohshiba, 1994). This paper does not analyze in detail how this third element is different from political and economic governance, but we need to realize that the concept of governance includes many elements, and donor definitions vary. Broadly speaking, international financial institutions such as the World Bank have a narrow interpretation of governance and exclude political governance. Bilateral donors have a slightly broader interpretation and include political governance. The United Nations agencies such as UNDP are in between. There are differences among bilateral donors as well. For example, the U.S. Agency for International Development (USAID) regards governance as almost synonymous with democratization, while the U.K. Department for International Development (DFID) sees it as a broader concept that includes civic participation to reduce poverty.

This paper deals with governance in the areas of politics, public administration, or civic societies, commonly referred to as 'good governance', and not with 'corporate governance' which is frequently used in relation to fraudulent practices of some major U.S. companies such as Enron. The difference, however, may not be large or fundamental given that governance of public corporations is included in 'good governance'.

### **Why Governance Is Emphasized**

The development assistance community recently began to emphasize governance when the World Bank used the term 'good governance' officially for the first time in 1989 in relation to its assistance to African countries. It is important to note that the term governance was a compromise in a debate between the U.S. and other countries - led by the Scandinavian nations - that had been going on for several years. The U.S., with an expressed priority of democratization for developing countries, gave up using that term out

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1. The European Bank for Reconstruction and Development (EBRD) is the only multilateral aid organization that refers to 'multiparty democracy' in its establishing agreement.

of consideration for the Scandinavian countries that opposed that idea. Instead, the U.S. tried to popularize the term governance and thereby promote democratization in developing countries through development aid. The official use of the term 'governance' by the Bank in 1989 can also be seen as its first step, albeit an indirect one, to become involved in political governance, which was not allowed by its Articles of Agreement.

The term 'governance' came into use in development during the 1990s in the midst of a changing world.

**Cold War Ends.** The end of the Cold War led to international recognition that a market economy is the most desirable governing system. During the Cold War, even corrupt, dictatorial governments could receive aid if deemed necessary to contain communism. The end of the Cold War changed the situation and democratization and governance were selected as a new standard of value judgment.

**Democratization.** Also important was progress toward democratization in Latin America and Southeast Asia from the 1980s to the 1990s. In particular, the Asian economic crisis in 1997 popularized the notion that developmental dictatorship is not sustainable in the long run, and contributed to strengthening international recognition that democratization is important. There are, of course, many criticisms of uniform imposition of Western-style democracy on developing countries, but it is safe to say that the importance of democratization is now widely recognized.

**Good Institutions.** Historical reviews of international development aid illuminated the importance of good institutions. A wave of market and economic liberalization began in the 1980s as exemplified by structural adjustment programs of the International Monetary Fund (IMF) and World Bank, but such programs were not producing satisfactory results. Prodded by this recognition, the World Bank began research on aid assessment and published *Assessing Aid* in 1988, which concluded that effectiveness depends on good policies and good institutions. The basic notion is: We must construct good institutions before planning good policies because even good policies will be ineffective in a country without good institutions. This recognition was shared by other donors and led to an emphasis on governance in international aid.

**Donor Introspection.** Donors looked at themselves. As the influence of civil societies and NGOs increased, the responsibilities of donors and recipients were called into question. A prime example was a case in Indonesia where internal World Bank documents were disclosed in a newspaper. It

became public knowledge that 20 to 30 percent of aid was diverted into the wrong hands, and NGOs and civil societies questioned the accountability of donors.<sup>2</sup> In the former Zaire and other countries, NGOs have gone to court to question whether a new administration is responsible for repaying a debt as a result of aid to corrupt dictators. Voices demanding accountability and transparency for donors are getting louder. In response to these developments, the British DFID acknowledged that by providing aid to developing countries with poor governance, donors should recognize that their actions have political consequences in the countries they support (DFID, 2001).

**Terrorism.** Terrorist attacks against the U.S. on September 11, 2001 changed the world. Observers still debate whether these attacks, organized from Afghanistan, were a direct result of poverty. But the logic that countries with weak governance can be a breeding ground for terrorism is widely accepted, and this logic now has significant influence on governance-related assistance from the U.S. and other developed countries. Against this background, President George W. Bush announced before the Monterrey Conference in 2002 that the U.S. would increase its development aid by US\$ 5 billion during the next three years. He said this increase was contingent upon good governance, which could also contribute to reducing poverty and the fight against terrorism. In addition, the subsequent conflicts with Iraq and North Korea further impressed the importance of governance on the international society. From the 1950s to the 1980s the focus of international aid shifted from projects to programs and policies. Beginning in the 1990s and on into the 21st century, the focus has shifted to institutions and governance.

### **Academic Progress in Economics**

As the international situation changed, there was some progress in the study of governance in the field of economics. Mainstream research by economists analyzed effects of governmental regulations on economic activities and decision-making mechanisms in political processes. Examples of the former include rent-seeking analyses by neoclassical economists such as A. Krueger and J. Bhagwati since the 1970s and research by development scholars such as R. Bates and R. Wade.

These two schools concluded that government regulations lead to ineffi-

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2. There is a detailed research by Kuroiwa of the Japan External Trade Organization Institute of Developing Economies (IDE-JETRO).

cient use of resources, but their philosophies are quite different. While the former focused on government failures, the latter did not dispute the role of government but instead attributed the problem to unequal power such as the influence of special interest groups on government regulations.

The third school that analyzed political decision-making mechanisms includes M. Olson, J. Buchanan, G. Tullock, who established the public choice theory. Their interests lie in what kinds of decisions are made in a society comprised of different members and not in what kinds of effects these decisions have on economic activities.

There is a relatively new research field called 'political economics'. Political economists seek to analyze inefficient resource allocations as a result of government pursuit of its own interests. We can find academic progress in that they use more rigorous tools of economics than those used by neoclassical economists such as Krueger and Bhagwati. Research in this new field includes macroeconomics (A. Allesina, A. Drazen, T. Persson, D. Rodrik, G. Tabellini) and trade (G. Grossman, E. Helpman). The progress of game theory has aided A. Dixit, J. Tirole, J. Wilson and others in their development of the general theory of bureaucratic systems. They see public officials as agents who should serve their clients - the general public - and try to elaborate their theory on issues such as how interest groups change officials' incentives. In addition, the issue of corruption is being researched by P. Mauro, S. Rose-Ackerman, A. Shleifer, V. Tanzi, R. Vishny, and others.

We note, however, that not all of these theories are designed to analyze governance in developing countries. For example, the theory of macroeconomic policy is largely premised on an American-style democracy based on a two-party system. It is doubtful that this theory can be used to analyze governance in developing countries which are still fledgling democracies where elections are dishonest, laws are not properly enforced, or freedom of speech is not fully ensured. The economic theory of this school often goes beyond analyzing lobbying that surrounds official regulations and perceives the government itself as an interest group. If this line of thinking sees governments that receive development aid as sinister organizations by nature, by logical extension it may conclude that aid itself is meaningless.

Empirical research using cross-country data is probably more useful for practitioners of development aid. This research adds democracy and governance as explaining variables of cross-country data based on the growth theory which was re-energized in the mid-1980s. It aims to clarify the correla-

tion between democracy, governance, and economic growth. Several researchers have analyzed correlations between variables: democracy and economic growth by R. Barro, political factors and economic growth by A. Allesina, governance and aid effectiveness by a World Bank research group headed by D. Dollar, and governance and economic development by a World Bank Institute (WBI) research group headed by D. Kaufmann.

## ***Multilateral Aid Organizations***

### **World Bank**

#### *Philosophy Toward Governance*

Since the World Bank is explicitly prohibited by its Articles of Agreement to "interfere in the political affairs of any member"<sup>3</sup> in the area of governance, the Bank has focused not on political system reforms but on economic reforms such as improved administrative efficiency and public finance. It is difficult for the Bank, at least officially, to curtail its aid because 'good' governance deteriorates. This has caused conflicts over co-financing with bilateral donors that at one time wanted to stop their aid to dictatorial governments such as Kenya. The Bank's thinking toward governance became more varied beginning in 1989 when it officially used the term for the first time in the context of its aid to Africa.

In 1992 the Bank issued a strategy paper on governance and defined it as "the manner in which power is exercised in the management of a country's economic and social resources for development" (World Bank, 1992). When the Bank began to deal with governance more aggressively there was some backlash, mainly from Scandinavian countries, but the Bank continued on its course because of U.S. influence. It is said that the personal efforts of a vice president during 1995-96 was quite influential as well. Unable to change its Articles of Agreement, the Bank changed their interpretations. It ensured compliance with its Articles by insisting that it would not require improved governance for 'political' reasons but would emphasize good governance for an 'economic' reason because it would contribute to better resource allocation. In this way the Bank established a rationale for wider intervention in the area of governance.

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3. Article IV, Section 10, Political Activity Prohibited of the IBRD Articles of Agreement prohibits the Bank from making loan decisions based on the political character of the recipient country.

In the mid-1990s, incorporation of governance into its activities became a central issue. One indication was that *Assessing Aid* emphasized the relationship between aid effectiveness and governance. The Bank prepared an anti-corruption strategy in 1998 and strategies for public sector reform and strengthening governance in 2000. *The World Development Report 2002*, subtitled *Building Institutions for Markets*, featured Bank efforts toward governance up to that time. The report insisted that while complicated legal systems, corrupt judiciary, biased financial systems, and complex recording systems are hurting the poor and hindering development in many countries, quite a few countries are achieving income growth and reducing poverty by reforming such systems in accordance with the demands of residents and constructing new institutions. The chief economist of the Bank, N. Stern, said, "Without effective institutions, poor people and poor countries are excluded from the benefits of markets".<sup>4</sup>

Meanwhile, the demands on the Bank are shifting as more and more developing countries ask for policy advice in deregulation, introduction of private sector initiatives in public services, and capacity building in the public sector (Kusakabe, 2002). Consequently the Bank's budget for supporting institution building to improve governance<sup>5</sup> doubled in the four years from 1997 and reached US\$ 4.5 billion in 2001.

The Bank lists three priority areas in its governance policies - public sector reform, decentralization, and improved legal systems. The first area includes reforming civil service systems, improving financial/budgetary/tax management, rationalizing/privatizing state enterprises, and reforming public services. Decentralization is considered important to ensure accountability. The third area includes enacting/improving laws and improving judicial procedures. Bank support for governance is very diverse. The following sub-sections describe the Bank's efforts in the area of governance and are organized by topics.

### *Country Studies and Fund Allocation*

As a part of its support to improve governance in developing countries, in 1999 the World Bank began to implement country-by-country studies designed to help improve governance and understand structural causes of

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4. <http://econ.worldbank.org/wdr/subpage.php?sp=2391>

5. It includes the budget for public sector management programs in addition to programs whose core project is institution building.

corruption. Called Analytic and Advisory Activities (AAA), they include seven reviews: Institutional and Governance Review (IGR), Public Expenditure Review (PER), Country Procurement Assessment Review (CPAR), Country Financial Accountability Assessment (CFAA), Social and Structural Review (SSR), Anti Corruption Diagnostic Survey, and Survey of Public Officials (Table 3-20). The Bank has taken a position to rigorously monitor the extent of improved governance in developing countries based on these reviews.

**Table 3-20 Framework for World Bank analytic and advisory activities**

Activity	Purpose
IGR - Institutional and Governance Reviews	An analytical framework for governance management and performance of public agencies that focuses on policy-making processes, provision of public services, and transparency.
PER - Public Expenditure Review	A traditional method to analyze public sector management. Mainly focuses on budget structures and budgeting processes but also covers general public sector problems (such as decentralization and organizational reform) in each country.
CPAR - Country Procurement Assessment Review	Analyzes the soundness of public sector procurement structures including legislative framework, organizational capacity, and discrepancies between official and actual procedures.
CFAA - Country Financial Accountability Assessment	Analyzes the financial management system and finance/accounting environment for the public and private sectors. The objective is to enhance financial management and risk management capabilities of borrowers.
SSR - Social and Structural Review	Assesses medium-term structural problems and forecasts the level of future growth and poverty reduction.
Anti-corruption diagnostic survey	Uses analytical tools to discern corruption of citizens, private companies, and policy-makers. Measures the cost of corruption and quality of public services and the business environment and categorizes vulnerabilities of the public sector. The purpose is to have discussions of survey results with government agencies, the private sector, and representatives of civil society and to increase awareness of organizational reforms.
Survey of public officials	A survey of conditions of and incentives for public services.

One of the reasons the Bank began these studies was to increase its emphasis on governance in country-by-country fund allocations. In 1999 the Bank mandated that every Country Assistance Strategy (CAS) consider governance issues, and IDA fund allocations also began to be influenced by the quality of governance. A review of CAS for during 2001 and 2002 revealed that about 80 percent discussed corruption and governance and two-thirds were clearly centered around's governance. These CAS distin-

guished countries with a commitment to reform from those without and planned different activities accordingly. According to its public sector reform strategy published in 2000, the Bank aggressively supports public sector management reforms in countries that have shown a clear commitment. In countries without a commitment, it assists capacity building and prevention of corruption. The assessment of governance in country-by-country fund allocations is based on a country's macroeconomic indicators, including the poverty situation, quality of governance, and progress of past Bank-assisted projects. The assessment of governance is based on a somewhat subjective rating by the staff, which is in turn based on the country studies mentioned above. Governance indicators being developed by the Bank itself are not yet used.

### *Structural Adjustment Loans*

Recently it has become important for the Bank to not only consider governance in deciding country fund allocations, but also to use the so-called Structural Adjustment Loans (SALs) to support improved governance in recipient countries from a macro perspective. As with conventional SALs, these SALs provide financial aid without construction of infrastructure on the condition that the recipient government implements reforms. But unlike conventional SALs provided in emergency situations such as foreign currency crises and rapid inflation - often implemented along with macroeconomic stabilization policies such as devaluing local currency - these governance SALs are solely for administrative reform.

These governance-related structural adjustments focus mainly on government spending; components include minimizing fiscal risks, helping establish legal credibility, and fiscal monitoring. Because it is easier for recipient governments to receive funds than implement reforms with 'normal' SALs, these new SALs are divided into more tranches than usual - four to five - and there is a greater need to watch monitor the recipient government, which makes it necessary to increase local staff. Having more local staff, however, inevitably becomes a problem as the local government learns the internal workings and philosophy of the aid organization and it becomes easier to find excuses when reforms fail. These programs require highly sophisticated management and administrative skills.

In India, one of the largest recipients of Bank aid, this kind of SAL accounted for about 10 percent of new loans over the past three years. These SALs are provided not to central governments but rather to provincial gov-

ernments. The Bank chooses provinces that are eager for reform and shoulders the temporary fiscal cost of improving governance. For example, the government of Uttar Pradesh agreed to receive a loan on the condition that it reduce the number of its employees by two percent each year. One remaining question is what to do with the so-called poor performing countries where governance is poor, leaders do not show commitment to reforms, and there is an enormous number of poor people. The Bank's answer to this question will be explained in a section that deals with DFID of the United Kingdom.

### *Efforts to Eradicate Corruption*

One of World Bank's priorities in the area of governance is eradication of corruption. Its first anti-corruption program was a workshop in Uganda held in 1994, and the Bank began full-fledged efforts when the President announced its intent to tackle corruption in member countries at the 1996 World Bank-IMF Meeting. A Bank report categorized its anti-corruption strategies and activities since 1997 - minimizing irregularities and corruption in Bank projects, helping countries that promote anti-corruption measures, mainstreaming a concern for corruption in Bank activities, and highlighting international efforts to combat corruption (World Bank, 2000).

Interest in controlling corruption is rapidly growing inside the Bank. To control irregularities and corruption in procurement, financial management, and audits, the Bank established a special internal committee (Committee of Sponsoring Organizations of the Treadway Commission) in 1997. In FY99 it implemented an anti-corruption action plan for all employees to enhance awareness. Now the Bank is trying to coordinate with other programs and organizations to combat corruption.

Currently more than 30 countries receive Bank assistance to promote anti-corruption measures. Examples include tax reform in Latvia; judicial reforms in Albania, Guatemala and Morocco; and administrative/civil service reforms in Bolivia and Tanzania. In addition, the World Bank Institute (WBI) has held seminars and training courses for lawmakers, public officials, auditors, media employees, and NGOs in 35 countries. This particular activity is based on a strategy to combine capacity-building, governance, and the fight against corruption with the concept that improved governance and anti-corruption programs depend on knowledge, information, political leadership, and will. Africa is considered most important in this area. The Bank has already implemented training programs and prepared country

action plans for Benin, Ethiopia, Kenya, Ghana, Malawi, Tanzania, and Uganda.

An interesting experiment supports special administrative zones in Indonesia, Venezuela, and Russia. The concept is to draw from the experience of 'special economic zones' in China and other countries and establish 'special governance zones'. Admitting that a comprehensive and systematic governance reform is difficult in these countries, this project attempts to select a limited number of municipalities with good governance and less corruption, try out a small-scale anti-corruption strategy, and if successful, apply it to other regions. Harvard University and research institutions from each of these three countries are cooperating. There are some remaining issues, however, such as whether the experience of a special governance zone is applicable to other regions and to what extent corruption can be eradicated.

It is also important for the Bank to promote international efforts to combat corruption. Together with regional development banks such as ADB, the Bank has established a joint working group for policy coordination and information sharing. The group is strengthening ties with UNDP, WTO, EU, bilateral donors, and NGOs, including human rights groups. In addition, its staff is advocating for eradicating corruption by attending international conferences and using the media. Cooperation between the Bank and other donors in governance and institution-building covers many areas, including controlling corruption, civil service reform, decentralization, judicial/legislative reform, taxation/government administration, management of public spending, legislatures, and the media.

### *Improving Judicial Systems*

After corruption, improving judicial systems is probably the most important area of the Bank's technical assistance. For example, there was a successful program in Bangladesh that helped simplify judicial procedures and construct a system of alternative conflict resolution based on social norms. Poor people in Bangladesh used to have very limited access to the judicial system, but the establishment of small claims courts shortened the average trial period from three years to two months and increased access to court and enhanced transparency of the system. Similar projects have been implemented in El Salvador, Thailand, and Uganda. In these countries, poor people who could not pay high costs or read court documents can now use the judicial system.

Indirectly related to improving judicial systems, the Bank is also supporting establishment of ombudsman systems. In Peru, the Bank lobbied for an ombudsman's office in cooperation with local NGOs. Through this program the Bank provided technical assistance and implemented training programs to strengthen the organization and public relations of the ombudsman system; evaluate the budgeting process, local governments, and pension plans; regulate and manage public services; and increase efforts to help the poor and aged. The Bank cites progress in decentralization of services, coordination between the state and civil societies, formation of civil societies, and monitoring state activities as achievements from this program. The Bank's activities in the area of governance are aggressive and diverse, ranging from country studies and fund allocation decisions to structural adjustment loans and various technical assistance projects.

#### *Attempts to Create Governance Indicators*

A group of WBI researchers led by D. Kaufmann researched many aspects of governance, including the relationship between corruption and development. Especially important is their attempt to create governance indicators. In 1999 they published two papers: *Governance Matters* and *Aggregating Governance Indicators*. They define governance as the traditions and institutions by which authority in a country is exercised (Kaufmann et al., 1999). Based on more than 300 governance measures compiled from various sources, they constructed six aggregate indicators corresponding to six fundamental governance concepts - accountability, political stability, government effectiveness, regulatory quality, rule of law, and corruption. They then used cross-country data to verify the correlation between the six indicators and other data such as income, education, and health.

It became clear, however, that these indicators were unusable in actual Bank operations due to problems of transparency, political acceptability, and continuous collection of data. Consequently, alternative governance indicators were considered in informal meetings of the OECD/DAC and other forums from 1999 to early 2001. A project to create the so-called 'second generation' indicators was launched by researchers of the World Bank and OECD/DAC with a financial assistance from the British government. These indicators are designed to measure governance performance other than that related to politics, especially administrative efficiency, in accordance with the Articles of Agreement of the World Bank. The project wants to avoid the problems associated with the indicators developed by

Kaufmann et al. (1999) Researchers are still working on the second generation indicators, but at present they are far from complete.

**Causal Relationships.** The causal relationship between the indicators and development has not been proven beyond doubt, although there has been some progress from previous research. Correlations with the first generation indicators are weak and those with other indicators including those specified in the Millennium Development Goals (MDGs) have not been satisfactorily tested. The DAC believes that researchers need to overhaul the value system and analysis framework with the MDGs in mind. Also, the second generation indicators do not directly deal with participatory government and other related issues. For this reason it has been pointed out that the Bank needs to cooperate with other organizations that directly deal with democratization, participatory government, and human rights. Donors have noted the importance of using the indicators to measure the success of aid in the future.

**Appropriate Indicators.** Selection of appropriate indicators is still problematic. For example, even those within the DAC are reluctant to see the time required for a telephone installation as a sub-indicator of governance. The salary level of public officials relative to the private sector cannot be used without studying how it is linked to performance. There is one indicator of corruption in the second generation group, but contrary to the original intent, it is not quite objective because it is based on questionnaires. Currently the DAC is re-selecting the sub-indicators that will be the basis of the second generation indicators. It is expected to take another year or so to finish this task.

**Spreading the Word.** A more important issue is that these second generation indicators are barely known outside the relevant Bank departments, let alone outside the Bank. Although these indicators seem to be concentrated on the concept of government effectiveness, simplifying them should be considered to make them more understandable to the public, as well as integrating them into the human development index. Indicators should also be reinforced by case studies. Reinforcements that are desirable but not yet implemented include ex-post evaluations of fiscal aid projects designed to improve governance, case studies where governance is hindering development, learning from successes and failures of past development projects, and ex-post evaluations of technical assistance projects in countries with poor governance.

Within the second-generation indicators project, researchers are reviewing the sub-indicators that will be the basis of the new indicators. There is

an additional plan to create a 'menu of indicators' which is a matrix of countries (on the y axis) and sub-indicators (on the x axis). It is noteworthy that researchers are reconstructing the indicators in such a way that a country's problems are revealed on the matrix, rather than covering all countries in a time series or ranking them with one comprehensive indicator.

## **United Nations Development Program (UNDP)**

### *Philosophy Toward Governance*

It is not a stretch to say that governance is the most important area of assistance for UNDP. During the five years since 1992 when the emphasis on governance became stronger, the fund allocated for governance aid grew almost four-fold. About a one-half of all programs implemented by UNDP from 1992 to 1996 were in governance. Governance topped the list of six priority areas specified by UNDP (the other areas are poverty reduction, conflict prevention and post-conflict reconstruction; environmental protection and sustainable energy development; information and communication technologies (ICTs); and HIV/AIDS. The largest recipients of UNDP governance aid are in Africa, and most aid is in the area of fiscal and public sector management. This area accounts for about one-half of UNDP aid to Latin America and about 20 percent to the Asia and Pacific region.

UNDP mentioned its serious efforts in governance for the first time in the 1994 report, *Initiatives for Change*. Such initiatives are essential to realize development with an emphasis on priority areas such as poverty, women, and the environment. The 1997 UNDP paper, *Reconceptualising Governance*, defined governance as "the exercise of political, economic and administrative authority to manage a nation's affairs". It argued that sound governance requires public resources and problems to be managed effectively, efficiently, and in response to the needs of society, which in turn requires public participation, accountability, and transparency. In the same year, UNDP published *Governance for Sustainable Human Development* and added an interpretation that its efforts in governance should contribute to sustainable human development. This paper emphasized the aspects of empowerment, employment, fairness, and the environment in the development process. With the 1997 publication of *Corruption and Good Governance*, the year provided a fresh reminder about the importance of UNDP efforts toward good governance.

*Implementation Structure*

In 1995 UNDP created the Management Development and Governance Division (MDGD) to control the entire framework of governance. The MDGD aims to develop governance assistance programs, strengthen assistance for controlling corruption, and enhance the roles of UNDP governance-related divisions in relation to other UN agencies and bilateral donors.

UNDP established a Thematic Trust Fund (TTF) for democratic governance in response to growing requests for policy advice and technical assistance in governance. This fund was established as a part of UNDP's strategic plan that includes the latest Global Cooperation Framework (GCF) to provide support and coordination at the national, regional, and global levels. This fund is capable of quick disbursements but recipients are limited to the least-developed countries and countries in conflict.

UNDP opened the Democratic Governance Centre in Oslo in May 2002 to promote the importance of governance in the UN system.<sup>6</sup> The Oslo Centre gathers governance-related information from UNDP headquarters and 135 country offices. Based on such information the Centre makes suggestions about UNDP governance policies, provides policy assistance through country offices, publicly promotes the importance of governance, forms networks with specialized agencies and research organizations, and circulates internationally the lessons learned in individual countries. This kind of international effort is appropriate for UNDP because its budget is rather limited. However, we need to carefully monitor the future level of cooperation between the World Bank and major bilateral donors.

*Support for Democratization*

Democratization is an important area for UNDP. In the past it has aggressively promoted capacity building of political parties and civil society organizations, empowerment of women in lawmaking, and education of lawmakers and legislative employees.

**Legislative Systems.** As an example of strengthening legislative systems, UNDP provided technical assistance and trained lawmakers in East Timor when the new constitution was being drafted. In Niger, it taught inexperienced lawmakers how to improve communication with citizens through the civil society and mass media. In Peru it constructed an intranet, database,

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6. <http://www.undp.org/governance/oslocentre.htm>

and e-mail system that connected all legislative offices to make it easier for lawmakers to find past data and cases when they are drafting new bills. In Tajikistan, UNDP supported the legislature in drafting a new constitution after a civil war and educated representatives of political parties about their roles and functions in a democratic society. In Cambodia, Laos, and Vietnam, it advised government employees and representatives about legislative processes. In Mongolia it provided assistance in drafting an anti-corruption law and established a new labor law with participation of labor unions.

**Elections.** In the field of election assistance, UNDP is trying to establish independent election administration systems, improve election planning/monitoring/budgeting, and promote citizen/voter education. In Sierra Leone, for example, it played a leading role in a 2002 election by organizing the national election committee, educating voters, and supporting election inspectors and political parties. It also provided assistance in an election in East Timor, including monitoring, information technology support, capacity building for the election committee, and voter education.

**Access to Information.** UNDP is trying to improve access to information by supporting mechanisms that ensure freedom of speech, improve media education and professionalism, and enhance the role of women in the media, among others. In Indonesia, for example, it tried to improve the transparency of legislative discussions by establishing a media center in the legislature and promoting disclosure of information about proceedings and decisions. In Mozambique it carried out an education program on journalism and management and administration of mass media. It also provided related equipment in an attempt to strengthen the independent broadcast and print media.

**Judiciary.** UNDP is involved in raising citizen awareness about reforms, simplifying judicial systems, enhancing access to legal services for the poor, disseminating information about the judiciary, constructing alternative and informal mechanisms for conflict resolution, and promoting human rights and international human rights standards. In Nicaragua, for example, it supported the national committee to help restore citizen confidence in the judiciary.

### *Support for Decentralization*

UNDP recently increased the number of its projects that support decentralization. In 2001, 253 such projects were implemented in 95 countries. They

were categorized into decentralization policies between the central and local governments, assistance to local governments, partnerships between local authorities and civil society organizations, and assistance to the society. Projects included technical assistance for decentralization policies, support for local elections, capacity building for local government officials, promoting NGO participation in policy making/development processes and improving the transparency of such processes, and support to organize the poor in the Arab region augmented with capacity development for citizens and women's participation. Successful examples include capacity development for government officials in Ethiopia and India, and workshops in local communities in Ecuador.

UNDP is also supporting administrative reforms as a means to reduce poverty through participatory processes. In Uganda, for example, it implemented a program to promote democratic governance to reduce poverty that attempted to involve residents in community development. A project in Papua New Guinea sought to strengthen national and local planning. In Honduras, regional development projects were prioritized with the participation of residents. With cooperation of the mayor, every item from tourism promotion to improving the transparency of public funds was discussed. UNDP is positioning this pilot project as a model for decentralization in Latin America and plans to replicate it in other countries.

UNDP has an assistance scheme called Local Initiative Facility for Urban Environment (LIFE). This is a mechanism to promote dialogue among local governments, people with low incomes, the private sector, and NGOs to tackle urban poverty and improve quality of life. A small fund of about US\$ 50,000 is given directly to NGOs to promote policy dialogues. This scheme was implemented in 12 countries at the community, regional, and country levels.

### *Improved Public Administration and Civil Service*

As with the World Bank, UNDP believes it is important in public sector management to create an environment where markets function. In this area, UNDP initially focused on three issues - organizational/administrative reform, personnel training, and improved management/administrative capacity. For this reason, its assistance centered on reviewing the functions and institutions of government ministries, designing new organizations, and reviewing and reforming personnel management/evaluation, recruiting, compensation/safety net, and promotion systems. These reforms were

implemented separately in a rather *ad hoc* manner. Facing the limit of this approach, UNDP reviewed its efforts in public sector management and shifted to a more flexible and dynamic approach. Now most UNDP aid in this area is a combination of economic/fiscal management, civil service reform, and aid coordination. So far UNDP has provided such assistance to 90 countries.

In reforming the civil service, UNDP believes that education of public officials and the private sector is also important, and it is trying to downsize personnel to reduce budget deficits and at the same time improve their abilities. There are various requirements in this area, including decentralization of government services, improved performance, promotion of private sector participation, increased salary levels, and introduction of performance-based promotion/pay systems. UNDP supports the promotion of a professional and neutral civil service, functional reviews from the viewpoint of administrative reform, improved civil service transparency and accountability, training of public officials, and use of ICTs.

#### *Differences Between UNDP and Other Donors*

Aid in the field of governance varies among UNDP and other donors such as the World Bank, ADB, the U.S., and U.K.. One major difference is that UNDP does not actively link the recipient's level of governance to the fund allocation to that country (or that province within a country). Because UNDP financial resources are much smaller than those of the World Bank and ADB, it aims to implement pilot projects in selected poor areas and use successful examples to influence policies and lay the foundation for future development.

UNDP is not trying to create original governance indicators, although it uses its own human development index and various indices by Freedom House and Transparency International, etc. Such philosophical differences between UNDP and other organizations stem not only from the difference in financial resources, but also from differences between loans and grants and the differences of opinion between developed and developing countries. UNDP does not have the same influence for improving governance as the financially powerful World Bank, but it has a role in the debate about what to do with the so-called poor performers. Major donors - including the World Bank and even the U.K. - are avoiding countries with poor governance and high poverty rates, thus UNDP's role may become even more substantial.

## ***Bilateral Aid Organizations***

### **United States (USAID)**

#### *Philosophy Toward Governance*

The U.S. has significantly influenced the recent emphasis on governance. After the Cold War era, the purpose of U.S. development assistance has been to expand capitalism through democratization. And as mentioned at the beginning of this paper, the international events of the 1980s and 1990s worked in favor of the U.S. In his inaugural address, President George W. Bush said, "Our democratic faith is more than the creed of our country . . ." He emphasized the necessity to tackle interrelated and complex issues such as ethnic conflicts, the environment, population growth, and low growth.

The 9/11 terrorist attacks in 2001 led to an even stronger emphasis on the importance of democratization and improved governance. In the same year, the U.S. government reorganized its strategic objectives into four elements - the rule of law, political processes including elections, civil society, and governance support. It emphasized that a sustainable democracy is supported by democratic institutions, free and open markets, informed and educated people, a strong civil society, a multiparty system, participation by citizens, peaceful conflict resolution, and good relationships between the state and society. The new policy stated the first condition to provide aid to a developing country was good governance (White House, 2002). The importance of governance was also emphasized in the *National Security Strategy of the United States of America* (the so-called 'Bush Doctrine') which proposed a 50 percent increase in development aid with the assumption that aid will focus on countries that have implemented pro-democracy reforms.

#### *Implementation Structure*

Democratization has been a constant in U.S. development assistance. Partially because the term 'governance' was relatively new, USAID did not establish a specialized division for governance until 1994. Following an increase in the importance of governance support, the Center for Democracy and Governance was reorganized into the Office of Democracy and Governance in November 2001. This division's role is to assist USAID field missions, exercise technical leadership, and implement and manage programs effectively and strategically. It has a close relationship with the U.S. State Department and National Security Council. Bilateral aid from the U.S. - both financial and technical - is implemented by USAID after consultation with the State Department. The Treasury Department deals with inter-

national development finance organizations, while the State Department deals with the UN specialized agencies. Close coordination between the Office of Democracy and Governance and the State Department indicates how important democratization programs are to U.S. diplomatic policy goals.

The Office of Democracy and Governance attaches a high value to cooperation and alliance with outside NGOs and private companies. By having a cooperative relationship with experienced organizations, the office is trying to increase the speed and effectiveness of USAID assistance. These organizations include NGOs such as the International Foundation for Election Systems, Asia Foundation, Freedom House, and the National Center for State Courts, as well as democracy advocate groups supported by political parties or Congress such as the International Republican Institute and National Democratic Institute for International Affairs. One significant characteristic of U.S. assistance is that more than 30 percent of its bilateral aid is provided through such private organizations and NGOs. In addition to these cooperative relationships, USAID also emphasizes partnerships with international organizations.

The Office of Democracy and Governance is not, however, free of organizational problems. The first problem is that the State Department usually demands short-term results while USAID takes a more long-term approach to development. This leads to inconsistent political objectives in USAID programs. A second problem stems from insufficient resources of this office, which necessitates collaborative projects with several funds. In such cases, efforts to combat corruption, human rights violations, and conflict prevention tend to be limited because the staff must produce results with limited resources. A third problem occurs when leaders of recipient countries do not commit to good governance and democratization. In such cases USAID would support local governments but they cannot avoid the question about how the support is linked to policies of the central government.

### *Support for Democracy*

The U.S. focuses its efforts to promote democracy on four distinct but related goals - establishing the rule of law, supporting elections, strengthening civil society, and improving governance.<sup>7</sup> It should be noted that several other donors support democratization as a part of an effort to improve gov-

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7. <http://www.usaid.gov/democracy/>

ernance, but it is the opposite for the U.S. - it supports good governance as a way to promote democracy in developing countries. The U.S. attaches greater importance to democratization than to governance. In the following paragraphs we will look at the philosophy and activities of USAID for each of its four main goals.

**Rule of Law.** If the rule of law is weak, individual human rights and minority rights are not guaranteed and ultimately it makes democratic reforms more difficult and threatens sustainable development. Rule of law makes it possible for civil society to mature, free elections to be held, and fair judicial proceedings upheld. USAID efforts to strengthen legal systems fall under three inter-connected priority areas - supporting legal reforms, improving the administration of justice, and increasing citizen access to justice. The agency attaches special importance to these efforts because civil and commercial codes that respect private property and contracts are key ingredients to develop market-based economies.

**Election Assistance.** Different activities are chosen depending on the governing system of the recipient country. In a post-conflict situation where the state has not built a legitimate political base, USAID quickly provides assistance to train election commissions, poll watchers, and international election observers, and implement voter education so that elections can be held. For countries where elections are held but administrative capabilities are weak, organizational bases for political parties are weak, or voters lack information and understanding of voting and elections, USAID supports capacity-building by assisting election planning and implementation, political party development, and voter education.

**Strengthening Civil Society.** This goal is considered especially important in countries with fragile democratic traditions. In these countries, USAID supports independent civil society organizations such as civic education groups, women's rights organizations, labor unions, media groups, bar associations, environmental activist groups, and human rights monitoring organizations. Among them, USAID puts the strongest effort into the organization of labor unions.

**Good Governance.** We must first recognize that for USAID, 'governance' is almost synonymous with transparent and efficient government, and this narrow interpretation is only a part of its larger effort to promote democracy. USAID activities in this area include promotion of public sector accountability, transparency, and efficiency. USAID encourages more transparent and accountable government institutions in five areas - integrity of

the government, democratic decentralization, legislative strengthening, civil-military relations, and effective policy implementation.

### *Activities in Asia*

USAID lists decentralization and globalization, new opportunities, and the importance of South Asia as future issues in Asia. In the area of decentralization, USAID has achieved good results in the Philippines, Bangladesh, Nepal, and Indonesia, but also recognizes that decentralization entails some risks. Rather than controlling corruption, decentralization may spread corruption of the central government to the local level.

Globalization and new opportunities refer to the use of ICTs to make various projects possible, including promotion of social advocacy and effective monitoring of human rights violations. In this era of globalization, USAID believes that it should provide funds to global self-regulating organizations (SROs) that define standards in order to accumulate knowledge and experience. Successful examples in this area include a project in Indonesia that used ICTs to improve government transparency and promote citizen participation.<sup>8</sup>

The third issue is the increasing importance of South Asia and the link between development aid and conflict prevention, a link that is considered important by donors, international society, and the U.S. government. Although the link has not been clearly delineated, USAID believes that if its support contributes to conflict prevention in this region, then it serves the interests of the U.S.

### *Implementation of Strategic Assessments*

In line with its result-oriented approach in development aid, the U.S. implements strategic assessments in the area of governance. USAID conducts these assessments in four steps, each of which analyzes the political system, primary actors, key institutions, and execution. In the first step, USAID looks at five variables - whether there is a basic consensus on a political system; whether basic human rights are guaranteed by law; whether fair competition is working in elections and markets; whether certain segments of the society are denied their political, social, or economic participation; and whether transparency, accountability, and efficiency are ensured in both the public and private sectors.

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8. <http://www.swara.net>

The second analysis identifies primary actors, supporters, and opponents of democratic reforms. The purpose of this analysis is to understand which actors are opposed to the reforms and their political, economic, and social incentives. Based on the results of the first and second analyses, USAID identifies which organizations to support.

The third step identifies key institutions based on a recognition that actors do not play politics in the abstract, but institutions structure politics by official and unofficial rules and by providing incentives to and placing limits on the actors. USAID believes that four institutions - the legal system, competitive systems including election, governance including the legislative system, and civil society - are especially important in democratic reforms.

The fourth step concerns formation of an optimal strategy. The framework of strategic assessment is a means to conduct political analyses, and its ultimate goal is to prepare a workable development plan. This is why these analyses need to distill important facts from daily events. These strategic assessments are conducted by outside consultants in cooperation with the recipient government.

#### *Attempts to Create Governance Indicators*

In addition to the strategic assessments, USAID is also trying to create original indicators that measure level of governance. The agency is the most advanced bilateral aid organization in this effort. Because the Bush administration has explicitly taken a result-oriented approach, indexing governance is more important than for other countries. USAID monitoring efforts were apparently strengthened with the adoption of the Government Performance and Results Act in 1994, which brought attention to the federal government's ability to run programs efficiently.

In 1996, USAID developed a set of performance indicators for the democracy sector. These indicators have been used and reviewed in trials in Guatemala, the Philippines, Uganda, and Ukraine. The *Handbook of Democracy and Governance Program Indicators*, published in 1998, introduced these indicators that can be used by field missions to assess the performance of their programs. In addition to its original indicators, USAID also uses the Freedom House freedom ratings and Transparency International's corruption indices.

## **United Kingdom (DFID)**

### *Philosophy Toward Governance*

According to the Department for International Development (DFID) of the United Kingdom, the term governance means "how the institutions, rules and systems of the state - the executive, legislature, judiciary and military - operate at central and local levels and how the state relates to individual citizens, civil society and the private sector" (DFID, 2001). In its 1999 strategic paper, DFID announced a policy to treat governance as one of nine priority areas, which include poverty reduction; the environment; water resource management; health and primary education; growth, equality, and security; reduction of urban poverty; women in development; and human rights of the poor. One characteristic is that it tries to influence the donor community to recognize the importance of governance by, for example, initiating dialogue in the DAC. DFID insists that aid agencies need to cooperate with governments and civil society organizations to construct a new mechanism in governance that is similar to the Comprehensive Development Framework (CDF) in poverty reduction.

DFID identified seven essential elements of good governance - operation of political systems that provide opportunities for all people; economic stability that promotes growth; implementation of pro-poor policies and consistent allocation of public resources; guaranteeing the equitable and universal provision of basic services; ensuring access to the justice system; a security framework where communities can resolve differences before they develop into violent conflicts; and an honest and accountable government that can combat corruption. Based on a logic that effective governments can promote economic growth and efficient services, DFID considers improved political systems and good governance of supreme importance.

### *Implementation Structure*

The governance division of DFID is an advisory group that is structurally different from regional divisions and parallel to other advisory groups in charge of education, health and population, infrastructure and urban development, and social development. Because it is important to have experts in the field to translate strategies to actions, DFID has many policy advisors in its local offices. This arrangement gives DFID a comparative advantage over other donors because it is especially important in governance to know local conditions.

Another characteristic of the DFID implementation structure is its

monolithic nature. As a policy, the British government aims to form partnerships with recipient countries and the private sector. These partnerships help to maintain consistency between the objective of sustainable development and various policies dealing with the environment, trade, investment, and agriculture. Within the government, DFID handles all aspects of international aid from policy development to implementation. Several organizations are related to DFID. The Commonwealth Development Corporation provides loans to the private sector in developing countries. The British Council provides assistance in human resource development. Crown Agents, which was privatized in 1997, procures goods and services. In addition, NGOs in the U.K. have a long history, strong base, and are very active.

### *Structural Adjustment Loans*

DFID is inclined to involve other donors in its efforts to improve governance in developing countries. This approach is also exhibited in its cooperation with structural adjustments loans from the World Bank and ADB. For example, DFID provided fiscal assistance to local governments implementing reforms with structural adjustment loans from the World Bank.

A large issue is what to do with the so-called 'poor performers' that have poor governance and high poverty rates. The trend to increase aid to countries with good governance and while setting a primary goal of poverty reduction seem to be mutually inconsistent given that the level of governance is negatively correlated with poverty level. There will be people who question whether it is right to abandon African countries that have bad governance and a huge number of poor people. DFID, which passionately advocates poverty reduction, needs a persuasive answer to this question.

The DFID attitude toward this issue is quite clear - it does not base aid allocations on the current level of governance, but instead looks at the commitment of the current administration to improve governance and the character of its leaders. In other words, it will assist a country when the administration shows a strong will and executing ability for reform, even if the country scores low in governance indicators. On the other hand, it will not provide much aid to a country if the administration does not show an eagerness for reform, even if its governance indicators are not so bad.

Examples of the former are Uganda and Rwanda, which receive a good share of DFID aid because their leaders are committed to reforms even though their governance is not very good right now. On the contrary, DFID tends to restrict its aid to the governments of Sierra Leone and Zimbabwe

due to governance problems. DFID often helps countries with political commitments with budgetary support programs on the condition that they implement reforms. With limited financial resources, DFID looks to work with the World Bank and other donors.

However, there may still be an argument that withholding assistance to governments that lack commitment to reforms punishes poor people in these countries. The response of the World Bank and DFID is slightly weaker than the one we just discussed: They provide technical assistance to improve fiscal management and then wait to see what happens.

For problematic countries, DFID is also selectively helping provinces or ministries that have better political conditions, and trying to influence other provinces or ministries. As another way to help these countries, DFID provides direct assistance to local citizen groups and NGOs, but acknowledges that not all such projects are going well, and for this reason considers them as a second best solution.

### *Efforts to Eradicate Corruption*

Eradication of corruption is also an important goal. DFID lists three important items - aid coordination, international efforts to prevent money laundering, etc., and fighting corruption in the U.K. The government of the Netherlands is cooperating extensively with the U.K. in this area. The British government recently adopted a law that makes it illegal for British companies to bribe foreign governments. The British government is also utilizing the European Union's aid facilities to avoid accusations of policy interference. It is more difficult for a bilateral donor to get involved in political governance issues such as an independent judiciary without eliciting criticism.

### *Attempts to Create Governance Indicators*

DFID uses the indices of two other organizations, Freedom House and Transparency International. Some in DFID have reservations about the former, and the latter is not considered neutral because of methodological problems, including the number of survey samples. In addition, DFID is developing a tool kit that is different from a check-list of indicators and can be used by governments, civil society organizations, and development aid agencies. DFID thinks that the process should be led by developing country governments, including civil societies, and that the aid community needs to foster government accountability and incorporate this approach into the CDF and PRSPs. DFID believes that if such an approach is accepted by

governments, they will not be cornered into a disadvantageous position. This approach aims to improve the abilities of recipient states instead of punishing governments with a will to change solely because of poor governance. Evaluations are conducted not by experts, but by citizens of the assessed country. Assessors use available and easily updateable data as indicators and do not collect data on their own. DFID plans to implement this new governance performance assessment in various countries, including 16 in Africa and four in Asia from 2003 to 2006.

### ***Implications for Japanese Aid***

This paper first examined why governance has come to be emphasized in development assistance. Although we did not cover Japan and its support for governance, it is important to discuss how Japan should consider the work of other donors, and how it may cooperate with them.

**Philosophy Toward Governance.** In contrast to other major donors, the Japanese government has not clarified its philosophy toward governance,. JICA dealt with this issue for the first time in 1995 when it published *Participatory Development and Good Governance*. It went further in a 2002 report, *Roads to Democracy and Governance*. While acknowledging the importance of governance, the Japan Bank for International Cooperation (JBIC) used its *Journal of Development Assistance* to say that it is undesirable to make loans contingent upon the governance of recipient countries. The Japanese government as a whole, however, has not made its position clear on this matter. This needs to be addressed in the on-going discussions on the revision of the ODA Charter.

**Conditions for Aid.** There is a question as to whether Japan should follow the World Bank and the U.K. and provide SALs with conditions that demand improved governance. Japan does not need to change its ways. The first reason is that it would be difficult to make a drastic shift in its aid policies because unlike the World Bank, Japan does not have much experience in making SALs with strict conditions. Developing countries favor Japanese aid for this very reason. The second reason is a lack of local staff. Governance SALs require local monitoring of the recipient government, which is very difficult for Japan because it does not have as many local staff as the World Bank or DFID.

**Yen Loans.** Should Japan continue to provide yen loans? Japan needs to coordinate its opinions on governance with other major donors. There is now somewhat of an international consensus that the amount of financial

aid to the government of a country with poor governance, or more precisely, whose leaders lack the commitment to reforms, should be reduced. But Japanese loans, which are huge, can render other donor efforts meaningless. Japanese aid to Sri Lanka was an example of this problem until recently. It is necessary for Japan to not only debate the desirability of its approach, but also explain its stance to other donors.

**Aid Coordination.** In addition to traditional aid coordination such as identification and implementation of co-financed projects, Japan needs to have regular discussions about the political situation and governance of recipient countries, especially those where Japan has a relatively large presence. By regularly consulting with other donors that have many local staff and are knowledgeable, Japan will be able to gain insights about supporting a specific country.

**Aid Implementation.** The debate about how the Japanese government and JICA should implement grant aid and technical assistance to improve governance will be increasingly important from now on. This paper has mentioned many examples of activities in this area, especially those of UNDP. Japan has traditionally focused on human resource development and implemented many training programs, but now technical assistance is moving into more crucial areas such as fiscal management. In light of these changes, Japan needs to clarify the difference in its programs from those of other donors and their effectiveness at supporting governance. Japan also needs to learn what it can from various new projects implemented by the Bank and UNDP, as well as share its own successful examples.

**Governance Indicators.** Japan should consider using governance indicators. Admittedly, attempts by the World Bank/OECD research group to create new indicators are not successful at this point, but Japan is too far behind efforts to create new indicators and should use existing ones. Japan probably does not need to create original indicators, but there should at least be a debate about which indicators to use to make Japanese ODA more effective.

One of the most prominent trends in development assistance is an emphasis on governance in recipient countries. In this arena, the British government, with limited financial resources, is making great strides toward improving the governance of developing countries by involving the World Bank in its endeavors. In contrast, Japan is not exercising its influence as much as the Bank or the U.K., despite its vast financial resources and potential. Although Japan is continuing its traditional grant and technical assistance that centers on human resource development, it is not necessarily in

step with international trends. We need to now have serious discussions on many issues - are the current policies good for Japan; what is the best course of action; how much is possible with the current organizational structure; and how to coordinate aid with other donors and recipient countries.

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# Peacebuilding Before and After 2002

Takao Toda

## ***The Encounter Between Development and Peace***

In a speech at Harvard University in June 1947, G.C. Marshall, Secretary of State of the United States at the time, said:

*"[T]he people of this country are distant from the troubled areas of the earth and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples, and the effect of those reactions on their governments in connection with our efforts to promote peace in the world."*

After more than half a century, society is still driven by the need to share the same message. The Marshall Plan was significant in that it was a global strategy of the U.S. that anticipated the Cold War, and at the same time, understood the issues of world peace and development and tried to address them with determination and massive investments. As the plan got on track, however, discussions of helping nations emerge from war and helping develop poor countries in the same context became more rare. For example, the World Bank Group had an original goal of assisting post-World War II reconstruction,<sup>1</sup> but subsequently it was recognized as a so-called specialized agency of development aid to support the economic development of poor countries.

In January 1961, the United Nations passed a resolution to designate the 1960s as the Decade of Development. Throughout the decade, aid to developing countries, including newly independent states, was further expanded. During this period, the 'territorial fight' between the East and West intensified, and both sides engaged in an aid competition. Despite that process, however, we should note that the scope of development aid was limited to economic issues such as growth and poverty reduction and did not confront,

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Toda was deputy resident representative of the JICA office in the USA at the time this paper was written. He is now the director of the Office of Peacebuilding and Human Security. The opinions expressed in this paper are those of the author and not those of JICA. Most of the websites referred to in this chapter existed as of January 1, 2003. This paper was written in June 2003.

1. The purpose of major loans in 1947 was post-war reconstruction in France, the Netherlands, Denmark, and Luxemburg. The first loan for development was provided to Chile in 1948, and the number of similar loans has increased gradually since then. As of July 1952, loans for the reconstruction of Europe accounted for 35 percent of the total amount of loans.

at least directly, issues surrounding peace and armed conflict. The World Bank followed the basic agreement at the time of its establishment and avoided direct involvement in political issues. In 1961 President Kennedy established the U.S. Agency for International Development (USAID), which was positioned, unlike its predecessor, the International Cooperation Administration, as a specialized agency for development assistance (USAID website).

As the issue of conflict in developing countries came under close scrutiny after the collapse of the Cold War, the era came to a turning point. From the 1990s, assistance for reconstruction and development in developing countries suffering from armed conflicts emerged as an important agenda. We saw many dramas unfold in which countries that had experienced extended armed conflicts arrived at peace, received support from the international community, and started on a path to recovery and development. A comprehensive peace treaty was signed in Mozambique in 1992; a peace accord was reached in El Salvador in the same year; the International Committee on the Reconstruction of Cambodia was established in 1993; the first post-apartheid general election was held in the Republic of South Africa in 1994; and the Bosnia peace treaty was signed in 1995. On the other hand, in poor countries such as Somalia, Rwanda, Burundi, Democratic Republic of Congo (the former called Zaire), armed conflicts and poverty combined to prolong chronic conditions that were, and in some cases still are, hostile to human survival.

In this light, especially since the mid-1990s, the international community began to recognize and share the critical questions of how to put post-conflict countries on a smooth path to recovery and development, and how to prevent conflicts so those countries will not fall back into the vicious cycle of conflict and poverty. In 1997, the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) published *Guidelines on Conflict, Peace and Development Cooperation* (OECD/DAC, 1997). Partly based on the Guidelines, the Japanese government in 1999 announced its policy to address the issues of conflict prevention, conflict-induced refugees, and post-conflict recovery in the Medium-Term Policy on Official Development Assistance.

## **2002 — An Unsettled Year**

The terrorist attacks in the U.S. on September 11, 2001 forced wealthy nations to realize their connection to the people of poor countries who account for more than 80 percent of the world. In December of the same year, Gordon Brown, finance minister of the United Kingdom, proposed a Marshall Plan for the 21st century so that the world would see the reconstruction of the long war-torn Afghanistan from a global perspective and make efforts to reduce poverty by 2015, one of the Millennium Development Goals (MDGs). He insisted that development aid should be doubled (Washington Post, 2001). While the international community did not necessarily embrace this proposal with enthusiasm, it effectively sparked a competition between the U.S. and Europe to increase aid.

The year 2002 was clearly a year of 'storm and stress' in the context of development aid and peacebuilding. Beginning with the International Conference on Reconstruction Assistance to Afghanistan in Tokyo in January, the international community moved dynamically to support the post-war reconstruction of Afghanistan. Sri Lanka and Angola suddenly emerged as recipients of reconstruction assistance. East Timor joined the World Bank and IMF in July and the Aceh peace pact was signed in December. As tensions rose in the Middle East and the Korean peninsula, discussions were held about peacebuilding and stabilization in both regions.<sup>2</sup>

During the same year the United Nations held many meetings of the Economic and Social Council and other bodies to discuss peacebuilding and development. Various citizen groups participated in many of these meetings.<sup>3</sup> Discussions by the Commission on Human Security,<sup>4</sup> co-chaired by Sadako Ogata and Amartya Sen, attracted attention. The Commission was not only discussing development and peace from a more comprehensive perspective, but was also considering how to operationalize its findings. The DAC used a network of experts on peacebuilding to discuss the issue of ter-

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2. For example, the Center for Strategic and International Studies (CSIS), one of the most influential think tanks in the U.S., is working with the Association of the U.S. Army (AUSA) on a study of post-war reconstruction (Post-Conflict Reconstruction Project) with the reconstruction of Iraq in mind. In addition, CSIS conducted many seminars and studies on various hot spots (CSIS website).

3. For example, about 1,400 NGO participants attended a meeting hosted by the United Nations Department of Public Information (UNDPI) at UN headquarters from September 9 to 11, 2002 and discussed peacebuilding - ranging from conflict prevention to postwar reconstruction from various perspectives, including the environment and conflict, media, psychiatric medicine, peace education, and human rights.

4. For details of the Commission on Human Security, see its website, [www.humansecurity-chs.org/](http://www.humansecurity-chs.org/)

rorism.<sup>5</sup>

The question of what we can do for countries that are in a post-war reconstruction phase was highlighted when assistance to 'poor performers' (countries that receive aid yet fail to make progress) and 'countries with difficult partnerships' (countries in which effective implementation of aid is difficult for various reasons) was discussed (OECD/DAC, 2002). The World Bank proposed the concept of Low Income Countries Under Stress (LICUS) and emphasized the need to extend special assistance to developing countries under the threat of armed conflict or with other problems (World Bank, 2002).

With the 9-11 terrorist attacks as a turning point, the next year the U.S. government launched various initiatives. Its commitment to increase the amount of development aid (a 50 percent increase by 2006) and the establishment of the Millennium Challenge Account (MCA)<sup>6</sup> are said to be an historic transformation of the U.S. development aid. The year 2002 is considered to be on a par with two periods of major transformation - 1947 when the Marshall Plan was announced, and 1961 when the Foreign Assistance Act was passed and USAID was created.<sup>7</sup> The MCA does not provide direct aid to developing countries that can be breeding grounds for terrorists or are in armed conflict. On the contrary, its objective is to encourage governments of developing countries to promote good governance, invest in people, and promote economic freedom (Asahi Shimbun, January 7, 2003, Morning Edition).

In fiscal year 2002, the Japanese government created a scheme of Conflict Prevention and Peacebuilding Grant Aid (¥12 billion). In May, the Advisory Group on International Cooperation for Peace<sup>8</sup> was established within the Cabinet Secretariat and published a report at the end of the year (Advisory Group on International Cooperation for Peace, 2002). An overhaul of the ODA Charter (Cabinet decision dated June 30, 1992) defined official Japanese development assistance (ODA), and was launched in

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5. OECD DAC Expert Workshop on Root Causes of Terrorism: The Role of Development Cooperation (DAC Network on Conflict, Peace and Development Co-operation, NY, 26 September 2002)

6. For the official announcements of MCA, see USAID (2002b), Department of State (2002), and the White House website.

7. On January 7, 2003, Andrew Natsios, the USAID administrator, summarized the reforms launched in 2002, and said that development constitutes one of the three pillars of U.S. foreign policy along with defense and diplomacy, and announced a report on the challenges of development aid in the following 10 years (USAID, 2002a). In this report, mitigating and managing conflict are considered the most important issues.

8. Office of the Prime Minister website.

March 2002. One of the issues in revising the Charter was how to stipulate Japan's peacebuilding efforts. In a document entitled *Concrete Plans for ODA Reform: Gaining Public Acceptance for Japan's ODA* (Liberal Democratic Party, 2002), the Liberal Democratic Party claimed that there was a need to revise the Charter because of changes in international affairs during the 10 years after the Charter was adopted and to use "the ODA in the areas of human security and peacebuilding." Howard Baker, U.S. Ambassador to Japan at the time, recognized that "Japan has used its ODA soundly to advance peacebuilding and development" and then advocated that "Japan and the U.S. should cooperate with each other in eliminating poverty and other problems that can breed terrorism" (*Asahi Shimbun*, January 7, 2003, Morning Edition).

The year 2002 was filled with activities focused on peacebuilding. The Japanese government expanded its support for reconstruction in developing countries that experienced conflict through UN agencies and the Japan International Cooperation Agency (JICA). In addition to continued assistance for postwar reconstruction in Cambodia, East Timor, and Bosnia and Herzegovina, Japan began to assist Afghanistan, Angola, Sri Lanka, and the Philippines (Mindanao), among others (Box 1).

The year 2002 was when JICA built on its past studies of peacebuilding and entered a new stage to examine how these theoretical findings can be applied to implementation of aid (JICA, 2001a). In a joint evaluation with the Canadian International Development Agency (CIDA), the Japan Peace and Conflict Impact Assessment (JPCIA) was used for the first time to evaluate actual development aid.<sup>9</sup> To understand the interaction between peacebuilding and development aid from diverse perspectives, JICA discussed the theme of 'reconstruction and development assistance and gender' with the United Nations Development Program (UNDP). In the same year, the Japan Bank for International Cooperation (JBIC) undertook a full-fledged study on peacebuilding using post-war reconstruction in Sri Lanka and other countries to sum up and further develop its knowledge. JBIC has also shown interest in providing assistance for social stability in Mindanao.

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9. Following recommendations made at a Japan-Canada Joint Peacebuilding Symposium in Tokyo in September 1999, the first evaluation took place in Canada in September 2000, the second in Guatemala in February 2001, and the third in Cambodia in November 2001. The results of these evaluations were summarized in 2002.

**Box 3-10. Japan's assistance to Afghanistan and ODA**

In the process of peace and reconstruction in Afghanistan, Japan has always played a leading role while maintaining close partnerships with the UN and major donor countries.

Japan's objective, consolidation of peace, includes three pillars:

- Support for the peace process (supporting the emergency Loya Jirga [Grand Assembly], strengthening administrative capacity)
- Restoration of law and order (demobilizing soldiers, rebuilding civilian police, anti-narcotic activities, demining)
- Reconstruction and humanitarian assistance (rebuilding local communities, human resource development in education and health sectors, infrastructure building)

It is noteworthy that ODA plays an important role in all three of these pillars and that the original objective of ODA — to contribute to economic and social development — and assistance for post-conflict recovery and peacebuilding are being carried out in a harmonious combination. Japan has provided financial support and dispatched policy advisors to the Afghanistan Reconstruction Trust Fund (ARTF) and provided technical training to Afghans in the areas of public administration, healthcare, education, and broadcasting.

Efforts at restoration of law and order are made in a program called Register for Peace to support the social rehabilitation of disarmed and demobilized soldiers by providing job training and other services. We are considering the Grant Assistance for Grassroots Projects to support demining activities undertaken by NGOs and helping to develop alternative crops to narcotics. In terms of reconstruction and humanitarian assistance, activities are underway in various sectors such as rebuilding local communities (including assistance for resettlement of refugees and domestic evacuees), human resource development (expansion of primary and girls education), healthcare, and basic infrastructure (roads, water, broadcasting).

We should not forget the importance of stabilizing the entire region through assistance to neighboring countries. In addition to direct assistance to Afghanistan, Japan has launched comprehensive assistance to stabilize the region by providing emergency economic assistance to Pakistan, refugee assistance to Tajikistan, and expanding economic cooperation with Pakistan, Tajikistan, and Uzbekistan.

Source: Ministry of Foreign Affairs, Japan, website; JICA Annual Report, 2002, pp.12-26)

**World Bank and UNDP****World Bank**

The Bank's peacebuilding efforts include: (i) keeping a distance from political issues that can be closely related to peacebuilding such as human rights and democratization; (ii) using its massive fund mobilization power to contribute more during the full fledged reconstruction phase rather than the earlier emergency or the recovery phases (iii) redeveloping public finance, basic industries, and infrastructure using partnerships with developing countries governments; and (iv) using its strength as the 'knowledge bank' on development issues and being a leader in project implementation and research.

These characteristics, however, are becoming less pronounced when compared to other organizations. For example, the Bank is being forced to

tackle political issues through its involvement in governance support and economic management policies. It is compelled to get involved in very early stages as it did in Afghanistan. It has more opportunities to use NGOs, and has expanded training assistance in addition to building and infrastructure assistance. Through these changes, the range of the Bank's peacebuilding activities is expanding. The Bank is also playing an increasingly important role as the coordinator of multilateral and bilateral donors.

In 1998, the Bank's Operations Evaluation Department (OED) reviewed past post-war reconstruction assistance and recommended establishing more practical policies in this area. In response to this recommendation, the Bank adopted an Operational Policy (OP) on Development Cooperation and Conflict in January 2001.<sup>10</sup> For the first time, this policy provided a comprehensive framework for the Bank's operations that had tended to be limited to reconstruction assistance to countries that had experienced conflict. Three points are noteworthy: (i) the OP emphasizes a need for continuing assistance in all recipient countries based on recognition that economic growth and poverty reduction diminish potential causes of conflict; (ii) it emphasizes the need for expanded assistance to countries affected by conflicts, that is, it encourages Bank staff to consider the perspective of conflict and peace in all development activities conducted in those countries; and (iii) it states that there is a need in countries emerging from conflict to support the transition toward sustainable peace. In addition, the policy directs staff to refer to the policies on general emergency assistance,<sup>11</sup> gender (Gender Dimension of Conflicts Prevention and Reconstruction), indigenous people,<sup>12</sup> and involuntary relocation<sup>13</sup> in their operations.

It is noteworthy that the old approach which positioned peacebuilding as a sector of development aid or as a challenge for developing countries under post-war reconstruction was cast aside. There is now a tendency to understand peace and development as inseparable. The majority of projects are designed to deal with unique problems of post-conflict such as demilitarization, demobilization, reintegration, demining, financial support to interim governments, education for former soldiers, civilian use of military facilities, refugee assistance, and employment for those who are involuntarily relocated. It is interesting, however, that there are a few projects designed

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10. Operational Policy 2.30

11. Operational Policy 8.50

12. Operational Directive 4.2

13. Bank Procedures 4.12

primarily to prevent potential conflicts by supporting the independence and solidarity of women, empowering the media, and encouraging dialogue between different ethnic groups.

What share of all projects is related to peacebuilding? About 16 percent of the Bank's loans and credits are said to be conflict-related (Ragazzi, 2001). Moreover, about 40 percent of the 100 countries eligible for Bank assistance are affected by armed conflicts, either on-going or in the immediate past. If all assistance to affected countries is considered as conflict-related, the share of peacebuilding becomes 40 percent. On the other hand, the only aid modality of the Bank that is explicitly aimed at peacebuilding is the Post-Conflict Fund (36 countries, 110 projects, US\$ 50.9 million as of October 2002). If limited to this modality, the share of the Bank's peacebuilding activities in all operational activities becomes very small, less than one one-hundredth of a percent. In this era when peace and development are converging, the numbers are losing significance. We cannot find a common standard to differentiate peacebuilding and other activities within the Bank. If we follow the Operational Policy on Development Cooperation and Conflict<sup>14</sup> and interpret the relationship between Bank activities and peacebuilding in the broadest sense, all Bank loans and other activities support peacebuilding in one way or another.

Furthermore, the Bank has recently undertaken a study on conflict that focused on natural resources in developing countries and the illegal flow of funds associated with development of these resources. The study deals with conflict prevention measures as well, so it is attracting the attention of those who are searching for future peacebuilding work. The report of the study points out that MDGs do not contain clear goals on the issue of peace and conflict and proposes a new goal of halving the number of conflicts by 2015. This proposal provides valuable inspiration in thinking about how international goals in development should be set in the future.

## UNDP

UNDP has made good use of its vast network in developing countries (more than 130 locations) and played an important role in the area of peacebuilding. UNDP peacebuilding efforts so far have three characteristics.

First, UNDP has been expected to coordinate not only agencies within the United Nations Development Group, but also other multilateral and

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14. O.P. 2.30

bilateral donors, although to different degrees depending on the country.

Second, UNDP has played a role in transitioning from humanitarian aid organizations to development aid agencies by leading the recovery phase of reconstruction assistance before the World Bank and other multilaterals enter the picture.

Third, for the reconstruction and development phases and conflict prevention, UNDP has dealt with potential causes of conflicts (or recurrence of conflicts) that are regarded as difficult for bilateral donors and multilateral agencies to handle. It has promoted assistance in areas such as governance, capacity development, the judiciary, police, law and order, demilitarization, demobilization, reintegration of soldiers, and small arms management. UNDP has played an especially significant role in demining, assisting more than 20 countries with their efforts. In addition to simply removing land mines, it has also helped to rehabilitate victims and served as a bridge builder between other donors and developing countries. UNDP has also taken advantage of its position as a member of the United Nations family or its 'trusted partner status' (Ball, 2002) to address sensitive issues that touch upon state sovereignty such as promotion of democratization in the areas of law and order and national security.

UNDP is likely to keep playing these important roles in the future. As the World Bank, other multilaterals, and bilateral donors expand their peacebuilding activities, and UNHCR and other humanitarian aid agencies deepen their commitment to a smooth transition from emergency and humanitarian assistance to reconstruction and development, the different roles for UNDP and other organizations are becoming less clear. There are also some challenges that UNDP is facing in today's climate of demanding results. Issues such as governance and capacity development are very important, but it is difficult to attain visible or quantified results in short periods of time. There is a need to build a theoretical framework to continue and expand efforts on these fronts.

We should pay attention to the role that UNDP can play in so-called South-South cooperation to promote cooperation among developing countries for post-war reconstruction and conflict prevention. When it comes to supporting South-South cooperation, UNDP and JICA are the two most prominent organizations among the development aid organizations. In assisting post-war reconstruction of Afghanistan, for example, the two organizations tried to move behind the scenes to indirectly support assistance by neighboring and other developing countries. Political tensions in

the surrounding countries and regions have hindered these efforts, but we should follow what will be achieved in the future. It will be increasingly important to try to stabilize an entire region that contains a country with problems rather than concentrating on peace and development one country at a time. The idea of encouraging active involvement of developed and developing countries within and outside the region will also be important. For this reason, UNDP is expected to remain one of the main actors in this area.

### ***Creating a New Movement***

We need to clarify the relationship between trends in development aid in general and peacebuilding. How should the concepts of 'results-oriented assistance' and 'aid coordination' be understood within the context of recent trends, especially in light of the need for peacebuilding?

### **Results-Orientation in Peacebuilding**

The first challenge is how to evaluate the contributions of development aid to peacebuilding in the context of results-oriented foreign aid. There have been efforts since the early 1990s to establish concrete goals for the international community and to address development issues, including poverty reduction, in a comprehensive manner. The process that began with the DAC's New Development Strategy (OECD, 1996), was carried on through the United Nations Millennium General Assembly, and ended with the Millennium Development Goals (MDGs) that represents the culmination of such activity (Toda, 2002). The year 2002 was a year of peacebuilding, and also a year in which the results-orientation for aid was strongly reaffirmed by the entire international community.

Beginning with the International Conference on Financing for Development in Monterrey, there was an increasingly spirited movement to unite the international community in pursuing the MDGs<sup>15</sup> and to measure the achievements of development aid with a long-term perspective. There have not been, however, sufficient discussions that integrated the two themes - peacebuilding and a results-orientation for aid. For example,

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15. Before and after the Monterrey Conference, the U.S. objected to Goal 8 of the MDGs which was incorporated to draw more aid money from advanced countries. It avoided mentioning the MDGs on official occasions and instead referred to the Millennium Declaration and International Development Goals. In the latter half of 2002, the U.S. finally recognized the MDGs as the development goals that should be pursued by the international community.

peacebuilding is not mentioned in the MDGs (JICA, 2001a). There have been few discussions about what forms a results-orientation should take in peacebuilding. What is the ideal relationship between the effort to achieve concrete, numerical targets in poverty, education, healthcare, and contributions to peacebuilding? How should we allocate finite aid resources to these different objectives? Discussions of these questions have only just begun (Toda, 2002). It is also unclear how we should evaluate the success or failure of assistance whose main objective is conflict prevention. Is it really fair to label a country like Zambia a 'poor performer'? It is surrounded by neighboring countries involved in armed conflicts, yet it has somehow managed to maintain peace while accepting many refugees from these countries, but has failed to improve economic and social indicators despite large development investments. (World Bank, 1998) Those involved in development aid, including the author, do not yet have satisfactory answers to these questions.

### **Aid Coordination from the Perspective of Peacebuilding**

The term 'aid coordination' makes us think about coordination through the Poverty Reduction Strategy Papers (PRSPs) and harmonization of aid procedures. However, when we look at the concept of aid coordination from a perspective of peacebuilding efforts, two issues emerge from different angles - coordination for a seamless transition from emergency and humanitarian aid to reconstruction and development aid; and coordination of efforts on various fronts, including economic, military, political, and socioeconomic (JICA, 2001a). Concrete efforts on the ground have only just begun. We are only beginning to respond to the challenge of promoting partnerships and coordination among actors in these diverse fields.<sup>16</sup>

### **Strengthening Japan's Efforts**

In comprehensive efforts for both peace and development, Japan has a potential to leading the international community in both theory and practice. Japan made a remarkable recovery from the devastation of World War II and has a constitution that proudly proclaims pacifism. The country can

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16. For example, the CSIS website argues that experts in the three areas of diplomacy, development, and military should come together to address the 'post-war' reconstruction and development of Iraq and propose to build an institution for the three parties to work together. The author suspects there are more than a few issues to be resolved before this proposal can take hold, considering the bureaucracy of the U.S. government (especially the relationship between the State Department and the Department of Defense) and the relationship between NGOs and the military.

make an important contribution to the international community through a potential that has been cultivated through historical experience and its intense desire for peace. There are, however, severe restrictions that hinder this potential, including legal restrictions of the United Nations Peace Keeping Operations (PKO) and international emergency assistance, restrictions on coordinating PKO and ODA, and requirements to ensure the safety of aid personnel. We should examine development aid while considering the two (interrelated) issues of 'strengthening conflict prevention efforts' and 'securing the safety of aid personnel'.

In its implementation of ODA, Japan pays close attention to the safety of its personnel. It is not uncommon for Japan to refrain from sending aid personnel for safety reasons to locations where the United Nations, other bilateral donors, and NGOs have an active presence. Some argue that Japanese ODA personnel should at least go to locations where UN personnel are active, while others argue that they should avoid taking risks and concentrate on removing the causes of conflict such as poverty. Moreover, some believe that we cannot remain a spectator if we are to truly pursue peace, and that we should act, even if it means taking some risks (Isezaki, 2002). In light of these arguments, two points should be emphasized.

First is the importance of conflict prevention. Strengthening peacebuilding efforts in development aid does not necessarily mean that aid personnel take higher risks. The most effective and valuable peacebuilding efforts are prevention of armed conflict. There are many things that aid personnel can and should do without risking danger. Many of these activities do not attract attention of the international community, let alone the media.

But there are many things we should do that are just as important, or in some cases more important, than going to a dangerous location and risking lives, even when an armed conflict has not materialized. Activities in such situations - low-profile activities in peacetime - should receive more credit, and we should invest more efforts and resources in them. We should not deny the value of attracting the attention of the international community, however, we would be remiss if we consider these values as the ultimate objective and discussions about effective peacebuilding strategies become secondary.

Second are the variable risks confronted by aid personnel. In the early stages of post-war reconstruction in developing countries, risky situations cannot be avoided, but it is not an all or nothing choice. Manifestation of risks depends on at least two factors - how much of a risk (exposure) and

the ability of organizations and individuals to cope (resilience). In Japan, collecting safety information and identifying risks - the factor that cannot be controlled by the donor - is relatively advanced, but there have not been enough discussions on resilience, for which the donor does have some control.

To improve coping skills, there is a need to not only train individuals, but also to improve the crisis management capacity of implementing agencies. They should collect information, anticipate and analyze risks, and work closely with other organizations (for example, the United Nations Police).

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In a JICA survey of February 2001, more than six months before the 9-11 terrorist attacks, more than 80 percent of Japanese respondents regarded developing countries as 'dangerous' (JICA, 2001b). Even more people now probably consider not just developing countries, but any foreign country including the U.S., as dangerous. Meanwhile, the total of Japan's ODA was reduced by about 30 percent during the past five years. The prolonged slump of the domestic economy and recent international events combined to make the Japanese more inward-looking.

Under the circumstances, a need has emerged for the Japanese to ask if their country can maintain peace and make progress without peace and progress in the world, and what specifically Japan can and should do to make international contributions. In asking these questions, it is important to do away with the preconception that peacebuilding is synonymous with going to dangerous places. There are many things we can do through development aid to establish a solid track record and broaden the options that Japan can take.

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