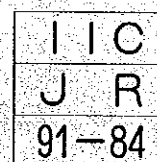
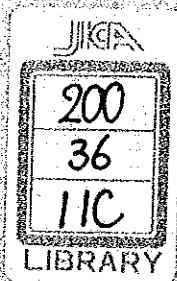
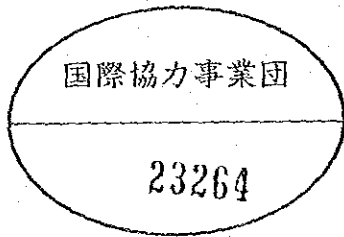


Regional Study for Development Assistance
to
Oceania

December 1991

Regional Study Group
for Development Assistance to Oceania
organized by the Japan International Cooperation Agency





国際協力事業団

23264

JICA LIBRARY



1095700(9)

23264

This report is based on the discussion and findings of the Regional Study Group for Development Assistance to Oceania organized by the Japan International Cooperation Agency (JICA). The views expressed in the report are those of the members of the Study Group and do not necessarily reflect those of JICA.

Additional Copies of this report are available upon written request from
the Institute for International Cooperation (IFIC),
the Japan International Cooperation Agency (JICA).
International Cooperation Centre Bldg.
10-5 Ichigaya, Honmura-cho, Shinjuku-ku, Tokyo 162, Japan

Foreword

The Oceanian region is the newest group of independent states and is composed of the smallest countries to receive official development aid (ODA) from Japan. Regional Study Group for Development Assistance to Oceania has limited its focus in this paper to the fourteen Oceanian countries and areas that have received Japanese ODA in the past. These fourteen aid recipients are geographically widely spread across Melanesia, Micronesia, and Polynesia and have fundamentally diverse racial, cultural, and geographical characteristics. Although they have small populations, territories, and economies, it is by no means easy to encompass individually and accurately the realities of growth in these fourteen countries and areas. The region's multifaceted make-up makes it even more important to attempt to obtain a better grasp of its members' individual characteristics at each socio-economic level.

The Oceanian region is richly endowed by nature; it is rarely affected by severe food shortages, malnutrition, and lack of drinking water that are found in some parts of Africa and Asia. It is therefore often regarded as an idyllic "Tropical Paradise." This image, however, is often an obstacle to in-depth perception and leads to misunderstanding of its real problems by the rest of the world. Global warming threatens to submerge and extinguish several states in the region by raising sea levels; some countries that have been independent for only a short time have economic infrastructures so underdeveloped and economies so small that they lack the basis for economic development on a scale sufficient to earn foreign exchange efficiently; their national budgets depend heavily on financial aid from old political partners and from other industrialized nations.

There are various issues jeopardizing Oceania's development: the deteriorating ocean environment, the need for economic independence upon which these nations depend, and the harmonization of traditional cultural and social systems with economic growth.

This Study Group was set up in May 1991 under a mandate from the president of the Japan International Cooperation Agency. It has been held seven times, sometimes as public hearings; it conducted studies that included talks with government officials in the nations under consideration; it investigated the current state of their economic and social development; and it debated on several occasions how Japan should approach the question of aid to the Oceanian region. In conducting these studies and discussions and in drafting its report, this Study Group was aided not

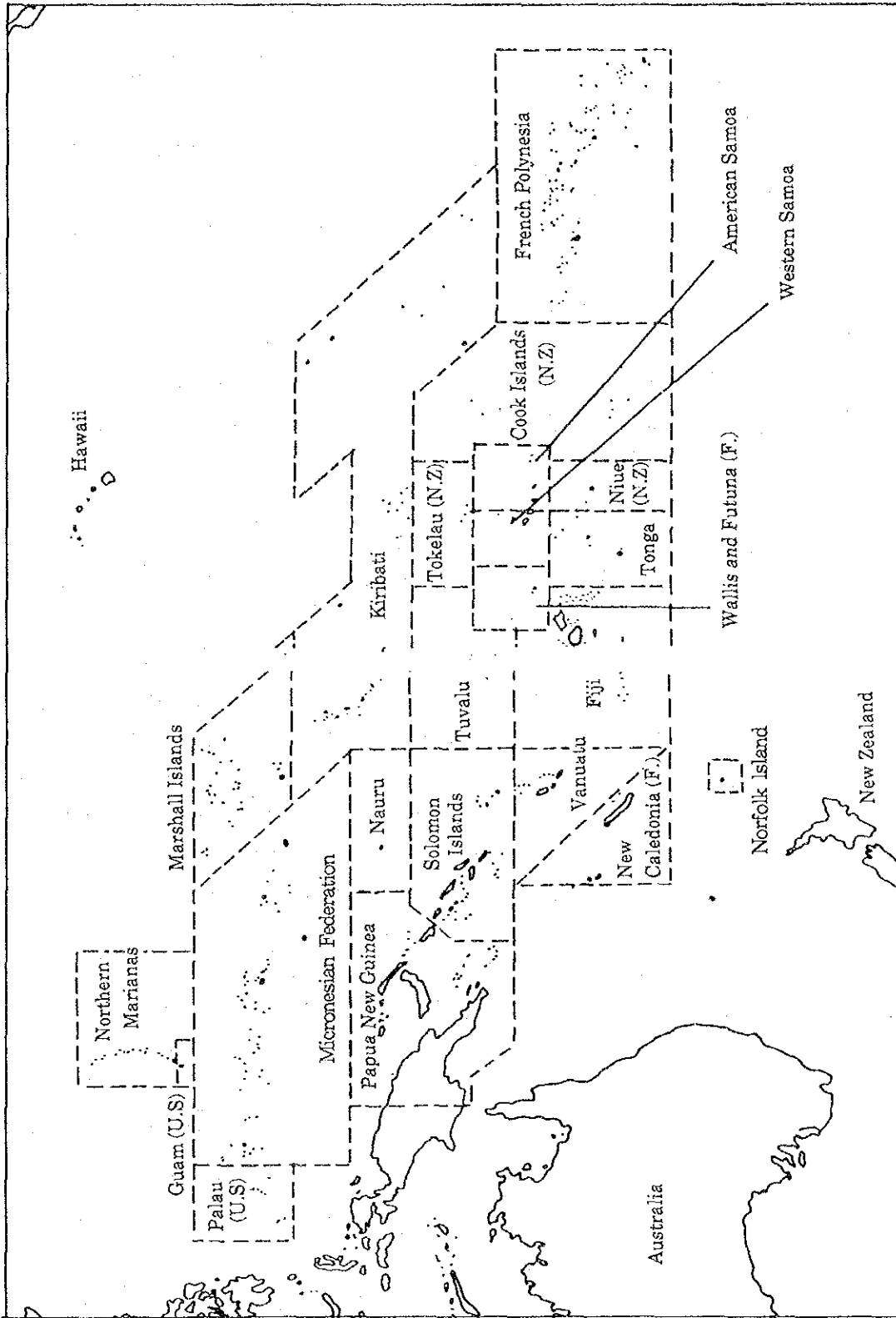
only by its members but also by task force members of JICA, each of whom made noteworthy and valuable contributions.

This report is the fruit of their cooperative labors. This Study Group attempted to classify the countries of Oceania in terms of aid implementation criteria and to approach problems from a semi-macroscopic viewpoint. In light of the region's diversity, a detailed, nation-by-nation approach taking into account individual national situations is obviously necessary, even merely to study ODA proposals; we would like this report to be read as reference for consideration of specific aid proposals for each Oceanian nation. We sincerely hope that this report will be widely read and will contribute to the formulation of effective Japanese aid and will thereby contribute to the development of the Oceanian region and to greater friendship between Oceania and Japan.

December 1991

Tsuneo Nakauchi
Chairperson,
Regional Study Group for Development Assistance to Oceania

MAP OF OCEANIA



Contents

Foreword

Map of Oceania

| | | |
|------|---|----|
| I. | General Views Toward Aid to Oceania | 1 |
| 1. | Basic framework of Oceanian aid | 1 |
| 2. | Basic focus of Japanese aid | 11 |
| II. | Priority Areas for Aid | 16 |
| 1. | Helping Oceania to achieve economic independence | 16 |
| 2. | Helping Oceania to overcome its isolation and land limitations | 17 |
| 3. | Providing more aid to achieve nondestructive development | 18 |
| 4. | Summary of priority areas of aid to Oceania by country | 19 |
| | *Attachment: table of Priority areas by country | 20 |
| III. | Points to Bear in Mind When Implementing Aid | 21 |
| 1. | Aid for countries with small economies | 21 |
| 2. | Aid to Oceania considered in its totality | 21 |
| 3. | Attention in aid implementation to nondestructive development | 23 |
| 4. | Experiments with diversification of aid areas | 23 |
| IV. | Proposals Concerning Japanese Aid Organization and Systems | 25 |
| 1. | A new mechanism of implementation: technical cooperation by mobilized task teams | 25 |
| 2. | Creating the organizational framework for aid to the entire region | 27 |
| 3. | Expansion of small-scale aid | 28 |
| | Annex 1. Members of Regional Study Group | 30 |
| | Annex 2. Task Force Members | 31 |

I. General Views Toward Aid to Oceania

1. Basic framework of Oceanian aid

1-1 An overview of Oceania

1-1-1 Defining Oceania and its place in the world

When the Pacific region is discussed in international forums, such terms as "the Asia-Pacific economic sphere" or "the dawn of the Pacific age" are normally used to refer to ASEAN, Australia, New Zealand, the United States, and Canada. The terms "South Pacific region" — since 1952 the International Water Route Bureau in Monaco has divided the Pacific into the North and South Pacific Oceans at the Equator — and "the Pacific Island region" are used to refer to Papua New Guinea, Fiji, Western Samoa, Kiribati, Tuvalu, the Micronesian Federation, and other island countries in the southern Pacific Ocean. In the West, this area is sometimes referred to as "the New Pacific." In short, the names of the countries included must be specified to define the region. Whatever the appellation, as things now stand, the region encompassing the islands of the South Pacific Ocean rarely receives attention from the northern-hemisphere-centered global community and its members have few opportunities to participate in international fora.

The Pacific Ocean is split in the middle by the International Dateline, which is intended to be antipodal to Greenwich, England, the prime meridian of international standard time; but if the world's North-South problems are said to be connected mainly with latitudinal divisions, the South Pacific region's isolation can be said to be compounded also by a longitudinal division.

This regional Study Group for Development Assistance to Oceania has decided to use the term "the Oceanian region," which is normally used in Japan to refer to the three subregions of the South Pacific: Melanesia, Micronesia, and Polynesia (whereas international organizations and other developed countries refer to it as "the Pacific region" or "the South Pacific"). In light of the nature of the Study Group's work, our term "Oceania" or "the Oceanian Region" refers to 14 developing countries and areas that have received Japanese ODA and it specifically excludes Australia and New Zealand, which are advanced industrialized nations. Geographically, the region extends north-south from the Marshall Islands at 20° North latitude to the Antarctic Circle at 23°27' South latitude,

where the southernmost boundaries of Fiji's and Tonga's economic control over territorial waters extend, and west-east from Palau's economic control over territorial waters held by at 130° East longitude to Kiribati at 140° West longitude. In very broad terms, the region extends from south of Hawaii and east of Australia eastward to the vicinity of the Easter Islands, possessions of Chile.

In terms of climate, nearly the entire region forms part of the Tropics; in terms of topology, its land bodies are either mountainous (Papua New Guinea is a prime example) or oceanic islands, the latter being divided into two groups: volcanic islands such as Western Samoa and atoll countries such as Kiribati, Tuvalu, and the Marshall Islands. Oceania is frequently subdivided anthropogeographically into Melanesia, Micronesia, and Polynesia.

1-1-2 The importance of Oceania

The total population of the islands of the South Pacific (excluding Australia and New Zealand) is less than six million. Its peoples inhabit a total area of 550,000 square kilometers. With only a few exceptions, these countries have limited natural resources.

From the standpoint of development aid efficiency, much about the region invalidates its claim to massive assistance: Oceania's needs are undeniably relatively weak, in terms of the potential for development, its region and population, and the effect and efficiency of development aid.

Japan must also consider, however, that the Pacific Ocean surrounding Oceania occupies one-third of the earth's surface and that the ocean area within the 200-nautical-mile territorial limits of Oceanian countries accounts for more than half of the ocean's surface. Thus Kiribati, one of the world's smallest countries, whose entire surface is a mere 690 square kilometers and whose population barely exceeds 60,000, possesses five million square kilometers of territorial waters, roughly as much as the land area of all of Europe.

If the earth's future can be said to depend, from the standpoint of environmental protection, on a harmonious coexistence between its terrestrial and oceanic areas, so must we recognize the importance of the Oceanian zone that possesses such vast expanses of water. Japan, too, is one of the largest territorial-water superpowers. A total land area approximating 370,000 square kilometers gives it claim to 4,510,000 square

kilometers of sea within its 200 nautical mile limits.

Japan has promoted the development of the small, remote, and isolated islands in the Japanese archipelago mainly for humanitarian reasons because, as we explain later, the Japanese regard these islets' physical and economic distance from the Japanese "mainland" as a major handicap; still, it is a fact that their contribution to enlarging Japan's territorial waters is also a significant consideration. Recently, for example, shore protection work has been done on Minami-Tori-Shima in the west Pacific for that reason. A country's remote islands and the territorial waters they generate claim to are therefore precious assets. Likewise, the islands of the Pacific are precious assets that must be protected for the whole earth's benefit.

1-2 Oceania's diversity

1-2-1 The variety of the fourteen states

The South Pacific Commission (SPC) is composed of the South Pacific's 22 countries and areas, plus five industrialized nations. They range in demographic and geographical size from Papua New Guinea, with a population of over three million and a land area of 460,000 square kilometers, to Niue (Savage Island), with a population of 2,000, Pitcairn Island, with a population of less than one hundred, and Tuvalu, with a territory of 26 square kilometers. Their resource holdings vary as extremely as their physical size. Their political development processes, their stage of maturation as independent nations, and the attitudes of their people toward the socio-economic development efforts of their nations differ considerably, even among countries in each of the three major anthropogeographical groupings: Melanesia, Polynesia, and Micronesia.

The Study Group studied 14 Oceanian countries and areas that have received Japanese ODA in the past: the Cook Islands, the Micronesian Federation, Fiji, the Marshall Islands, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Solomon Islands, Tuvalu, Tonga, Vanuatu, Western Samoa. It realizes that when designing aid for this region, attention must be paid to the marked differences between features of one country or area as compared with the next, differences that cannot be quantitatively measured by analysis of their present circumstances based solely on statistical and economic indicators.

1-2-2 A semi-macroscopic view of Oceania

The Japanese government has based the implementation of bilateral aid on processes that plan appropriate aid schemes and implementation frameworks through an analysis of the development phases, the economic structures, and the current situation in each sector of a country's economy through a closer approach taken to each country or region. The principle of a country-by-country approach, which the Japanese government usually follows, should be maintained, no matter how small the country under consideration. But a regional approach should also be used on a case-by-case basis to maximize aid efficiency. In order to take fully into account their intraregional similarities, our regional study group has decided to adopt a four-group classification (see Table 1) from a semi-macroscopic point of view at the intermediate stage of Japan's aid approach to the fourteen countries and areas of Oceania.

This classification into four groups is one of several possible aid implementation criteria. It is not the classification's purpose nor is it meaningful to define the members according to the group to which they belong or to carry out aid programs in strict accordance with this classification. Its significance lies, rather, in two advantages. This style of classification facilitates the organization of our approach to problems shared by island countries by identifying the constraints on development in these fourteen countries and areas and the tasks they face, while also facilitating identification of the salient characteristics of those groups of nations having an extremely meager financial and economic status, the so-called "microstates" described below.

Table 1. Classification of Oceanian countries and areas according to how Oceanian aid should be formulated and implemented

Group I:

Countries in this group already possess to a considerable degree all the requirements for socio-economic development, and they will maintain self-sufficiency by continuing, but more actively, to draw on their potential.

(Fiji)

Group II:

Countries categorised Group II will establish self-sufficiency, and they need to improve their potential.

Group III:

Countries categorized Group III have less conditions to establish socio-economic self-sufficiency, so they need much more attention and support from aid donors than Group II.

These countries belong to Group II either Group III are;

(Cook Islands, Kiribati, the Marshall Islands, the Micronesian Federation, Niue, Palau, Solomon Islands, Tonga, Tuvalu, Vanuatu, Western Samoa)

Group IV:

This group consists of countries that do not fit into any of the above three groups. (Papua New Guinea¹⁾, Nauru²⁾ (see following notes)).

Notes:

1) Papua New Guinea is so different from the remaining thirteen Oceanian countries under consideration that it would not be advised to discuss it in the same terms. The differences include geographical conditions and land size and its relatively large population as well as its close relations with ASEAN and other members of the Asian economic group (Taiwan, Korea, Hong-Kong, and so forth). We have decided to treat it apart from the rest in view of the multiple aspects of its development potential.

2) Nauru has achieved economic independence by saving and investing the foreign currency it obtained by selling its phosphate deposits. For the time being, therefore, it is in an advantageous position and is not being considered a candidate for aid other than technical cooperation.

1-3 Oceania's geographical isolation

One of the disadvantages impinging on Oceanian nations economically is their

distance and prolonged isolation from the major world economies due to the vast expanses of water separating these islands and the underdevelopment of their transportation and communication networks.

Oceania's distance from the West and from Southeast Asia has physically obstructed its economic development including trade promotion efforts. Its flow of trade is unbalanced: Oceanian countries are forced to open their markets to foreign products, whereas the counterpart, the export of primary commodities from Oceania, is blocked by the high cost of shipping to and sales to client nations due to its geographic isolation. Its location is therefore, economically speaking, a unilateral disadvantage.

Its geographic isolation, in addition to separating Oceania from the industrialized nations, also poses serious intraregional problems in terms of communications and relations among its component islands and nations. Little trade takes place among Oceanian countries, so now is probably a good time to turn still more attention to assistance in overcoming intraregional isolation by promoting not only cultural exchanges but interregional trade within the Oceanian region.

Many efforts are now under way in the region with the goal of overcoming isolation: passenger and freight ocean transportation services between the islands composing Oceania began in May 1978 with a feeder service on the Pacific Forum Line run under the auspices of the South Pacific Forum. But this service is presently in danger of being discontinued for a variety of reasons, including the high per capita costs of passenger and freight service and disparities in benefits versus costs for different countries served.

Communications likewise are an important sector for overcoming two constraints: isolation and limited land area. The University of the South Pacific, under two programs known as USPNET and PEACESAT, provides educational services to remote locations by using communication satellites; about 9,000 students are enrolled in a radio and television correspondence school program. Though these and other efforts have borne fruit, isolation is still undeniably one of this region's most serious constraints on economic development.

The economic and cultural isolation imposed by surrounding oceans is also perceived as one of the major constraints on domestic regional development in Japan. Japan has a long history of government action to promote development on remote islands; in 1953 the Remote Islands Development Promotion Act was enacted with the objectives as follows: "establishing measures for the improvement of basic conditions and the

promotion of industry to eliminate the special circumstances causing underdevelopment on islands isolated from the mainland, and by swiftly and energetically implementing programs based on these measures, to foster economic vitality and improve the economic stability and welfare of islanders at the same time as to contribute to the development of the national economy." In the 1991 budget, expenditures for these programs accounted for 1.78% of all general public works project outlays — a very high priority in view of the small populations on these remote islands since these islands receive three to four times the volume of government subsidies on public work expenditures per person as other parts of Japan.

Thus the Japanese government subsidizes its remote domestic islands to offset the perceived handicap of their isolation from the national economic sphere; the outlays have been continuously supported by a consensus of the Japanese people in the Diet and elsewhere. There is ample awareness of the relative inferiority of development efficiency and cost-benefit ratios in the case of remote islands. Yet this has not impeded efforts continued over a long period of time to promote their development through subsidies and other special priority programs that acknowledge the need to put these areas on an equal developmental footing through affirmative action. These domestic policies can serve as a basis for providing aid for the development of island nations outside of Japan.

1-4 Oceania's limited land area

1-4-1 Island microstates

The main obstacles to development of Oceania are not only its distance from the world's main economies and cultural spheres, but the exiguity of its islands themselves. Normally, for a nation to attempt to achieve economic independence and growth, it must first possess certain prerequisites. The economies of a number of Oceanian countries have neither the minimum scale nor even the preliminary necessities for building the basis of a national economy: namely, a domestic market and well organized economic distribution channels.

The economic profiles of the 14 countries and areas under consideration in this study show that many countries depend on foreign aid for more than half (namely between 60% and 70%) of their national budgets: in other words, their governments

cannot function unless they receive foreign aid. By the classification above (Table 1), the countries of Group III show this tendency especially strongly.

The underlying reason is that these countries either became independent during the 1970s or 1980s or are still possessions of another nation and have autonomous power only over administration of their domestic affairs. In many cases, they became independent too recently or their natural resources are too scarce to provide their national governments with sufficient revenues to enable the formation of an economic basis sufficient for a national budget and for acquiring foreign currency.

Though financial support is important for the operation of the governments of these islands, careful attention must be paid to the importance of the scale of aid to these microstates, their ability to absorb aid, and the positive and negative socio-economic impacts of aid as compared with other developing nations.

1-4-2 Effects and effectiveness of development aid inputs

For these island microstates to progress toward economic development, it is important for them and their aid-donor partners to take into account their extremely small economies and physical size. These factors and low aid efficiency are usually discussed in negative terms, but Tuvalu is an example of a unique new scheme with very positive aspects for a microstate: the Tuvalu Trust Fund takes the place of continuous financial aid from the former colonial powers; it set up an international board of trustees (composed of the United Kingdom, Australia, and New Zealand) and a fund with contributions from donor nations, the proceeds from which are used to furnish part of Tuvalu's national budget, which Tuvalu is free to spend as it pleases. It is a good example of how, starting with an initial fund of 27 million Australian dollars (by no means an enormous cost) and additional contributions tailored to the scale of new development projects, a fund can have extremely positive effects in terms of cost of aid versus benefits for a microstate seeking to keep its government functioning. The scheme also admirably solves the trying problem of paying recurrent and running costs associated with development projects.

1-5 Improving mutual dependence between Japan and Oceania / the South Pacific's expectations of Japan

1-5-1 Japan's dependence on the Pacific

It is not known to what extent Japan depends on the Pacific region, meaning both its land and sea areas, or how much potential the sea holds for the future of the human race. It is the obligation of Japan, as a beneficiary of the ocean's bounties, both to actively exploit the Pacific as one of mankind's assets and to vigorously protect, jointly with Pacific region countries, the natural environment, its values, and its potential. Japan should also more actively defend the interests and rights of Pacific island nations as a way for Japan to carry out its international responsibilities.

Japan's dependence on the Pacific Ocean consists of innumerable factors, some qualitatively measurable and some immeasurable, some tangible and some intangible, some only foreseeable in the future. In broad terms, however, these factors can be grouped as follows.

- Natural resources (fishery, minerals, marine minerals — especially rare metals)
- Potential for marine energy development (differences between tide levels, tidal currents, and ocean currents)
- Communications (satellite communications stations, geostationary satellites, underwater cables) and transport (sea surface, air, navigation route marking, relay stations, refueling bases, meteorological stations)
- Tourism
- Peace and socio-political stability in the Oceanian region through peace and political stability throughout the Pacific and Asia.

1-5-2 Oceania's position in the international community

(1) International circumstances in Oceania

① The Micronesian Federation and the Marshall Islands recently joined the United Nations, an event that attracted global attention to the Oceanian region. Joined by Papua New Guinea, Fiji, Solomon Islands, Vanuatu, Western Samoa, a total of seven of the 14 nations and territories covered by this study are now members of the United

Nations.

② The region has thus far promoted regional cooperation through the South Pacific Forum; the SPF's voice, transmitted via communiques, has been the voice of the South Pacific region.

③ Since 1989, a dialogue has also been continuing between the South Pacific Forum and countries outside the region, including Japan; in 1991, Japan, the United Kingdom, the United States, France, Canada, China, and the European Community took part in this dialogue.

(2) Oceania's voice in the international arena

① For the past few years, the most active discussions carried on in the Oceanian region have concerned the rise in sea level caused by global warming, ocean pollution, conservation of marine resources, and diminution or depletion of forest resources. Through the different channels mentioned in the previous section, and notably at the U.N. Conference on the Environment and Development held in Rio de Janeiro, Brazil, in 1992, the region's concerns are likely to be given more serious consideration by the global community.

② A 1991 communique issued by the South Pacific Forum notes how the Oceanian nations have tended to express their support unanimously in elections in the United Nations and in regional organizations. Based on the common interests of Australia and New Zealand, together with the seven above-mentioned UN members, the Oceanian nations can have considerable impact when voting on crucial issues.

1-5-3 Oceania's growing expectations of contributions from Japan

Japan is now an economic superpower and for several years has been the one of the world's largest donors of ODA. The countries of Oceania accordingly expect a lot from Japan, and this expectation has been expressed in South Pacific Forum communiques and on the occasion of visits by Oceanian and Japanese VIPs.

Japan has addressed itself to Oceania on several occasions: in 1987, then Foreign Minister Kuranari made a round of visits to Oceania and spoke in Fiji on Japan's policy toward the countries of the Oceanian region. His call for stronger ties with Oceania was

warmly received. The five principles enunciated by Mr. Kuranari are the following:

- ① respect for the independence and autonomy of island nations
- ② backing for regional cooperation
- ③ contribution towards political stabilization
- ④ support for economic prosperity
- ⑤ promotion of inter-personal contacts

Japan's ODA projects that benefit either individual island states or the entire Pacific region constitute a significant global-scale contribution because they promote the steady advancement of nation-building and regional cooperation among island states, improve the international environment of the Asia-Pacific, and contribute thereby to peace and stability in the Pacific region.

In addition to Japan's role as a cooperation partner in ODA projects, Japan is in a position to share the Pacific's resources, and earnestly desires peace and stability in the Asia-Pacific region; it is therefore Japan's responsibility to respect the interests, rights, and views of island nations in the international community and sometimes to speak on their behalf.

2. Basic focus of Japanese aid

2-1 Aid expansion and improvement

Recognizing and responding actively to the need for more international aid to the Oceanian region, Japan has increased its aid 4.7-fold in five years from US\$24.09 million in 1985 to US\$113.53 million in 1990 (both calendar years).

This increase in aid is characterized both by remarkable growth in grant aid and by technical cooperation, especially the dispatch of Japanese overseas cooperation volunteers (JOCV), first to Western Samoa, then to a total of eight countries, including the first dispatch to the Marshall Islands this year. Since the first dispatch in fiscal 1991, a total of 735 JOCV volunteers, including 148 women, have been dispatched to this region, working at the grassroots level and greatly improving Japan's ODA program qualitatively. It is hoped that more multifaced aid will be effectively extended in Oceania through the JOCV program.

Small-scale grant aid programs and NGO subsidy programs have also been inaugurated in recent years; because in many cases these schemes are better suited and can be adapted more flexibly to local development conditions and requirements, many projects were adopted from the first year that these new schemes were established. JOCV volunteers played an especially important part in identifying, screening, and implementing small-scale grant aid cooperation projects. The qualitative improvement of aid and a wider range of available aid methods will have positive effects on development in the region. A look at the Oceanian region is international aid environment reveals slow growth in ODA from the principal donors, Australia and New Zealand; there are loud calls for Japan to increase its aid, and all hope that aid coordination and supplementation can be established between donor countries and organizations active in the Oceanian region. But in this area also, it is time to shift emphasis to qualitative improvements in aid before increasing aid quantitatively, as discussed below in "Organizing Oceanian-type aid." And coordination of ties with Australian and New Zealand aid organizations that have played leading roles in aid to this region thus far must not be neglected.

2-2 Organizing Oceanian-type aid

The methods, forms, and scale of Japanese aid have been effective in building basic infrastructure as well as upgrading the economies of ASEAN and other countries, and the World Bank has rated Japan's aid and support for economic infrastructure as extremely effective in relieving poverty. Japan's aid in collaboration with the World Bank and the International Monetary Fund (IMF) to support structural adjustments in the crisis-stricken economies of African nations is expected to prove very effective also.

But many countries in the Oceanian region have populations of only a few thousand and areas measured in tens of square kilometers, with scant appreciable natural and human resources, economic might, or domestic markets; it is foreseeable that basic aid methods and scale of aid that worked well in Asia and Africa will not work well in Oceania. There are background factors and situations necessitating that aid requirements in Oceania not be measured solely by the criteria of satisfying basic human needs. And in some countries, the structures for receiving foreign aid are often too weak to effectively absorb it.

It is difficult to accept the idea of aid when the local administrative costs associated with aid exceed the recipient's ability to pay. In Africa and similar areas, recipients can

make efforts to pay local costs through grant aid that draws on counterpart fund reserves, but even this presupposes a certain degree of maturation of the recipient's domestic economy and market. Methods developed for aid to the least developed countries of Africa with little prospect of being able to pay local costs by themselves are of doubtful suitability to Oceania. There is a need to be aware of the dangers of too rigidly classifying categories for the distribution of project costs — capital costs and local costs in these small island states. The necessity of reexamining Japanese aid schemes should also be considered.

It is necessary to devise a new and original type of aid, based neither on ASEAN nor on the least developed African models, that precisely fits Oceania's needs.

2-3 Basic focus

The international community as a whole is not very concerned about the developing countries of Oceania. The region attracts very little attention because most of its member countries are extremely small, scantily populated, and for the most part economically insignificant remote islands. Therefore, while they are often spoken of in vague terms as "tropical paradises," their unique problems stemming from their island statehood are seldom treated as issues of global interest.

Furthermore, given the ever stronger tendency to place primary emphasis on economic growth in a market economy system, most countries of the region are caught in a dilemma between their nation-building aspirations and their actual circumstances: their economic infrastructure is so scanty that the existence of a genuine market is an unrealistic assumption. Left out of the mainstream of international community life, their situations impose literal political and economic insularity upon them as well.

One of the principal tasks that globalized international society must come to grips with and one of humanity's dreams at the dawn of the 21st century is the building of an international community where the majority understands the plight of minorities and is magnanimous enough to make internationally isolated islands feel part of the greater community. For this very reason, Japan, being the world's second largest economic giant and in the process now of reexamining its global contributions, could make an extremely significant contribution by adopting a long-term and broad viewpoint on international interdependence and welfare based on a clearly defined aid philosophy, one where its contributions are not just carried out in the expectation of achieving short-term benefits.

It could do this by contemplating aid to this region to which it has close geographical, historical, and cultural ties. This aid would help to widely publicize and make known to the rest of the world Japan's commitment to international responsibility. The following summary is possible, based on this awareness of Japan's basic orientations regarding aid to this region of the world.

(1) Aid to create an environment where people can lead decent lives

Without denying the role played by economic development, in aid to this region where many countries clearly lack the conditions necessary to establish an economic infrastructure, we must not regard growth of the national economy alone as the sole route to decent standards of living. Our horizons must be widened: we must include social and cultural factors and ask constantly what the conditions are that will enable people in this region to lead truly decent lives. To implement this goal, Japan's aid should be both daring and detailed.

In implementing this goal, Japan must also give attention to three areas: ① given that this region is characterized by extremely small national areas and populations, existing development models and concepts should not stand in the way of correct understanding of real needs, and novel aid implementation methods should be introduced (for example, the establishment of aid funds and the coverage of recurrent costs); ② the region's traditional cultures and autonomy must be respected (orderly development must not destroy existing social systems); and ③ we must realize that this region is sensitively and complexly influenced by outside social and economic factors; above all, the focus of development must be on national and social stability (instead of seeking economic growth at any cost, regardless of the consequences).

(2) Aid to strengthen ties with international society

The key point in developing programs for remote islands is to help them to find ways to overcome their isolation and build close and stable ties to surrounding regions. Whether these islands can secure a stable position in the international community is an important aspect of implementation of any Asia-Pacific regional cooperation concept and a decisively important determinant of the region's future. Japan should spare no effort to assist it in this area. As much as possible, Japan must take into account the region's

traditional culture and identity and clearly define the links between the universal principles of respect for human rights, freedom, democracy, peace, environmental protection, etc., and its action in Oceania. And in establishing contacts with countries in the region, Japan as a member of the world community must extend lateral support so that cooperative relationship based on mutual trust and benefit can be built in the Asia-Pacific region.

Regional cooperation, especially in the southern hemisphere, is a particularly important step toward strengthening ties with the international community. Japan's support is needed to promote active exchange between Oceania and such regional groups in Asia as ASEAN (which has had a head start in economic growth) and such channels for cooperation as Asia-Pacific Economic Cooperation (APEC) or the Pacific Economic Cooperation Council (PECC).

II. Priority Areas for Aid

We shall now describe the formulation, implementation, and operation of aid, taking into account, among other factors, the diversity of the 14 Oceanian countries and areas under consideration and the inherent constraints on development by island countries, and taking as reference points the three priority areas discussed below.

Of the items discussed in the following subsections, the first, helping Oceania to achieve economic independence, primarily concerns our classification Groups I and II but also concerns Group IV. The second, helping the region to overcome isolation and land limitations, applies broadly to the whole region, but to differing extents for different countries. The third, providing more aid to achieve nondestructive development, applies to Group III especially.

The applicability of aid priorities to each individual country, given the diversity of the 14, can be studied, as shown in the fourth subsection below, in association with the separate table of aid priority areas.

1. Helping Oceania to achieve economic independence

Many of the countries of Oceania depend on the money flow from foreign aid to run their governments; foreign aid revenue is therefore indispensable for governing these states.

The orientation of Japan's ODA program is to respect recipients' identities and assist them to achieve economic independence in ways that stimulate recipients to help themselves. Consideration of aid to Oceania must include renewed awareness of this fact and in the process of aid implementation it must be confirmed that aid is helping recipients to progress toward economic independence.

Aid that assists recipients to stand on their own feet must give the highest priority to development of human resources to provide a totally adequate basis for carrying out economic activities. School education is obviously the basis of this effort, but it is also necessary to have technical training in such fields as manufacturing, processing, and traditional industries.

The extent to which ODA can promote economic-independence-oriented industrial

development directly is limited; this economic development necessarily depends on business activity of the private-sector in recipient nations and in Japan. ODA is expected to play the role of catalyst in eliciting private sector initiative. Among the target areas for aid are infrastructure, environmental improvement, pilot projects in promising industries, improved access to statistical and other information needed for industrial development, and aid that provides incentives to industry instead of merely stabilizing the present standard of living.

2. Helping Oceania to overcome its isolation and land limitations

The most striking obstacles to development of the Oceanian region are the immensity of the distances isolating it from the main economic spheres of the West and Asia and, on the opposite extreme, the exiguity of its land territory. Development aid must help it to overcome these constraints.

The most important thing is first to be able to discern sectors and aid categories that are likely to be of significant benefit to Oceania by further strengthening its linkage to the Western and Asian economic and cultural spheres. Further aid is desirable in the communications and transport sectors. Further development of communications facilities in the smallest and most remote islands especially is important and the continuation of maritime feeder service which is absolutely vital to them is an essential and urgent issue.

Stronger linkage in economic terms is closely tied, as both a cause and a consequence, to growth in exports through industrial development. A great role is played in this area by private-sector vitality, the main industrial factor unfolding the latent potential of the country's economy and the locomotive propelling it toward higher levels of development and escape from isolation. Cooperation in two areas, comprehensive human resources development and incentives to private-sector business activity, is an important step toward promoting the private sector.

The strategies described above to overcome isolation are equally effective in overcoming the territorial limitations of small islands. In the case of microstates lacking necessary basic economic infrastructure and without even the prospect of ever building infrastructure alone, rather than planning a strategy for independence as something that necessarily follows from economic development, Japan must cooperate in the area of medicine and other basic human needs, providing the sort of social welfare services for

inhabitants of small remote islands that is called for by humanitarian considerations, and must establish a fund on the model of the Tuvalu Trust Fund that can help to pay recurrent costs of development projects.

3. Providing more aid to achieve nondestructive development

Assistance in developing the Oceanian region must be planned with great care to preserve existing resources, traditional cultural values and systems, and the natural environment, based on the realization that these countries are sensitive to outside influences and their social and natural balances are easily upset by them.

Aid must, first and foremost, stress stability and contribute to the preservation of traditional values, not the promotion of development at any cost for growth measured by the standards of industrialized nations. The social structures and traditional production systems that are deeply rooted in the past and in local conditions of Oceania were created by local people, whose knowhow and experience accumulated in the process; in most cases, their preservation is beneficial to the country both physically and spiritually. Approaches and methods of development aid that succeeded in ASEAN and elsewhere will not necessarily succeed regardless of circumstances and needs elsewhere. Aid should suit the development cycles and rhythms of the locality in which it is implemented.

But even such a nondestructive form of aid is insufficient: in addition to paying attention to preserving the traditional cultural values of that locality within the framework of existing aid, Japan must seek nondestructive aid more actively and directly by, for example, learning from local experiences with traditional systems and local people's views and striving to create new forms of nondestructive aid that incorporate these lessons into future Japanese aid programs.

In the area of environmental issues, ocean pollution and rising sea levels caused by increased global warming in recent years are extremely serious problems; in Papua New Guinea and other large island nations, more attention must be paid to diminution and depletion of forest resources. Rising sea level and ocean pollution especially require global action, not just local and regional responses. Japan must stress to the world community the seriousness of marine environmental problems on every occasion, in addition to carrying out sweeping action programs through ODA.

It is vital that development be planned in awareness of the fact that all resources are finite. Further development of fisheries resources is possible, for example, in regions where the chances of expanding production of ocean tuna and bonito are good. However, overfishing of coastal resources, which happens in many Oceanian countries, should be avoided. These countries wish to be helped in the area of aquaculture to develop techniques for artificially assisted spawning promotion and fish breeding. And it is important that aid be oriented toward resource conservation and protection. In the area of forestry, cooperation is needed to establish afforestation, reforestation, and other long-term forest resource management methods. In energy, it is important both to develop alternative energy sources and small-scale energy systems for remote islands that lack sufficient usable forms of energy and to develop new ways to replace the forms of energy in daily use now, such as firewood and fossil fuels, to conserve existing resources.

4. Summary of priority areas for aid to Oceania by country

Our study group prepared a summary of aid priorities as shown in the attached table.

The table shows in greater detail how the different aid priorities described in the above subsections apply specifically to the different groups according to the classification presented in the introduction.

The table is only a yardstick: it is not a rigid or final determination of the respective applicability of the aid priorities to Groups I through III.

The aid priorities enumerated on the table are also merely yardsticks: new applicable items should be added according to circumstances and new aid priorities should be developed and extended depending on how the listed items apply.

Note (i) The table can also be used, albeit only very roughly, to define aid priorities for Papua New Guinea and Nauru, classified in Group IV simply because they do not belong in any of the other groups.

(ii) The aid priorities pertaining to Group I can be applied to Papua New Guinea also, given the diversity of its development potential. The aid priorities pertaining to Group III can be applied to Nauru also, given the exiguity of its land area, although the form of aid is limited to technical cooperation.

Table 2. Priority areas of aid to Oceania by country

| ↓ Priority area | Country groups → | Group I | Group II | Group III | Remarks |
|--|--|---------|----------|---|---|
| Supporting economic independence | Compilation of an input-output table, industrial yearbook, and other data | ○ | ○ | □ | Information and data are needed to facilitate the introduction of capital. From the macroeconomic viewpoint, the compilation of information is most applicable to countries where it is important to find promising projects. |
| | Development of alternative energy sources, especially small-scale sources | ○ | □ | □ | Most applicable to countries where it is important to develop alternative and small-scale forms of energy to provide energy to meet the needs of a growing economy or to supplement lacking resources. |
| | Promotion of JICA investment and loan programs | ○ | □ | △ | Most applicable to countries where industrial development is foreseeable, provided that JICA soft loans help trial projects that cannot be expected to be profitable. |
| | Improvement of infrastructure and environment to attract businesses | ○ | ○ | △ | Most applicable to countries where roads, waterways, electricity, and other improvements in infrastructure and the environment are important and effective ways to attract companies. |
| | Incentive to and development of industry via South Pacific Forum | ○ | □ | □ | Applicable to cases where industrial potential can be elicited by strengthening ties to Western and Asian economic spheres through South Pacific Forum trade units. |
| | Promotion of personal contacts and exchanges with Asian countries via SPF | ○ | □ | □ | Most applicable to countries where it seems important to strengthen ties with ASEAN through personal exchange via the SPF in order to foster the regional or local economy. |
| | Promotion and fostering of projects in fields with joint venture potential | ○ | □ | △ | Most applicable to countries where the potential for joint ventures is high. |
| | Small-scale training center projects | ○ | ○ | □ | Most applicable to countries with a good chance of promoting exports by improving skills of local staff at training schools. |
| | Training center for manufacturing industries and traditional handicraft skills | ○ | ○ | □ | Most applicable to countries where the possibility of increasing exports by increasing the added value of local raw materials is good and the human resources engaged in this activity are promising. |
| | Center-based cooperation (training in third countries) | ○ | ○ | □ | Most applicable to countries where comprehensive technology transfer to an entire region is possible by bringing together engineers from surrounding countries and given them technical training. |
| | Improving agricultural productivity to attain self-sufficiency | ○ | ○ | □ | Most applicable to countries where the potential for farming and food production is good and dependence on imports of rice, canned food, and other foods is high. |
| | Promotion of resource-preserving fisheries | ○ | ○ | ○ | Most applicable to countries where resources should be protected and recycled to achieve sustainable economic development in view of the foreseeable depletion of resources. |
| Promotion of fisheries operated by enterprises in already successful regions | ○ | ○ | ○ | Most applicable to countries where additional revenues can be expected from enterprise-operated fisheries. Applicable to countries with abundant resources. | |
| Overcoming isolation and land limitations | Personal contacts and cultural exchange among youths inside and outside Oceania | ○ | ○ | ○ | Most applicable to countries with a very significant need for more personal and cultural exchanges with other countries inside and outside Oceania to achieve development. |
| | Active support for regional organizations | ○ | ○ | ○ | Most applicable to countries that are beneficiaries of regional cooperation where aid via the SPF, University of the South Pacific, and other regional organizations would be more effective than bilateral aid. |
| | Unification of transport, communications networks. Support for feeder services | △ | ○ | ○ | Most applicable to countries that urgently need better telecommunications links with other countries and regions and to countries where feeder service is essential. |
| | Improvement of communications facilities between remote islands | △ | ○ | □ | Most applicable to countries where the highest priority is on building and improvement of a communications network between the capital and provinces or between the main island and remote smaller islands. |
| | Improvement of road infrastructure | ○ | □ | □ | Most applicable to countries where the insufficiency of domestic roads aggravates isolation and impedes economic development. |
| | Better medical services on remote islands | △ | □ | ○ | Applicable to the improvement of basic medical services in remote localities if their medical conditions differ significantly from those in the capital or the main island. |
| Supporting nondestructive development | Stocking of supplies in case of disasters and organization of emergency rescue teams | ○ | ○ | ○ | Most applicable to countries that could benefit from stocks of vital materials and from mobilized rescue teams that deal with natural disasters and other emergencies. |
| | Environmental protection monitoring and research | ○ | □ | ○ | Most applicable to countries where it seems extremely important to set up surveillance projects to monitor rising sea level caused by global warming or wide-scale sea surface pollution. |
| | Development of alternative energy sources, especially small-scale sources | ○ | □ | □ | Most applicable to countries where it is urgent to develop alternative and small-scale energy sources to protect the environment from overuse and depletion of fire wood and other forest resources. |
| | Surveys and research related to resource-protective fishing | ○ | ○ | ○ | Most applicable to basic research on economically important fish and shellfish varieties when such resources are faced with potential depletion and to countries that should protect, foster, and recycle existing resources. |
| | Re-establishment of forestry resources and sustainable forest management | ○ | ○ | □ | Most applicable to countries that need cooperation related to recycling and sustainable management of forest resources in light of diminution or deterioration of resources through unwise development. |

N.B. Degree of applicability: ○ Highly appropriate ○ Possible □ Possible in some cases, depending on circumstances
 △ Not applicable presently

III. Points to Bear in Mind When Implementing Aid

1. Aid for countries with small-scale economies

The 14 countries and areas that come under consideration in this report have small populations, territories, resources, domestic markets, and economies; several do not qualify for financing under World Bank criteria. When giving them development aid, especially in the form of bilateral cooperation, Japan should not attempt to force them into the regular uniform schema for development aid; it must take the scale of the country's economy and its individual circumstances into account.

Also in implementing aid, Japan must take two aspects into consideration: one, the granting of financial support to run the country's government and, the other, the financing ability of the recipient of Japan's ODA, which is based on the principle of supporting the self-help efforts of developing countries.

In addition to these financing aspects, development planning and project planning ability must be taken into account, as well as support at the technical funding level. The mobilized task teams for technical cooperation mentioned below and the fund pool of JICA's overseas offices play indispensable roles in this context. Consideration of the size of the country and the negative aspects of the scale of aid is essential, as well as attention to the above-mentioned nondestructive types of aid. Judged solely in terms of the effect of development fund investments and efficiency of development, this region is in a position of inferiority, and this region is undeniably one where development comes at a high price. But here the significance of aid to island microstates, discussed in the foreword, must be recognized. While learning from the ideals and experience of domestic remote island promotion projects in Japan, where the government has supported public works investment for humanitarian reasons to enable remote island inhabitants to overcome their isolation, aid appropriate to specific microstates must be taken into consideration.

2. Aid to Oceania considered in its totality

The above-mentioned ocean environment problems are a case in which counter-measures must be considered on regional, or better, global-scale to be effective, even if they are carried out by a single country. There are just too many problems facing Oceania

that must be addressed at the regional level. We must probably further consider aid that by the same criteria and standards will have an effect on the entire Oceanian region.

For example, to give development aid to the transport and communications sectors, it is obviously necessary to act on the whole Oceanian region. In regard to education and human resource development, the regional approach should be stressed, while keeping in mind the merits of a further approach which considers the efficiency and benefits to the whole area. One approach is for organizations engaged in regional cooperation, such as the University of the South Pacific, to establish bases for different specialties in each country, taking advantage of members' natural environment, setting, and geographical conditions. From the viewpoint of respecting each nation's identity and pursuing the interests of the Oceanian region as a whole, this is an excellent prototype of regional cooperation.

On the organizational level, using the proposed aid channeling structures for the whole region discussed in the next chapter, attention should be paid to implementing efficient and effective aid, seeking coordination and the structuring of aid methods that can act effectively on vast areas of the region.

Japan, while recognizing the importance of bilateral aid as the basis for development aid, should seek to implement Japanese aid through regional international organizations in two cases: when aid can be implemented through regional international cooperation with notably better efficiency and effectiveness and when bilateral aid threatens to upset regional harmony. Even when bilateral aid is given, in cases where similar projects are being carried out by other aid organizations and other projects are being carried out in the same field, Japan must strive to establish clearly complementary relationships with these organizations and to cooperate with them through personal exchange and training to ensure benefits to the whole region. Rather than construct new schemes for regional cooperation, more immediate effects are needed by using frameworks relying on the intermediation of existing regional international organizations. Besides paying attention to the region at many levels, including stress on aid coordination, complementary ties between donors, and the formulation of aid methods that take regional ties into consideration, stressing the complementarity of intraregional economic activities should also be borne in mind. Especially in cases where countries strive, for example, to achieve economic independence by drawing on their specialties in building export industries, it is important to pay attention to competition within the region and compatibility of chosen development sectors.

3. Attention in aid implementation to nondestructive development

Aid to the Oceanian region must be oriented toward stability and the avoidance of harm to traditional cultural and social values and to the environment; the size and history of each nation, as well as the impacts of development aid on its society and environment, must be considered.

Conservation has two aspects as discussed in the previous chapter: preservation of the traditional cultural values of the locality and conservation and recycling of resources contributing to the country's development.

With regard to the former, a learning process approach is needed: without limiting aid to existing frameworks, local expertise and knowhow should be respected and aid should be implemented jointly with the recipients. With regard to the latter, in the fisheries sector, establishment of resource control and aquaculture, and in the forestry sector, establishment of afforestation and other continuous management techniques are important keys to success.

Nondestructive aid, beginning at the aid formulation stage, should also introduce the viewpoints not just of development experts but also of intellectuals, specialists and scholars in a wide range of fields, including sociology and area studies. The views of experts and scholars from recipient countries are important, too. And whatever is done, attention to the social and environmental impacts of development aid is essential from the initial stages of the development aid cycle.

4. Experiments with diversification of aid areas

Area-wise studies of trends in Japan's past aid to Oceania show that both financial and technical cooperation have accomplished a great deal in fisheries and aquaculture. The background and reasons for this are, to be sure, connected with the fact that the field affected by aid was inevitably determined by the potential of Oceania's vast water territories and the high expectations of Oceanian countries that Japan would use its abundant experience and good record in the field. Fisheries aid is being gradually improved by providing better hardware adapted to the requirements of this field. In the future, it will also be important to diversify aid sectors by looking carefully at the progress in development in different areas and emphasizing the development plans of the

respective recipients. Oceania also counts heavily on Japanese aid in human resources, administration, and the social sector or cultural aspects.

Though conditions differ among countries, in view of the depletion of resources due to ill-conceived development programs, aid in fisheries, forestry, and mining must recognize the necessity of stronger efforts to conserve and recycle resources.

Looking at recent aid donor trends connected with Oceania, we see a tendency in bilateral aid from the two biggest donors to give priority to efficiency measured in terms of aid amounts, such as the Australian stress on greater aid efficiency based on the Jackson Committee Report in 1984 and the slow growth of aid from New Zealand. The same must be said about aid from international organizations. Given the urgency and priorities of aid to other regions, principally Eastern Europe and the least developed nations of Africa, the prospects of quantitatively increased aid to Oceania from international organizations are poor. Aid organizations are being called upon to play new roles in the context of coordinated and complementary ties in international aid.

Through examination of the degree of development progress in each sector and the changes in development trends and in the global aid environment described above, choices of approaches to aid and priority aid sectors have become especially important. After surveying the degree of progress made toward development in each country and discerning the precise nature of complementary relationships and aid coordination among regional aid entities, we must confront the roles and contributions expected of Japan. Following on these steps, it is necessary to shift and diversify aid sectors.

IV. Proposals Concerning Japanese Aid Organization and Systems

1. A new mechanism of implementation: technical cooperation by mobilized task teams

1-1 ODA's project formulation support teams

Basically, Japanese ODA operates on the, so-called "request basis" principle. To respect recipients' autonomy and assist their own development efforts, aid should only be executed in response to the recipients' requests. Recently in Oceania, efforts have been made to complement this approach via more policy dialogue, but in many cases South Pacific island microstates with severe shortages of personnel and budget resources for formulating development plans find it extremely difficult to formulate their own development proposals in accordance with Japan's aid schemes.

Furthermore, development proposals of these island nations sometimes contain elements that do not comply with Japan's official formulation methods, aid scales, and aid menus, due either to their small scale or to conditions in which they are placed geographical isolation or distribution. For example, even proposals addressed to Japan's aid scheme are apt to be out of date before they are even adopted because they do not fit Japan's aid project formulation cycle, which begins with reception of the request and ends with adoption of the proposal. Just as ingenuity is called for regarding the mobility and the menu of aid scales itself, more mobility and flexibility is called for in aid systems linking the discovery and formulation of aid project proposals to their implementation.

The task teams would be stationed in JICA's overseas offices at the main hubs of transportation in these regions; they would be equipped with budgets and support organizations to enable them to mobilize and go to any place in Oceania whenever necessary. Their members would include principally Japanese experts and engineers but the teams would also have to count on the participation of local experts and engineers to deal with foreseeable requirements and situations. When establishing such teams for the first time, the most important attribute is mobility: supervisors must organize the teams and weld the local decision-making power to have personnel dispatched immediately to any locality if necessary to carry out cooperation. And it is extremely important that, when doing field studies, they work in close contact with the Japan Overseas Cooperation Volunteers (JOCV) now stationed in eight countries of Oceania.

1-2 Patrolling technology teams to ensure smooth and continuous aid project implementation

Mobilized task teams are needed to provide support for the above-described type of development aid proposal formulation, but it is also hoped that patrolling technology teams will be established to provide post-implementation services connected with the maintenance and operation of equipment and facilities provided as part of aid programs. Already, the Overseas Fisheries Cooperation Fund has a roving technology service available for fisheries projects and JICA is striving yearly to improve follow up of technical cooperation and grant aid cooperation projects. These efforts have great potential for expansion.

1-3 Expansion of JICA office budgets related to mobilized task team activities

To facilitate activities in support of aid formulation by roving technologists and other mobilized task teams, it is necessary to ensure that JICA's local offices in Oceania have sufficient funds to pay for these services.

At the personnel level, in addition to finding permanent staff to serve on the mobilized task teams, it is necessary to respond swiftly by finding specialists in particular fields when the need arises. Funds must be immediately available to meet special expenses connected with field surveys, such as vehicles, materials, supplies, fuel, and spare parts. To facilitate mobility, offices must have a budget that can accommodate whatever unexpected situations may arise and more decision making and spending authority must be delegated to local JICA offices in Oceania.

Furthermore, in Oceania, where governments have small budgets and severe fiscal problems, stimulation of the economy by a project is often based on the assumption that aid projects implemented smoothly, effectively, and continuously will ultimately produce considerable effects, even with scant initial financial input. The office budget pool must have mobility and elasticity to permit swift responses and help to alleviate the recipient's problems in meeting recurrent costs of a projects connected to the activities of mobilized task teams.

2. Creating the organizational framework for aid to the entire region

2-1 Creation of a regional aid forum

Since 1989, the South Pacific Forum has hosted aid donor conferences related to Oceania; still, by global standards, Oceania has very few coordination bodies for aid. Even at aid donor conferences held under the Forum's auspices, not all aid is coordinated to the point where the orientation of regional cooperation coincides with the interests of each country; aid coordination forums should be more closely knit and should meet more frequently.

From the viewpoints of efficiency and effectiveness of developmental aid, there are sectors where aid coordination and unit standardization within the whole Oceanian region would be wise. Having such a forum would be a significant help in implementing aid coordination, not only from the standpoint of aid efficiency, avoiding unnecessary duplication of aid, but also to build complementary ties drawing synergically on the respective strengths of each aid donor or recipient country and organization.

2-2 Increasing funding aid to regional organizations

Japan has contributed funds to such regional organizations as the South Pacific Forum and the University of the South Pacific with great effect. The further funding of aid to these organizations should be studied after evaluating their effectiveness and significance.

At present, calls are coming from regional organizations everywhere seeking access to one of Japan's ordinary grant aid cooperation schemes. Efforts are needed to expand the scope of eligibility under the current principle of bilateral agreements between governments for ordinary grant aid cooperation, to include regional organizations and thereby to address the entire Oceanian region. The alliance of Japan's hardware aid, which has been extremely effective in other countries, especially ASEAN, with the technical cooperation structures of regional organizations with vast networks, staffs, and facilities, is certain to achieve excellent results.

3. Expansion of small-scale aid

3-1 Wider coverage of small-scale grant aid cooperation

The small-scale grant aid cooperation scheme established in 1989, because its flexibility and scale of execution meets the development requirements of Oceania, has accomplished much from the year of its inception. This scheme simplifies procedures considerably compared to ordinary grant aid, but there is still room to improve the scheme. There are many good proposals in the Oceanian region which have been left in the latent state because the present organization of aid implementation is not sufficient to respond to these problems.

In the future, improvement of its organizational structure and system is essential, and must pass through studies of flexible responses, such as imaginative new systems to support plan formulation (exemplified by the above-mentioned mobilized task teams), incentives for finding and formulating projects connected with JOCV activities, and delegation of more authority to local JICA offices.

3-2 Formulations of packaged grants and two-step grant procedures

New ideas are needed to respond to the diverse development requirements of Oceania's widely scattered islands, in addition to more small-scale grant aid of the existing type mentioned in the previous paragraph and the reorganization on which that aid is premised.

Generally speaking, existing programs of grant aid apply to proposals that will contribute to improving basic living conditions and expanding technical cooperation; they usually involve projects on a considerable scale and of a mono-completed site for various reasons. But in recent projects intended to create water supplies and raise living standards in African villages, for example, with the object of having the project affect a wide area, plans call for building facilities in dozens of locations, not for building one base or a single center, and this approach has had good results. In Oceania, where small islands are widely separated and have very small populations, it is often more appropriate to use a packaged grant aid format that groups together and simultaneously benefits a larger number of small-scale facilities. Efforts should be made to find ways to deal with this kind of case.

Bilateral loan projects can include two-step loans in which funds can be lent to

multiple end users via a financial institution in the recipient country; the possibility of applying this same approach to grant aid projects should be studied. Non-project grant assistance, which has achieved results in Africa, is one possibility; it can accommodate a variety of diverse requirements by designating an organization to oversee implementation, through which grant aid is channeled; or commodity aid to provide food or help increase food production is another. With the proceeds from the sale of goods that Japan supplies, a fund is established to finance development projects. Guided by experience with these methods, forms of non-project grant assistance which are better suited to Oceania should be investigated.

Annex 1

Members of Regional Study Group

| | Member | Position |
|----|----------------------------------|--|
| 1. | Tsuneo NAKAUCHI (Chairperson) | Professor, Faculty of Economics, College of Liberal Arts, International Christian University |
| 2. | Junko EDO | Lecturer, Faculty of Foreign Languages, Kyorin University |
| 3. | Tsutomu KIKUCHI | Associate Professor, Department of International Relations, Chubu University |
| 4. | Izumi KOBAYASHI | Managing Director, The Japan Micronesia Association |
| 5. | Yasuaki TAKAHASHI | Professor, Faculty of General Studies, Gunma University |
| 6. | Takeshi MORI | Professor, Department of Economics, Dokkyo University |

Task Force Members

| Member | Position |
|---|--|
| 1. Masayoshi TAKAHASHI (Chief of Task Force) | Development Specialist, Institute for International Cooperation, JICA |
| 2. Takumi UESHIMA | Procurement Department, Administration Division, JICA |
| 3. Michiyo SAITO | Researcher, International Cooperation Service Center |
| 4. Hiroaki TAKASHIMA | General Affairs Department, General Affairs Division, JICA |
| 5. Toshihiro TANAKA | Associate Specialist, Institute for International Cooperation, JICA |
| 6. Toru TOGAWA | Research and Development Division, Institute for International Cooperation, JICA |
| 7. Atsuyoshi TODA | Development Specialist, Institute for International Cooperation, JICA |

JICA