

- 3) Pursuit of Thailand's national interest in terms of security, politics, economics and society (with priority given to regions in economics, finance, transportation and communication) while considering the international order and recognizing transition in regional and international society.
- 4) Improvement of the people's standard of living in all occupations and promotion of liberal economic policy based on the market economy.
- 5) Distribution of economic prosperity to provinces and rural villages in order to solve urban problems and problems of provincial decline.
- 6) Urban development in Bangkok by responding to urban issues caused by rapid economic growth.
- 7) Improvement in scientific and technical capabilities to increase productivity and competitiveness and to enhance the people's welfare.
- 8) Implementation of social policies in response to rapid changes in people's lives resulting from changes in the socioeconomic structure.

(6) Trend of politics

The political struggle in 1992, which led to the worst-case scenario of bloodshed, was finally settled down by Royal arbitration. However, the first general election since this incident saw the extremists, who had been calling for radical change in the political structure, lose ground while the former ruling party did well and the moderates, with the support of the new middle class that has emerged due to economic growth, made progress. After the election the Chuan coalition (centered around the moderates but also including parts of reformists and conservatives) was formed and began to strive for domestic reconciliation and the recovery of credibility in the international society.

Under the Chuan administration, serious confrontation between the major parties has, so far, been avoided, resulting in recovery of credibility to some extent. Nevertheless, many continue to see political tranquillity as being possible only through a compromise of the tangled political ambitions of each party. While this tranquillity lasted into 1993, political corruption, said to have been eliminated, resurfaced in the coalition government, which was abandoned by certain forces within following internal discord, reflecting a general increase in political volatility. It was in the midst of such developments that a reshuffling of the cabinet took place and the second Chuan cabinet was born.

(7) Diplomatic relations

- 1) Since World War II Thailand's diplomacy has been based on a policy of cooperation with western nations (particularly the U.S., which supports Thailand's security, and Japan, the largest aid donor to Thailand). Since 1967's founding of the Association of Southeast Asian Nations (ASEAN) Thailand has been aggressive in regional cooperation.
- 2) Under the above policies, Thailand's foreign policies have been carried out in recent years focusing on the following aspects:
 - a. Enhancement of regional cooperation in response to economic growth in ASEAN membership
 - b. A strengthening of economic relations with the U.S., Japan and other western advanced countries through the active acceptance of foreign investment
 - c. Economic cooperation and improved relations with Indochinese countries following the Cambodian peace accord.

2. Economic situation

(1) General trend

Because of the government's retrenchment policies, high interest rates and decline of prices of primary products, Thailand's economy in the latter half of the 1980s,

although it showed better performance than other countries, still faced overall stagnation. Since 1986, however, increased exports and recovered investments have placed the country on the path to healthy recovery, with previously unheard of rates of economic growth (real GDP growth rate was 13.2% in 1988, 12.3% in 1989, and 11.5% in 1990). Factors behind these high growth rates are the strong yen and Japan's increased domestic demand (which drew in more Thai exports) as well as increased direct investment (also brought on by the strong yen), which was manifested as increased domestic investment in Thailand. This expansion in the Thai domestic economy has improved employment, but at the same time prices, led by increased prices for certain foodstuffs, have been going up at higher and higher rates, while high growth has led to inflation and worsening environmental problems in metropolitan areas. The 7th Economic and Social Development Five-Year Plan, adopted in October 1991 in response to these circumstances, has as its objectives stable growth (at an average growth rate of 8.2%), a more equitable distribution of income, an improved standard of living, and environmental conservation. While real economic growth rate of 7.5% was achieved in 1991, the speed of growth is expected to slow and limit growth to the 7% range in 1992, because of worldwide recession and a drop in investment.

(2) Trends in the major sectors

1) Agriculture, forestry and fisheries:

Until 1980 this sector had been dominant in the Thai economy for many years, but industrialization led to a relative drop in its overall position in the economy: its share of GDP fell from 25.4% in 1980 to 12.4% in 1990 as its share of gross exports value fell from 54.3% to 17.0% between 1980 and 1990. Principle products are rice, tapioca, sugar, rubber, and marine products. Although the growth rate of the agricultural sector dropped to -1.8% in 1990 because of stagnating exports caused by drought and falling rice prices, agriculture continues to account for 56.7% of all employment.

2) Industry:

Since the 1960s, Thailand, emphasizing the role of private sectors in economic development under the principle of market economy, has striven for gradual industrialization through light industries rather than rapid industrialization through heavy industries. But since the mid-1980s, when export-oriented economic policies were implemented, the industry's share of GDP has greatly exceeded that of agriculture, reaching 39% (of which manufacturing accounted for 22%) in 1990. Exports in fiscal 1991 totaled 720.5 billion bahts (a 23.5% increase over the previous fiscal year), with industrial products accounting for 76.8% of all exports and the respective shares of clothing, computer parts, jewelry and footwear being particularly high.

(3) Fiscal policy

Reflecting a weakness in tax-collection system seen in many other developing nations, Thailand's revenue base is dependent on consumption tax, business tax, customs duties and other indirect taxes; individual income tax, business income tax and other direct taxes account for only 20% of the nation's total tax revenues. Since 1975, expenditures have greatly overtaken sagging income, resulting in larger government budget deficits. Although the problem grew serious in the 1980s, belt-tightening measures coupled with positive economic conditions beginning 1986 resulted in great increases in tax revenues, and since 1988 the government has been running a surplus on a cash basis; the budget for fiscal 1991 was the country's first-ever balanced budget (i.e., no government bonds were issued). In January 1992, the existing business tax was supplemented with a value-added tax (VAT) in order to simplify the nation's tax system and promote exports and investment.

(4) International balance of payments

The high dependency on foreign countries for capital goods, raw materials and parts has consistently resulted in a deficit in the balance of trade. Although the large deficits of the early 1980s had been reduced by increased exports of industrial products, lower import prices of petroleum and the use of domestic natural gas as a petroleum substitute, the trade deficit has again grown because of improved business conditions and increased direct investment. Tourism has become an important source of foreign currency, while the excess of foreign capital has exceeded the deficit in the current account balance, resulting in a surplus in the overall balance of payments. Foreign currency reserves are also steadily increasing, reaching \$21 billion in 1992.

(5) External debt

Although the external debt situation reached serious proportions in the early 1980s, with the debt service ratio growing to 23% in 1985, by the end of 1991 belt-tightening measures and refinancing of existing debt had reduced this to 10% (public sector, 4.1%; private sector, 5.9%). In absolute terms external debt was \$33.1 billion at the end of 1991, of which public debt accounted for \$12.5 billion (long term, \$12.1 billion; short-term, \$400 million).

In response to the domestic demand for capital for urgent infrastructure improvement under such circumstances, the government increased the upper limit of annual foreign borrowing to \$2.5 billion for fiscal 1992.

(6) Economic relations with Japan

Throughout the 1980s Japan consistently was Thailand's most important trading partner, accounting for 25% of all trade in 1991 and being No. 2 in exports (followed by the U.S.) and No. 1 in imports. Trade with Thailand accounts for 3.0% of Japan's exports and 2.2% of its imports.

Trade with Thailand consistently registers a large favorable balance for Japan.

Although the high yen helped reduce this trade imbalance in 1986, in 1987, Thailand's economic recovery and increased direct investment resulted in increased imports of capital goods from Japan, which caused the trade imbalance to grow again (from approx. \$640 million in 1986 to approx. \$4.18 billion in 1991).

Investment from Japan, which comprised roughly half of all foreign investment at the end of 1991, primarily involves investment in industry, construction and distribution, in contrast to Japan's development-oriented investment policy (centered around large facilities) in other ASEAN nations. This reflects a large growth in investment in Thailand as more and more Japanese firms began relocating production here in 1986 following the yen assessment that began in September 1985. However, there had also been strong calls in Thailand for investment in regional industry, the transfer of technology, and promotion of local procurement.

3. Social situation**(1) Trends in the major sectors****1) Education:**

The current educational system was established under the 1960's State Education Plan, in accordance with which educational facilities have been improved and expanded, resulting in the remarkable spread of education, including 1978's introduction of the 6-3-3-3 system. As a result, school enrollment rose from 82% to 94% at the nation's primary schools and from 14% to 33% at secondary schools. In higher education, however, school enrollment in 1991 remained low in the mid-9% range, the lowest levels for secondary and higher education among ASEAN nations. And in addition to this low school attendance and a prominent lag in the spread of secondary and higher education in the provinces, the nation also faces such problems as severe shortages of technicians resulting from rapid economic development. In May 1990 the cabinet passed a law extending compulsory education through junior

high school, but there has been a significant delay in this law's enforcement. The literacy rate has risen from 68% in 1960 to 93% in 1990 (UNESCO estimate).

2) Health:

Since the Health Care Development Plan was adopted in 1961 as part of the First Economic and Social Development Five-Year Plan, Thailand has emphasized the improvement of medical care facilities, reduction of the difference in medical standards between the cities and rural areas, the training of medical care providers, the introduction of primary health care (i.e., health care for mother and child, family planning, improved nutrition, and countermeasures to infectious diseases, etc.), and the introduction of advanced technology. This has steadily produced such results as reduced infant mortality rates, longer life expectancy, and greater rates of immunization (50% to 60%). Inferior medical care in rural areas, however, remains an important issue. Priority issues targeted by the government in response to differences in living standards among social classes (which have grown because of rapid economic development in recent years) include enhanced medical care for residents of remote areas, the poor, the elderly, and disabled; expansion of PHC into urban areas; and foodstuff control.

3) Urbanization:

Although the urban population was responsible for 17.7% of the total population as of 1990, rapid economic development since 1987 has resulted in the increased influx of young people into the cities,* thus quickening the pace of urbanization. This rapid urbanization, in addition to having psychological and cultural effects on many people, is also causing considerable changes in the traditional way of life, while new problems of urban society — such as the urban poor, serious transportation and environmental problems, and AIDS — are appearing. With government and public concern for the urban infrastructure, enhancement of public services and slum countermeasures growing amidst such circumstances, the government has implemented an active approach to these problems, although it is still a long way from finding a solution.

* Bangkok's population has grown rapidly, from 3 million in 1970 to 5.74 million in 1992.

4) Others:

Thailand's total population as of 1991 was 56.96 million, with a work force estimated at 32.24 million (56.6% of the total population) of all those 13 years of age or over (the legal working age). Out of the total work force, those currently employed total 30.78 million, with the remaining 1.48 million being unemployed (an unemployment rate of 4.8%). In terms of separate sectors, agriculture, forestry and fisheries are responsible for roughly 60% of all employment, with abundant supplies of labor found in the northeast, central and northern areas of the country. In northeastern Thailand, in particular, relatively high unemployment has provided a supply of labor for industry.

(2) Income distribution/Regional disparities

Most of the rapid economic growth since 1987 has been restricted to the eastern area of Bangkok, the central region, and several large cities; other regions, as well as agricultural regions, failed to benefit from this rapid growth to a sufficient extent. Although the percentage of people below the poverty line decreased from 39% in 1969 to 23.7% in 1988, stagnation in the primary products market began seriously affecting rural poverty in the 1980s, and the rate of this decrease has slowed considerably. The income ratio of the richest 20% of the population rose from 49.3% in 1976 to 52.8% in 1990, while that of the poorest 20% fell from 6.1% to 3.1% during the same period (the income differential between these two groups grew from eight-fold to 12-fold between 1976 and 1986). Agricultural workers, whose income was roughly half of the overall income level, remained in the poorest segment of the population. Bangkok was responsible for 46.3% of the nation's GDP in 1981 and

48.1% in 1989, while during the same period other regions' respective shares tended to fall (central northeast, 14.2% to 12.9%; north, 12.7% to 11.4%; south, 9.7% to 9.1%). Assigning the per capita gross regional product of the northeast an arbitrary value of 1, that of Bangkok is 8.8, that of the north 1.6; and that of the south 1.8 (in 1989). As pointed out in the 7th National Development Plan, the economic differential between the Bangkok area and other regions is continuing to grow.

(3) Others

The recent rapid spread of AIDS in cities has become a serious problem; according to the Ministry of Health, persons infected with AIDS numbered 34,536 as of October 31, 1991, of which 33,887 were infected with HIV, 470 with ARC (AIDS-related complications), and 179 patients.

4. Special issues

(1) Environment

Rapid urbanization and industrialization in recent years have resulted in the transformation of Thailand's society from a traditional agrarian society to an urban, industrial one. Consequently, problems such as slums, traffic congestion, deteriorating public services, water contamination, air pollution, and trash have increased in severity. The number of automobiles owned (including motorcycles) rapidly increased 4.1 times in all of Thailand and 3.7-fold in Bangkok between 1980 and 1990 (from 1.70 million to 6.98 million and from 600,000 to 2.20 million, respectively).

In the provinces, long years of excessive deforestation and the conversion of forests to farmland have resulted in considerable decreases of forest resources; the country has been an importer of lumber since 1972, and in 1977 banned the export of logs. Nevertheless, with unorganized and illegal logging continuing, forests have gone from accounting for 53.3% of all land in 1961 to only 28% in 1989. In the northeastern region, which comprises one-third of the entire country, forests account for a mere 14% of all land.

In 1985 the government adopted the National Forest Policy, banning the logging of commercial forests in 1989 and stating an objective of increasing forests to 40% of all land over a 30-year period.

The Ministry of Science, Technology and the Environment is responsible for environmental problems. In it are the Environmental Policy Planning Agency, Pollution Control Agency, and Environmental Promotion Agency. The Environmental Committee, Pollution Control Committee, and Environmental Fund have also been established. One of the comprehensive laws on environmental protection is the National Environmental Conservation Act, which was passed in 1974 and which, in response to worsening environmental conditions, was revised in 1992 along with other related laws (such as the Public Sanitation Act, Factory Act, and Forest Act). Environmental impact assessments, incorporated at the time of the revision of the 1978 revision of the National Environmental Conservation Act, are the jurisdiction of the Environmental Policy Planning Agency of the Ministry of Science, Technology and the Environment.

(2) Women in development

The participation of women in the economy traditionally has been high; in 1988 working women 13 or over accounted for 46.6% of the nation's entire work force. Although factors prohibiting the participation of women in development are not obvious, of the country's approximately 14 million women workers, 68% work in agriculture, 12% each in commerce and the service industry, and 9.3% in manufacturing, with the majority of women working low-wage jobs. The recent construction boom, centered around metropolitan Bangkok, has drawn more and more women into the cities from the provinces. One organization striving to improve the status of women is the National Commission on Women's Affairs (NCWA). The

primary objectives of its National Plan on Women in Development (1992-2011) include promoting the active participation of women in development, implementing projects designed to improve the status of women, and the promotion of training.

(3) Military expenditures, etc.

With the easing of tensions on the Indochinese peninsula in recent years, military expenditures have tended to drop (from 17.8% of the budget in 1991 to 15.9% in 1993 accounting for 3.3% of GDP in 1991). In the budget for fiscal 1993, this represented the second largest allocation after education (19.6%). Thailand since 1950 has had a military agreement with the United States (from which it annually receives military aid), and since 1955 has been a member of SEATO along with the U.S., England, Australia, New Zealand and the Philippines.

(4) Democratization and basic human rights

After the military coup of February 1991, the constitution adopted in December 1978 was abolished; the draft of a new constitution is currently being debated by the country's legislature. The former provisional cabinet, under which the freedom of worship, speech, press, assembly, association, political party organization and communications had been guaranteed, gave top priority to the swift return to a parliamentary democracy. The current Chuan cabinet, continuing this policy, has announced that it will promote further democratization.

5. Indicators

	Land area	514,000 km ² (approx. 1.4 time the size of Japan)		
	Population ¹	57.4 million (1992)		
	Country classification (DAC list)	Lower Middle-income Country		
Economic indicators	GDP (in million US\$) ²	85,200 (1990) →	98,300 (1991) →	110,000 (1992)
	Real GDP growth rate ³	11.5% (1990) →	7.9% (1991) →	7.4 (1992)
	Per capita GDP (in US\$) ⁴	1,442 (1990) →	1,631 (1991) →	1,803 (1992)
	Sectoral distribution of GDP ⁵	Agriculture, 12%;	Mining/Industry, 39%;	Services, 49% (1991)
	Sectoral growth rate ⁶	Agriculture, 3.5%;	Mining/Industry, 9.3%;	Services, N.A. (1992)
	Sectoral distribution of employment ⁷	Agriculture, 60.3%;	Mining/Industry, 11.0%;	Services, 28.7% (1991)
	Growth rate of consumers' price index ⁸	6.0% (1990) →	5.7% (1991) →	4.1% (1992)
	Unemployment rate ⁹	4.9% (1990) →	4.5% (1991) →	N.A. (1992)
	Exports (in billion US\$) ¹⁰	23.05 (1990) →	28.43 (1991) →	32.11 (1992)
	Imports (in billion US\$) ¹¹	33.00 (1990) →	37.57 (1991) →	36.26 (1992)
	Balance of current accounts (in billion US\$) ¹²	Δ7.26 (1990) →	Δ7.57 (1991) →	Δ6.68 (1992)
	External debt balance (in billion US\$) ¹³	2.51 (1990) →	3.74 (1991) →	3.76 (1992)
	Debt service ratio ¹⁴	9.1% (1990) →	9.8% (1990) →	10.6% (1992)
	Foreign currency reserve (in billion US\$) ¹⁵	12.27 (1990) →	18.42 (1991) →	21.18 (1992)
	Social indicators	Population growth rate ¹⁶	1.9% (1980-1990), 1.5% (1992)	
Life expectancy at birth ¹⁷		Male, 66; female, 72 (1991)		
Infant mortality rate ¹⁸		28/1,000 (1991)		
Per capita calorie intake ¹⁹		2,280 Kcal/day (1988-1990)		
Primary education enrollment ratio ²⁰		Overall, 85%; female, 85% (1990)		
Secondary education enrollment ratio ²¹		Overall, 32%; female, 32% (1990)		
Tertiary education enrollment ratio ²²		Overall, 16% (1990)		
Adult literacy rate ²³		Male, 96%; female, 90% (1990)		
	Population ratio in absolute poverty ²⁴	Cities, 10%; rural areas, 25% (1980-1989)		

Source

- (*1) *International Financial Statistics* 1993 Sept.
- (*2) *Key Investment Indicators in Thailand* 1993 Sep. (The Board of Investment Office of Prime Minister) (figures for 1992 are tentative)
- (*3) *General Economic Conditions in Thailand* (Bangkok Japanese Chamber of Commerce Version, 1992-1993 edition; hereinafter referred to only as *General Economic Conditions in Thailand*).
- (*4) *World Tables* 1993.
- (*5) *World Development Report* 1993.
- (*6) *Monthly Bulletin of Bank of Thailand* June 1993 (projections are used).
- (*7-9) *General Economic Conditions in Thailand*; 1992 values for *8 are projections.
- (*10-12) *International Financial Statistics* 1993 Sep.
- (*13, 14) *Key Investment Indicators in Thailand* 1993 Sep. (figures for 1992 are tentative).
- (*15) *International Financial Statistics* 1993 Sept. (includes cash held).
- (*16) *World Development Report* 1993 and *International Financial Statistics* 1993 Sep.
- (*17) *World Development Report* 1993.
- (*18) *The State of the World Children* 1993.
- (*19) *Human Development Report* 1993.
- (*20-22) *World Development Report* 1993 (according to "Education Ministry Educational Statistics 1990 edition" in *General Economic Conditions in Thailand*, overall figures are 93.8%, 29.9% and 8.1%, respectively).
- (*23, 24) *The State of the World Children* 1993.

II. Socio-economic development situation

1. Outline of the national development plan

The objectives of the 7th Five-Year Plan (1992 to 1996), which was implemented beginning in October 1991, are the further promotion of the maintaining of economic growth at appropriate levels; the distribution of income and the fruits of economic development to the provinces; human resources development; improvement of quality of life; conservation of environment; and development of natural resources.

(1) Goals

- 1) Economic growth at an annual average of 8.2%;
- 2) An annual inflation rate no higher than 5.6% and a trade deficit no higher than 9.4% of GDP (annual average);
- 3) Reduction of the income disparity between regions and occupations and reducing the percentage of people below the poverty line to at least 20%;
- 4) Reducing the annual population growth rate to 1.2% and raising to 73% the secondary education enrollment rate of those who have completed primary education and striving to enable each person to achieve good health in ten years;
- 5) Reducing environmental deterioration.

(2) Issues

- 1) Maintaining competitiveness in international market
- 2) Holding down inflation and deficits in the trade and the current account
- 3) Preventing the expansion of the gap between savings and investment
- 4) Improving basic infrastructure and energy supply
- 5) Countermeasures to deterioration of natural resources and environmental contamination
- 6) Reducing the living standard disparity between cities and the provinces
- 7) Improvement of shortage in skilled labor

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
(1) Agricultural development	<ol style="list-style-type: none"> 1) Improving the structure of agricultural production 2) Providing agricultural promotion zones and designating objective for land use 3) Liberalization of fertilizer transactions 4) Improving the quality of agricultural labor forces and increasing production and employment opportunities in agricultural villages 5) Setting price policies for specific agricultural products 6) Promoting agricultural business in the form of "contractual production" 7) Protecting agricultural producers and promoting exports of agricultural products 8) Accelerating land reform 	<ol style="list-style-type: none"> 1) A too-centralized administration 2) The conservative nature of farmers (i.e., wariness of new technology and crops) 3) Speculation of superior farm land 4) The low educational level of farmers
(2) Industrial development	<ol style="list-style-type: none"> 1) Lowering import tariffs on machinery 2) Setting appropriate import tariff rates for completed products, parts and raw materials 3) Avoiding restrictive measures on imports, plant construction, and capital investment 4) Promoting development of the agro-industry 5) Effective utilization of standardization systems for industrial products 6) Enhancing the role of local entrepreneurs 	<ol style="list-style-type: none"> 1) Shortages in the number of skilled workers such as engineers and technicians
(3) Trade development	<ol style="list-style-type: none"> 1) Improving international competitiveness 2) Promoting the liberalization of imports 3) Re-examining laws, regulations and procedures concerning imports and exports 4) Enhancing the role of private organizations concerned with the inspection of and standards for agricultural products 5) Strengthening the functions as a trade center for the Asian region 	<ol style="list-style-type: none"> 1) Increasing production costs
(4) Infrastructure and service development	<ol style="list-style-type: none"> 1) Improving the efficiency of national corporations 2) Encouraging the participation of the private sector in such public services as railways, communications, housing construction and harbor management 3) Improving standards for service charges 4) Drafting long-term master plans 5) Development of the inter-city freeway network, constructing a public metropolitan large-volume transport system, and laying fuel pipelines 6) Requiring the introduction of waste water processing systems 7) Promoting joint ventures with international shipping companies 	<ol style="list-style-type: none"> 1) The difficulty of mediating between the related institutions of the central and local governments 2) Complexity of public procedures such as rules, regulations 3) Less developed capability in city planning departments to mediate and provide guidance

(5) Energy development	<ol style="list-style-type: none"> 1) Accelerating the exploration and development of petroleum and lignite 2) Promoting joint development of energy and the energy transactions with neighboring nations 3) Expansion of petroleum refining capabilities 4) Stable distribution of electricity and improving the quality of power 5) Revision of laws, rules and regulations for effective utilization and conservation of energy 6) Consistent energy administration 7) Improving business management at state-owned corporations and expanding the role of the private sector 	<ol style="list-style-type: none"> 1) Complexity in the relations among authorities and mandates of each governmental department 2) Residents' opposition to the construction of hydroelectric and thermal power plants
(6) Fiscal policy, finance and market development	<ol style="list-style-type: none"> 1) Liberalization of financial systems 2) Limiting speculative transactions in land and real estate 3) Development of financial methods and opportunities for encouraging long-term savings 4) Appropriate regulations on increased external debt 5) Improvement of tax systems and the tax structure considering equity 6) Establishment of a central authority for supervising the operation and management of state-owned corporations 7) Encouraging the development of the futures market 8) Promotion of equity finance 9) Establishment of a special committee for the management of stock exchange market 10) Promoting long-term investment consistent with short-term investment in the stock market 	<ol style="list-style-type: none"> 1) Growing gap between savings and investment 2) Less consciousness of the obligation of tax payment among tax payers
(7) Development of human resources	<ol style="list-style-type: none"> 1) Training scientific and technical personnel (i.e., scientists, technicians, specialists and trained workers) 2) Improving working conditions for college professors and researchers 3) Expanding compulsory education from six to nine years 4) Promoting vocational and technical training 5) Promoting the establishment of social welfare systems 6) Strengthening the linkage between formal and informal education 	<ol style="list-style-type: none"> 1) Low enrollment rates in secondary education and low rates of students going on to higher education 2) Inadequate financing and an expanding gap between supply and demand of personnel 3) Complicated administration in education 4) Rural-urban gap in terms of quality of education
(8) Regional development	<ol style="list-style-type: none"> 1) Increasing production and employment opportunities in agricultural regions 2) Industrial dispersion into rural areas and new economic zones 3) Promoting private-sector investment in rural areas 4) Improving social services and social infrastructure 5) Increasing fiscal revenues in regional governments 6) Regional dispersion of tourism, investment, employment and income 	<ol style="list-style-type: none"> 1) The inadequacy of administrative systems for regional development

(9) Poverty	<ol style="list-style-type: none"> 1) Raising the allocation ratio of the budget for poverty alleviation projects in overall budget 2) Raising the income levels of agricultural workers 3) Improvements in educational levels and health-care services 4) Housing for low-income group 5) Scholarships for impoverished students 6) Fair-wage policies 7) Protection of overseas migrant workers 8) Promoting small-scale private enterprises in cities 9) Vocational development, and creation of job opportunities 	<ol style="list-style-type: none"> 1) Unequal opportunities for education 2) The preference of farmers (who represent the majority of the poor) for traditional agricultural products (leading to stagnating market prices and decreased income)
(10) Environmental measures	<ol style="list-style-type: none"> 1) Improvement of environmental quality according to international standards 2) Strict operation and enforcement of resource management, pollution control, and administrative systems and laws that regulate the deterioration of natural resources, water and air pollution, and solid and toxic waste disposal 3) Financial incentives for promoting private investment in environmental protection programs 4) Conservation of forests 5) Provision of comprehensive and systematic water resource development plans, and the conservation and protection of water resource areas 6) Preventing acid rain 	<ol style="list-style-type: none"> 1) The absence of organic, efficient linkage between administrative agencies responsible for water resource management 2) Shortage in the members of technicians and equipment
(11) Countermeasures to drugs and AIDS	<ol style="list-style-type: none"> 1) Promoting education and campaigns concerning drugs and AIDS 2) Providing medical and social services 	<ol style="list-style-type: none"> 1) Inadequate public health education 2) Lack of awareness of the importance of these issues

3. Investment program for the development plan

Investment for the 7th Five-Year Plan (in millions of bahts)

(1) Private sector	5,395,320
(2) Public sector	1,405,272
• Government	641,526
• State-run corporations	763,746
Total	6,800,592

4. National budget

Fiscal 1993 (in millions of bahts) (*1)

Revenues	534,000	Expenditures	560,000
Tax revenues		Defense	88,960 (15.9%)
Income from public goods and services (*2)		Agriculture, forestry and fisheries	48,737 (8.7%)
Income from state-owned enterprises (*3)		Mining and industry	1,943 (0.3%)
Others (*4)		Science, technology and energy	7,288 (1.3%)
		Environment	
		Transportation and telecommunications	46,933 (8.4%)
		Education	109,702 (19.6%)
		Public hygiene	36,550 (6.5%)
		Social projects	60,013 (10.7%)
		Trade and tourism	5,777 (1.0%)
		Public order	25,384 (4.5%)
		General administration	65,865 (11.8%)
		Debt repayment	62,848 (11.2%)
Fiscal balance	▲26,900		

Note:

External debt is not included in income.

US\$1.00 = 25.1 bahts (as of September 1993)

*1. Thailand's fiscal year is from October to the following September, with the fiscal year referred to by the calendar year in which its second half falls.

*2. Income from the sale of state-owned real estate, natural resources and government publications, etc., and related fees and rental

*3. Income from state-owned and government-affiliated corporations, dividends from the central bank, and income from the state lottery

*4. Income from interest of government-owned securities and bonds, stamps, fines, and the issuing of additional currency, etc.

Source:

Slam Business News (statistics of Thailand's prime minister)

Report on Fundamental Investigations for Determining Economic Cooperation

Policy for Individual Nations (Thailand) Nihon Sogo Kenyusho, Inc. (commissioned by the Economic Planning Agency)

III. Aid flow from multilateral organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$639.2 million (1991)

(in millions of dollars)

	France	Germany	Australia	Canada
Aid amount	64.9	49.8	30.1	27.4
Share	10%	8%	5%	4%
Type of aid		Technical cooperation and grant aid	Technical cooperation	Technical cooperation
Priority areas or sectors		<ul style="list-style-type: none"> • Promotion of regional development • Reduction of income disparity • Education and vocational training • Development of rural areas • Health care and hygiene 	<ul style="list-style-type: none"> • Human resource development for policy planning and its implementation • Education and vocational training 	<ul style="list-style-type: none"> • Promoting industrialization • Development of small and medium-sized corporations in rural areas

Note:

- (1) America has recently re-evaluated its policy on aid to Thailand and has shifted its emphasis to mutual benefits and orientation for active involvement of private sectors in aid donation (i.e., a combination of corporations and NGO) concerning 1) withdrawal from aid operations in the area of BHN, 2) emphasis on the promotion of trade and investment, and 3) establishing, before ODA for Thailand is discontinued, a mechanism for following up on existing development plans.
Aid to Thailand, which was discontinued following the military coup, has been reestablished along with the restoration of democracy.
- (2) Canada has radically reevaluated its aid for Thailand and has decided to treat Thailand as a nation that no longer requires aid. This entails establishing a relationship based not on giving and receiving aid but rather on mutual benefit; entrusting Thailand with BHN, agricultural development and fundamental infrastructure; and giving priority to projects concerning human resource development, environmental conservation, women in development, and industrial development.
- (3) Australia considered discontinuing aid to Thailand but eventually decided against reduction and instead, viewing Thailand as a strategic center of the Indochinese peninsula, maintain aid at its 1988/1989 level.

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$88.0 million (1991)

	UNHCR	WFP	EDF	UNDP
Aid amount (IBRD)	\$27.6 million ('91)	\$32.0 million ('91)	\$13.6 million ('91)	\$8.4 million ('91)
Share	36%	32%	10%	9%
Type of aid	Grant aid	Grant aid	Grant aid	Technical cooperation
Priority areas or sectors	Refugee assistance (e.g., food, health care and hygiene, water, education)	Refugee assistance (i.e., emergency foodstuff)	Agriculture, forestry and fisheries	<ul style="list-style-type: none"> • Economic management and system creation • Human resource development • Technological development • Natural resource development and environmental management

3. Japanese ODA

The place of Japan among bilateral donors: 1st

Share: 64% (1991)

Aid amount (in millions of US\$, 1992)		Trends in assistance
Technical cooperation	116.7	Aid has been provided with emphasis on infrastructure improvement, human resource development, conservation of the environment and natural resources, and regional development. Because of its rapid economic development, Thailand, having lost its eligibility for grant aid, is instead attempting to fulfill its role as a provider of aid to neighboring Indochinese countries, and is expected to establish, sometime in the future, a new cooperative relationship with Japan involving the joint providing of aid to other countries.
Grant aid	42.7	
Loans	254.5	
Total	448.7	

4. Significance of ODA in the country

Percentage of ODA in national budget:

5. Collaboration among aid organizations

The Assembly of Organization Providing Aid to Thailand, sponsored by the World Bank, meets once a month to facilitate the exchange of information between organizations; it does not coordinate aid.

6. Situation of NGO activities

- (1) NGOs currently active: 375 (as of 1990)
- (2) Principal organizations and their activities
 - 1) CARE (aid to mountain-dwelling peoples)
 - 2) Catholic Relief Service (CRS) (regional development)
 - 3) Thai-German Development Foundation (construction of rice granaries)
 - 4) Sotoshu (slum countermeasures and refugee relief)
 - 5) JVC (nursery construction and refugee relief)
 - 6) NICCO (construction of health-care centers)

IV. Priority areas or sectors for JICA cooperation

Aid to Thailand is provided in accordance with the following objectives in order to assist the country in attaining its stated goals of sustained economic growth, fair income distribution, and improving the quality of life.

- (1) Overcoming bottle-necks to sustainable economic growth and responding to the upgrading of the industrial structure
- (2) Provincial and regional development to reduce disparities existing between Bangkok and rural areas
- (3) Conservation of the environment, natural resources and land in response to environmental problems and decline of natural resources such as deforestation due to rapid development

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Response to advanced industry	Provincial and regional development	Environmental conservation			
Economic management	⊙	⊙	○	(1) Enhancement of ability for development policy making, coordination and implementation	<ol style="list-style-type: none"> 1) Strengthening the functions of institutions responsible for developmental policy formulation 2) Improving capabilities on analysis for the formulation of sectoral and regional development policies 	
Agriculture, forestry and fisheries	○		⊙	<ol style="list-style-type: none"> (1) Agricultural diversification and improvement of product value and productivity of agricultural and marine products (2) Improving the agricultural infrastructure 	<ol style="list-style-type: none"> 1) Promoting the transition to cash crops (i.e., vegetables and fruits) 2) Breeding and the growing of new varieties (i.e., of livestock, vegetables, fruits and fish for fish farms) 3) Promoting the improvement of systems for inspecting agricultural and marine products and the standardization thereof 4) Improving the technology and mechanisms of processing and distribution 5) Promoting the spread of technology to small-scale farms 1) Improving water management technology 2) Restoration and expansion of existing irrigation and drainage facilities 3) Soil conservation and improvement 	<p>Eastern and northern Thailand</p> <p>Southern, northeastern and central Thailand</p> <p>Northern, northeastern and central Thailand</p> <p>Central Thailand</p> <p>Eastern Thailand</p>

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Response to advanced industry	Provincial and regional development	Environmental conservation			
Mining and industry	⊙			(1) Improving programs and systems that support the upgrading of industrial structure	1) Improving capabilities for formulating and implementing industrial policy 2) Improving financial systems 3) Fostering supporting industries (i.e., small and medium-sized firms)	Eastern, northern, northeastern and southern Thailand
	⊙			(2) Improving industrial productivity and promoting exports	1) Strengthening business management capabilities in private sectors 2) Improving industrial product measurement systems, industrial standards, inspection systems and inspection technology 3) Promotion of development and spread of advanced industrial technologies such as material science	
	○	⊙		(3) The regional dispersion of industry and the creation of employment	1) Developing indigenous industry 2) Improving industrial infrastructure in the provinces 3) Institutional development for disseminating technology	
			⊙	(4) Promoting the development of mineral resources	1) Mineral exploration and development	
Economic infrastructure	○	⊙		(1) Improvement of the infrastructure that supports rapid economic growth	1) Developing water resources and improving the electric telecommunication network and transportation network in the regions with inadequate infrastructure 2) Efficient development and utilization of energy (e.g., petroleum, lignite and electricity) and the promotion of energy conservation	Northeastern and southern Thailand Southern and northern Thailand

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Response to advanced industry	Provincial and regional development	Environmental conservation			
Economic infrastructure	⊙			(2) Improvement of the infrastructure respondent to the upgrading of industrial sectors	1) Provision of advanced infrastructure, including industrial estates, airports, harbors, industrial roads and telecommunication facilities 2) Improvement of traffic network in Bangkok metropolitan region	Central, eastern and southern Thailand Bangkok
Social infrastructure	⊙	○	⊙	(1) Human resource development in response to economic development and changes in the industrial infrastructure (2) Conservation of environment, natural resources and land	1) Expansion and enhancement of higher educational institutions, particularly in the fields of science and technology 2) Expansion and enhancement of vocational training 3) Expansion and enhancement of secondary education 4) Strengthening the relationship between formal education and informal education (e.g., adult education) 1) Strengthening the laws and administrative systems and enhancing capabilities for management and enforcement concerning environmental protection 2) Protecting forest resources and promoting afforestation 3) Strengthening control of water and air pollution	Northeastern Thailand Bangkok
		⊙	○	(3) Improving health-care and hygiene services	1) Strengthening region-oriented health-care and medical services 2) Providing water and sewage systems 3) Expanding PHC service in urban areas 4) Enhancing anti-AIDS campaigns and improving diagnostic technology 5) Establishing labor safety and health standards and other legal systems	Northeastern Thailand The provinces Bangkok

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

- 1) **The necessity of a medium-to-long-term, comprehensive approach**
Thailand, having achieved steady development through double-digit growth for three consecutive years since 1988, is now becoming a middle-income country on the heels of Asian NIEs. Although the nation's policy is to continue striving for export-led sustained economic growth, it also faces problems that include a gap between standards of living in the cities and provinces; unequal income distribution; incomplete infrastructure; shortage in human resources that support rapid economic growth; imbalance in the tax system; environmental problems such as industrial waste, exhaust and deforestation; increasing crime; drugs; AIDS; and low levels of health and medical care. Therefore, a comprehensive, medium-to-long-term master plan should be formulated for deciding on specific assistance for each region and field. Individual projects should be implemented in accordance with the relevant master plan.
- 2) **Emphasis on provincial and regional development and environmental conservation**
Concerning provincial and regional development and environmental conservation, which are designated as primary strategies in the 7th Five-Year Plan, for the former it is important to place emphasis on poverty alleviation and narrowing regional gaps and to consider, beginning in the project conception phase, the drafting of region-oriented projects that focus on plant construction; for the latter, whereas both the public and private sectors are tackling environmental problems caused by rapid industrialization and urbanization, Japan should also provide more active assistance for projects that directly involve environmental conservation and also incorporate adequate environmental impact assessment (e.g., by assigning environmental impact assessment teams) into projects even though those projects do not directly involve environmental conservation.
- 3) **The discontinuation of grant aid**
Thailand is expected to become a medium-income country during the term of the 7th Five-Year Plan. The U.S., Canada and other aid donors, having re-evaluated their policies on aid to Thailand, have adopted policies that call for treating Thailand, in the near future, as a nation that no longer requires aid. Japan, meanwhile, stopped accepting requests from Thailand for grant aid as of fiscal 1992. Thus it has become important for Thailand to effectively utilize existing technical assistance, Yen loans and private investment and to assume administrative costs, and for Japan, to promote flexible combinations of various schemes of assistance. Today Thailand is actively striving to promote peace and stability in the Indochinese region and to fulfill its role (primarily in the field of assistance to human-resource development) as a donor nation for these nations. Japan should provide indirect assistance for these developments in Thailand.
- 4) **Responding to financial shortage in Thailand**
With Thailand possessing relatively high-level technology in these areas, in fields where technical cooperation projects intended as models for future assistance have made progress, it would be effective in terms of regional development and the extensive regional dissemination of technology to strive for project-oriented development designed to have far-reaching regional effects. In Thailand today, however, there are some cases where financial shortage in Thai counterparts impedes implementation of such projects. One strategy of ours to counter this way would be developmental investment finance (i.e., development finance according to the code No.3). Utilization of this scheme would be worth considering.

- 5) **Enhancing activities for public relations**
 In order to increase the Thai people's understanding of the fact that aid from Japan comprises the majority of bilateral aid to Thailand, it is necessary to expand activities for public relations with regard to Japanese ODA, including using such opportunities as survey teams' visits to Thailand to actively hold seminars and workshops; regularly holding press tours; and regular meetings with the press and mass-media groups.

(2) Consideration for implementation capacity of counterpart-organizations

- 1) **Increasing dialogue**
 As Thailand's implementation agencies are generally endowed with sufficient capabilities for project finding and formulation, projects could be formulated jointly, with as much exchange of opinions as possible performed in the stages project of finding and formulation. Also important is increased dialogue with DTEC, which is responsible for coordinating aid.
- 2) **Stable provision of counterpart personnel**
 As the private sector's demand for capable personnel has grown in response to the rapid economic growth of recent years, the brain drain from the public to private sector has become a major issue, also affecting sustainability of counterparts in various projects. As this trend is expected to continue for some time, when implementing projects, repeated confirmation of Thai counterparts' consideration to this problem is necessary. This entails, for instance, stabilizing a project's counterpart at least for the duration of the project.
- 3) **Improved treatment for development experts and specialists**
 Regarding the qualifications of development experts and specialists, there are some cases of our dispatched specialists being treated by Thai officials as "expert assistants" for such reasons as insufficient age, academic qualification or his or her expertise. However, because of the difficulty of recruiting specialists who fulfill Thailand's requirements in fields such as high technology (where the young are more adept) and vocational training (where skills are more important than academic qualification), we must again request that Thailand's officials recognize these circumstances, be more flexible in its qualification requirements, and treat all our dispatched specialists equally.

VI. Summary of evaluation studies

- 1) **Formulation and amendment of plans**
 In formulating plans for projects it is necessary to identify those who will benefit and then focus on this group. Also, monitoring and assessments must also be incorporated in this stage, while also important is a flexible approach to changes in plans during implementation.
- 2) **Systematic approach and participatory approach**
 A Systematic approach is necessary for project planning and implementation, while getting local residents to participate in the decision-making process at each stage of planning and implementation is also important.

Oceania

Fiji

Papua New Guinea

Western Samoa

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Republic of Fiji

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional republic

(2) Date of independence

October 10, 1970 (Became a republic on October 7, 1987)

(3) Head of state

President: Ratu Penaia Ganilau Kanatabatu (age 75)
Born Tavuni Island, graduated Queen Victoria School
Studied at Oxford University; government administrator
Governor general, 1973; President, 1987

(4) Political structure

Parliamentary democracy with independence of the legislative, executive and judicial branches of government

Current constitution promulgated July 25, 1990

1) Legislature:

Bicameral system with Upper and Lower houses

Upper house, 34 members

Fijians, 24 (by presidential appointment, based on recommendations by the Main Council of Chiefs)

Rotumans, 1 (by presidential appointment)

Others, 9 (by presidential appointment)

Lower house, 70 members

Fijians, 37

Indians, 27

Rotumans, 1

Others, 5

Last general elections in May 1992

2) Executive:

Latest administration established through general elections in May 1992

15 Cabinet ministers, Prime Minister Sitiveni Ringamamanda Rabuka

Graduated Joint Service Staff College, Australia, 1982

Entered military service in 1968, discharged as commander in 1991

Then, entered interim cabinet serving as both Deputy Prime Minister and Home Minister

Staged 1987 coups d'état

3) Judiciary:

Comprised of the following 4 organs:

- **Supreme Court**
Comprised of Supreme Court Chief Justices appointed by the president, as well as a number of high court and appellate court justices. A court of last instance conducting hearings on final appeals from appellate courts.
- **Court of Appeal**
Comprised of Chief High Court Justices, as well as appellate court justices appointed by the president and high court associate justices. Examines final appeals from the high courts.
- **High Court**
Court of the first instance handling penal and civil suits. Also examines final appeals from subordinate courts. Located in Suva, Lautoka and Labasa
- **Summary Court (Magistrates' Court)**
Holds jurisdiction over both civil and criminal cases (civil suits limited to those claiming up to \$15,000 in damage compensation). Located in Suva, Nausori, Sigatoka, Nadi, Lautoka and Labasa

4) **Political parties:**

The standing alliances continued, aiming at the May 1992 general elections, in which the main political parties below acquired seats in the Lower House.

- **SVT (Soqosoqo Ni Valavulewa Ni Taukei)**
A Fijian political party centering around former alliance members. Acquired 30 seats in the Lower House in the May 1992 general elections, but, unable to secure a majority, established a coalition cabinet with the General Voters party (GVP).
- **National Federation party**
Supported by many resident Indians, acquired 14 seats in the previous general elections.
- **Fiji Labour party**
Formed an alliance with the National Federation party during the previous general elections to assure victory and build the Babandora cabinet, which collapsed under the coups d'état. At first declared a boycott of the previous general elections, but then participated and acquired 13 house seats. Immediate political objectives include constitutional revision, labor law revision, abolition of the value added tax, etc.
- **General Voters party**
A Chinese and Caucasian Australian political party. Acquired 5 house seats and established coalition cabinet with SVT.
- **SVT Fiji National United Front**
The most right-wing Fijian political party, advocating the expatriation from Fiji of all Indian residents. Holds 5 seats.

(5) **Domestic administration**

Became a constitutional monarchy on October 10, 1970, with Queen Elizabeth II as the head of state, but military coups d'état in May and September of 1987 resulted in a change to a republic, with the current president assuming power as head of state on October 7 of the same year. Following the coups d'état the Diet was dissolved and the constitution abolished. A new constitution was promulgated in July 1990, and based on it the first administration in five years to be established through democratic process was born in the May 1992 general elections. Having led the coups d'état, the soon-to-be Prime Minister Rabuka (SVT party) left the military in 1991 and assumed successive posts as Deputy Prime Minister and head of the government SVT party. Following the general elections he was appointed Prime Minister by the President and allied with certain opposition parties to form a new coalition cabinet. Currently Rabuka is under scrutiny regarding how he will handle political issues such as demands from the Fiji Labour party (and other opposition parties with Indian backgrounds) for review of the current constitution, labor law revision, the abolition of value added tax, etc. From a different direction, former Prime Minister Mara, now as the president, continues to maintain a political voice

generally regarded to speak for Fijian residents backing the traditional chieftain system.

(6) Trends of politics

The new administration came about through democratic process, but a mutually segregated relationship in which Fijians wield primary political power while Indians shoulder economic activity will continue as the basis of political stability. Rabuka pushed back the interim administration's Finance Minister Kamikamica, who had been regarded as the next prime minister prior to the general elections, and despite meager political experience found popular support on a grass-roots level and among opposition labor parties, and he was able to assimilate pressing political agendas. July 1992 saw the introduction of the value added tax (VAT), inherited from the previous administration. Also, the Diet session for that year, garnering public attention for the first time in five years, was concluded without major incident. Hereafter, the majority of Prime Minister Rabuka's energy will be focused on leadership to manage the political situation while avoiding decisive challenges to opposition parties regarding issues such as constitutional revision and land problems.

(7) Diplomatic relations

- 1) Even prior to establishing its independence, friendly relations with other members of the British Commonwealth were the underlying tone of Fiji's foreign affairs, and historically and geographically it has also enjoyed particularly close relationships with both Australia and New Zealand. Following the coups d'état, however, cessation of economic and technical assistance from both countries dealt a severe shock to the Fijian economy, which had depended greatly on the economies of these two countries, and a re-evaluation of foreign relations was undertaken. Since then Fiji has been strengthening relations with Japan, the Republic of Korea, Malaysia and other Asian countries. Temporarily soured relations with Australia and New Zealand are also under repair.
- 2) Along with Papua New Guinea, Fiji is a leader in focusing on regional cooperation in the South Pacific area, actively participating in the activities of the South Pacific Commission (SPC) and the South Pacific Forum (SPF), etc. Further, the SPF's offices are located in Suva in Fiji.

Primary regional cooperation organizations in which Fiji is a member include:

- South Pacific Forum (SPF: HQ in Suva)
- South Pacific Commission (SPC: HQ in Nouméa)
- South Pacific Regional Environmental Planning (SPREP: HQ in Apia)
- South Pacific Applied Geosciences Commission (SOPAC: HQ in Suva)
- Forum Fisheries Agency (FFA: HQ in Honiara)

- 3) Fiji endeavors to improve its international standing, including the dispatch of over 1300 officers and personnel to the United Nations peace-keeping operations.

2. Economic situation

(1) General trend

Sugar production begun by Indian immigrants at the end of the 19th century is important to the Fijian economy. Also, since 1960, tourism has been developing as an important source of foreign currency, making sugar production and tourism Fiji's two largest industries. The former, however, is easily affected by sugar supply and demand, international prices and weather conditions, and the latter by the numbers of tourists, resulting in a fragile economy easily influenced by external factors. Prior to gaining independence, Fiji enjoyed relatively smooth economic growth, with an average 4.7% growth rate in the 10 years from 1971 to 1980. However, influenced by

The stagnation of the world economy beginning in 1980 and by inclement weather conditions, economic growth was slowed to an average 1% during the 5 years from 1981 and 1985. In 1986 economic growth was in good condition at 8.3%, but slumped to a remarkable -6.6% due to the two coups d'état in 1987. Political stability from 1988 brought recovery, with a GDP growth rate of 11.7% in 1989, and 5.4% in 1990. Further, in 1991, a decrease in Australian tourists resulting from the recessive economy in that country, along with frequent strikes, etc. reduced the growth rate to -0.1%, but it recovered to 4.2% in 1992.

(2) Trends in the major sectors

- 1) **Agriculture, forestry and fisheries:**
Agriculture, forestry and fisheries accounts for over 1/5 of the GDP, with sugar cane production accounting for over 70% of all agricultural production. Further, sugar exports of F\$653,281,000 accounted for over 40% of total exports in 1992.
- 2) **Commerce:**
Commerce, tourism and other service industries account for over 1/5 of the GDP and, along with agriculture, forestry and fisheries, form the core of Fiji's economy.
- 3) **Mining and industry:**
Mining and industry account for roughly 15% of the GDP, with textiles and gold accounting for about 20% and 11%, respectively, of total exports, in other words, second and third after sugar.

(3) Fiscal policy

In the past, Fiji has undertaken nine national development plans for the promotion of national economic and social development. The 8th such plan (1981-85) aimed at a yearly average 4.7% growth but never achieved more than an average 1%. Later, the 9th plan (1986-90) hoped to achieve an average yearly GDP growth rate of 5%, along with fair distribution of profits from job creation, the improvement of social conditions (especially regional standards of living) the stabilizing of finances, and the fostering of national unity. The 1987 coups d'état, however, brought the effort to a standstill and the economy fell temporarily into a serious slump. In 1989, as part the interim administration's measures to promote an export-led economy, tax reforms favorable to export-oriented manufacturing industries were advocated, and in July 1992 the tax system was reformed, including the introduction of the 10% value added tax (VAT).

(4) International balance of payments

Fiji's primary industry exports include sugar and lumber, etc. and imports industrial machinery and electrical goods, petroleum, and foodstuffs. However the trade balance customarily runs a constant deficit with trade values in fiscal 1992 amounting to F\$653 million in exports and F\$938 million in imports, an import excess of nearly F\$300 million. Fiji has managed to maintain its overall balance of payments by making up for the deficit with tourism revenues and the influx of foreign capital.

(5) External debt

F\$749 million (1992 expectancy)

(6) Economic relations with Japan

Trade with Japan in fiscal 1992 included F\$34 million in exports and F\$97 million in imports, an import excess of F\$63 million. As for the tourism industry, tourists from Australia and New Zealand have been decreasing, but Japanese tourists amounted to approximately 35,000 in 1992, a dramatic increase over the last few years.

3. Social situation

(1) Trends in the major sectors

1) Education:

Because of former British suzerainty, education is based on the British system. No system for compulsory education exists, but roughly 100% of school children aged 6-12 attend primary school. Since 1973 the government has been working to broaden the free lending of textbooks and a free education system. There are over 800 primary, intermediate, and high schools. Institutions of higher education include one each of national professional schools for technology, agriculture, medicine and teacher-training, as well as two teacher-training schools operated by religious organizations. Also, the main branch of the University of the South Pacific (USP), established in 1986 by eleven countries in the region, is located in Fiji.

2) Health:

Fiji is threatened by filaria (heart worm) and dengue fever (bone-breaking fever), which the government is acting assiduously to eradicate. Also, increases in diabetes resulting from dietary changes, as well as the spread of venereal diseases and AIDS have recently become major problems.

3) Urbanization:

Along with Fiji's economic development an increasing number of people flowing out of rural village societies to urban areas to work as wage laborers, and the traditional societal structure based on the chieftain system is changing. These new urban workers have little regard for the authority of chieftains or for traditional customs, and the conservative layer of society is feeling a threat to its vested rights and interests. The unemployment rate in 1992 was 6.0%.

(2) Income distribution/Regional disparities

Improvement of the standard of living for rural residents is one concern of the new administration. To correct the disparity between urban and rural areas the administration is, for example, activating the rural areas through the promotion of fishery and the offering of low-interest financing.

(3) Others

Immigration to Australia continues, primarily by Indian residents, reportedly averaging as many as 400 people monthly. This outflow of the educated class is causing a growing intellectual drain, and there is concern about decreasing administrative ability among government organizations.

4. Special issues

(1) Environment

- 1) Since Fiji espouses itself as a tourism nation, environmental protection is an important concern. However, the small-scale of finances among rural municipalities tackling refuse and sewage disposal problems has limited the effectiveness of environmental measures, which show little improvement. Particularly, the construction of refuse incinerators in urban areas, etc. is urgently needed.
- 2) Organization in charge of environment: Housing & Urban Development Department, Minister of Environmental Issues (Mr. Joeri Lalou)
- 3) Main environmental policies: Recognizing that for Fiji environmental issues and national economic development are closely linked, the government sent a representative to the 1992 United Nations Environmental Conference, appointed a minister in charge, and enacted ordinances prohibiting illegal refuse disposal.

- 4) **Environmental ordinances:** Enactment of Anti-litter Decree in March 1992, with fines for the illegal abandonment of refuse in city streets.

(2) Women in development

- 1) **General conditions surrounding women:**
The number of men and women among Fiji's population is roughly the same, in a ratio of 1.02:1. The number of women emerging in the workplace in the cities increases with the tempo of development, but most women in mountain villages engage in domestic labor. According to a survey conducted by South Pacific University Fiji Center, working hours are about 18 hours per day and there are about 10 types of domestic labor.
- 2) **Organization in charge of women's issues:**
Women, culture, social welfare, & racial diversity issues minister (Mr. Jo Nacola)
- 3) **WID related policies:**
 - a) Investigation and improvement of the position of women
 - b) Advancement of women's participation in regional communities
 - c) Advancement of exchange between Fijian and Indian (women) residents

(3) Military expenditures, etc.

The military is for national defense and peace-keeping, and is primarily oriented towards international contribution. Military personnel total about 4,500, almost all of them Fijians. The military budget for fiscal 1993 was about F\$39.99 million, with troops dispatched as part of United Nations peace-keeping forces in Lebanon (831 troops) and the Sinai Peninsula (498 troops). A small number of personnel were also dispatched to Afghanistan, Kuwait, and Cambodia.

(4) Democratization and basic human rights

Parliamentary democracy crumbled during the military coups d'état in 1987, provoking a strong reaction in the west, primarily from Australia and New Zealand. The country transferred to a republic and in 1990 a new constitution was promulgated by the interim administration. However, Indian residents objected to the constitution's contents, which prefers Fijians, and calls for constitutional revision have continued, from both inside and outside the National Diet, even after the May 1992 general elections.

5. Indicators

	Land area	18,272 km ²			
	Population	758,000 (1992 census)			
	Country classification (DAC list)	Upper Middle-Income Country			
Economic indicators	GDP (millions F\$)	1.860 (1990)→	1.970(1991)→	— (1992)	
	Real GDP growth rate	4.9% (1990)→	-0.1% (1991)→	4.2%(1992)	
	Per capita GDP	— (1990)→	— (1991)→	— (1992)	
	Sectoral distribution of GDP (1991)	Agriculture, forestry and fisheries 21.6%, Manufacturing 12.3%, Services/Others 66.1%			
	Sectoral growth rate	Agriculture, forestry and fisheries —%, Manufacturing —%, Services/Others —%			
	Sectoral distribution of employment (1991)	Agriculture, forestry and fisheries 2.8%, Manufacturing 26.8%, Services/Others 70.4%			
	Growth rate of consumers' price index	8.1% (1990)→	6.5% (1991)→	4.5% (1992)	
	Unemployment rate	6.4% (1990)→	5.9% (1991)→	6.0% (1992)	
	Exports (millions US\$)	530.6 (1990)→	375.9 (1991)→	653.3 (1992)	
	Imports (millions US\$)	740.7 (1990)→	642.5 (1991)→	938.4 (1992)	
	Balance of current accounts (millions US\$)	-59.5 (1990)→	18.9 (1991)→	— (1992)	
	External debt balance (millions US\$)	409.0 (1990)→	357.7 (1991)→	— (1992)	
	Debt service ratio	11.4 (1990)→	— (1991)→	— (1992)	
	Foreign currency reserve (millions US\$)	260.8 (1990)→	271.4 (1991)→	297.4 (1992)	
	Social indicators	Population growth rate	1.6% (1991)		
		Life expectancy at birth	63.1 male, 65.3 female (1986) * Value for Fijians		
Infant mortality rate		21.9% (1988) * Value for Fijians			
Per capita calorie intake		—			
Primary education enrollment ratio		98% (1988)			
Secondary education enrollment ratio		52% (1988)			
Tertiary education enrollment ratio		-% ()			
Adult illiteracy rate		-% (male -%, female -%) ()			
Population ration in absolute poverty	-%				

Source

The Economist Intelligence Unit, ed. "Pacific Islands Country Report No. 1 1993", "Country Profile 1992-93"

Fiji Bureau of Statistics, ed. "Fiji Facts and Figures 1993 Edition"

II. Socio-economic development situation

1. Outline of the national development plan

Basic policies to follow on the heels of the 9th National Development Plan (1986-90), confirmed at the National Economic Summit conducted by the interim administration in May 1991, include the following reports looking ahead to the 1990s: 1) Improve economic growth by expanding exports 2) Reform tax system, including the introduction of value added tax 3) Privatize public works and cultivate private enterprise 4) Improve labor market in accordance with economic development 5) Encourage participation by Fijian residents in development projects. Following the general elections the new administration has continued, on the whole, to follow the above, and a 10th Plan is now under draft by the Finance and Economic Planning Ministry.

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
(1) Economic management	1) Institutional investment and promotion of exports 2) Tax system review, reduction of public expenditures 3) Participation in development by Fijian residents	1) Insufficient manpower 2) Maintenance of an investment environment
(2) Agriculture, forestry and fisheries	1) Agriculture: Diversification of export products; increased productivity; increased self-sufficiency in foodstuffs 2) Fisheries: Subsidizes to small fishermen and promotion of commercial fishing; export of marine products	1) Land problem 2) Maintenance of related facilities
(3) Mining and other industry	1) Strengthening and cultivation of manufacturing, primarily of textiles 2) Strengthening and cultivation of mining, primarily of gold 3) Strengthening of tourism development	1) Labor & management relations 2) Attraction of foreign capital

3. Investment program for development plan

4. National budget

Fiscal 1993 budget (thousands F\$)		
Revenues		
General tax revenue	667,100.0	
Capital income	13,000.0	
Subtotal	680,100.0	
Foreign borrowing	23,073.4	
Domestic borrowing	112,121.4	
Subtotal	135,194.8	
Total	815,294.8	
Expenditures		
	Labor expenditures	Operating expenditures
General administration	130,902.5	8,623.6
Social services	195,012.7	9,704.3
Economy	43,604.3	19,637.4
Basic maintenance	64,201.8	50,610.9
Others	216,019.5	38,177.0
Totals for each	649,740.8	126,753.2
Subtotal	776,494.0	
Value added tax	38,800.8	
Total	815,294.8	

Note:

8/31/93 exchange rates F\$1 = US\$0.6622

III. Aid flow from multilateral organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$39.59 million (1991)

	Australia	Japan	New Zealand
Aid amount	\$20.54 million ('91)	\$8.23 million ('91)	\$2.8 million ('91)
Share	51.9%	20.8%	7.1%
Type of aid	Mainly technical & grant assistance	Mainly technical & grant assistance	Mainly technical & grant assistance
Priority areas or sectors	education, fishing	education, health, fishing, transportation	forestry development

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$5.15 million (1991)

	UNDP	UNTA	EDF
Aid amount	\$1.48 million ('91)	\$1.42 million ('91)	\$1.39 million ('91)
Share	28.7%	27.8%	27.0%
Type of aid	Technical assistance		Technical & grant assistance, loans
Priority areas or sectors	Agriculture, housing, industry		Communications

3. Japanese ODA

The place of Japan among bilateral donors: 2nd share: 20.8% (1991)

Aid amount (in millions \$, 1991)		Trends in assistance
Technical cooperation	7.29	Because of Fiji's high income level, marine industry grants and technical cooperation have hitherto been the nucleus of assistance, but in terms of items that will be beneficial to surrounding countries as well, general grants have been well received. Further, Fiji is a candidate for loans, but as yet no results have been attained.
Grant aid	0.94	
Loans	—	
Total	8.23	

4. Collaboration among aid organizations

Japanese-Australian collaborative projects in Fiji to be selected and formed were agreed upon at the Japan-Australia Assistance Policy Conference in July 1989, and items from the health and medical fields were selected at the Japan-Australia-Fiji Triangular Conferences in April 1992 (Sydney) and September 1992 (Suva). A mission was sent in October 1993 to design items for the Japanese-Australian collaboration and plans for project execution were made.

5. Situation of NGO activities

- 1) In terms of Japanese NGO, OISCA is conducting a youth education project.
- 2) Australian, British, etc. volunteer groups are involved in a number of projects
- 3) The Fiji government's National Food & Nutrition Committee is engaged in projects related to the improvement of nutrition.

IV. Priority areas or sectors for JICA cooperation

Assistance to Fiji centers around areas deemed important by Fiji itself, including export-oriented industry, agricultural processing, transportation, and medicine, and other areas that will contribute to an independently functioning economy. Assistance is being conducted along the following lines:

- (1) Economic independence
- (2) Improvement of public welfare
- (3) Environmental preservation

Sectors	Main goals			Strategy	Purpose of projects	Target regions
	Economic independence	Improvement of public welfare	Environmental preservation			
Economic management	⊙	⊙	○	(1) Improve ability to draft, adjust, and carry out development policies	1) Strengthen function of development planning organizations	
Agriculture, forestry and fisheries	⊙	○		(1) Improve ratio of self-supplied agricultural produce to imported produce (2) Strengthen competitiveness of agricultural produce exports (3) Expand fisheries	1) Improvement and spread of agricultural production technology 1) Diversify and improve agricultural produce 1) Expand fishing ports and harbor facilities 2) Improve and expand freezing and refrigeration facilities 3) Develop fishing industry resources, and develop and disseminate marine cultivation technology 4) Protect and improve small-scale fishing (unionize fishermen, manage resources, develop fishing tools and methods)	

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Economic independence	Improvement of public welfare	Environmental preservation			
Mining and industry	⊙ ⊙ ⊙ ⊙	○ ○		(1) Strengthen and cultivate export industry (2) Promote mining resources development (3) Promote tourism industry (4) Strengthen marine transport industry	1) Promote processing industry 1) Investigate and develop mining resources 1) Encourage those engaged in the tourism industry 1) Cultivate persons involved in marine transport and ship building 2) Expand ship maintenance facilities	
Economic infrastructure	⊙			(1) Improve industrial base infrastructure (2) Stabilize electric power supply	1) Expand and improve domestic transport network 2) Improve airports, harbors and roads 3) Improve communication and information facilities 1) Promote electrical power development	
Social infrastructure	⊙	⊙ ○	⊙	(1) Improve lifestyle base infrastructure (2) Personnel training	1) Improve waterworks 2) Improve medical facilities, expand medical services, promote health and medicine education 3) Improve refuse disposal facilities 1) Strengthen higher education 2) Expand vocational training	

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

- 1) Manpower cultivation is an important issue for Fiji. Since the coups d'état in 1987 the Indian population has continued to flow out to other countries, and cultivating Fijian human resources to fill the vacancies has become a pressing issue. Certain government organs have already experienced conspicuously decreased function, and it is necessary for Japan to keep this point in mind when drafting assistance plans.
- 2) Because Fiji's per capita GNP is relatively high it is not a candidate for grant aid, but it is necessary for Japan to involve itself actively in grant items that are highly beneficial and effective for the surrounding countries. In terms of technical assistance as well, as a base in the South Pacific region, it is necessary actively to pursue items which will be useful to surrounding countries.

- 3) Along with the progress of urbanization, ocean and other pollution caused by refuse and everyday waste water disposal is becoming a major social problem for Fiji, necessitating particular attention to environmental issues when drafting assistance plans.
- 4) In the past Fiji has been strongly influenced by Australia and New Zealand, and close relations with both of these are expected to continue. Therefore, it is necessary actively to exchange ideas and information with these countries regarding assistance, in order that Japan's assistance be even more effective.
- 5) Regional assistance organizations such as SPF and SPC are engaged in independent research, etc., and it is desirable that Japan conduct assistance in cooperation with these and investigate the use of their expertise.

(2) Consideration for implementation capacity of counterpart-organizations

Window organizations such as the Foreign Ministry and the National Personnel Authority are understaffed and coordination with related ministries and agencies takes time.

Also, implementing organizations often face difficulty bearing local costs, and in many cases this burden falls to Japan. Also, occasionally there are cases of assistance becoming prolonged due to the instability of counterparts. In creating items of assistance it is necessary to confirm in advance the technological transference and acceptance capacity of the target area, as well the local cost-bearing capacity.

VI. Summary of evaluation studies

- 1) Grant aid is visibly effective, enabling Japan's contribution to be shown in concrete form, both domestically and abroad. Plans undertaken so far, such as the "Nursing School Construction Plan" and the "Rautoka Fishing Port Maintenance Plan" have been well received by the Fiji government. There are also already high expectations for the construction of an educational hospital, currently under planning, but the link between grants and technical assistance has not necessarily functioned so far, and hereafter it will be necessary to investigate effective assistance through the dispatch of specialists and assistance teams. Also, evaluations following the provision of assistance are greatly influenced by detailed follow-up, necessitating efforts by us to adjust the structure of our operations.
- 2) Regarding the "Rice Farming Research Development Plan" (project type of cooperation), which aimed at achieving designated results centering around promotion activities on Buabu Arebu Island, the initial goals were realized within the extended R/D period, and the 8-year assistance was concluded in August 1992. On one hand, within the process of assistance a certain lack of initiative by the other party was observed from time to time. When forming items and plans of assistance it is essential to consult even more closely with the parties involved to confirm their operational posture in this regard.

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Papua New Guinea

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional monarchy

(2) Date of independence

September 16, 1975

(3) Head of state

Queen Elizabeth II (Gov. Gen.: Wiwa Korowi, in office November 11, 1991; 6 year term)

(Prime Minister: Pias Wingti, in office July 17, 1992; 5 year term)

(4) Political structure

Parliamentary democracy with independence of the legislative, executive and judicial branches of government

1) Legislature:

Unicameral system, 109 seats (state electoral districts, 20; general electoral districts, 89; 5 year terms)

2) Executive:

26 ministry cabinet known as the National Executive Council (NEC), from 6 to 27 members appointed by the Prime Minister

19 autonomous state governments with state constitutions and state assemblies

3) Judiciary:

Composite court system incorporating European-American system and traditional system, 6 types from Supreme Court to Village Courts.

4) Political parties:

10, including the People's Democratic Activity Party and the Pangu Party. The current Wingti administration is composed of a coalition and union of various parties.

(5) Domestic administration

With over 500 tribes and over 700 languages, the issue for Papua New Guinea is to reconcile friction between tribes while respecting the unique culture of each, in an effort towards social and political unification. However, impediments to this include the fact that 80% of the land is steep mountains with undeveloped road networks, and the confusion caused by the existence of small political parties directly representing specific tribal and regional profit interests.

In November 1988 opposition to the central government by both the landowners and

the state government concerned over the important Bougainville copper mine, which supports the nation's finances, brought about the Bougainville Island independence issue, to which a solution is urgently needed. The current administration shows a strong desire to settle the Bougainville issue and has appointed a new minister in charge.

(6) Trends of politics

Political parties in Papua New Guinea are essentially small-scale, with political administrations inevitably composed of alliances between them. The current Wingti administration, established in July 1992, is such a multiple party formation, and it is difficult to assert its stability. Fearing that the administration might not survive a non-confidence motion, possible after 18 months following cabinet formation, Prime Minister Wingti resigned abruptly on September 23, to be re-elected by the Diet the following day, effectively blocking the way to any non-confidence motion for another 18 months. Opposition parties have refused to recognize the re-election as valid and have appealed the issue to the courts, creating a legal battle. That the movements of each political party, as well as the movements of students and laborers, etc. will be under attention from now on. Further, since Papua New Guinea gained independence, new political parties have shown a strong desire to reevaluate the regional decentralized system that forms the framework of Papua New Guinea's development administration. (These parties favor a strengthening of central government authority.) This trend must also be considered.

(7) Diplomatic relations

While focusing essentially on cooperative relationships with Australia and other South Pacific island nations, Papua New Guinea aims to do away with dependence on Australia and seek more multifaceted international relations, particularly by strengthening ties with various NIES and ASEAN countries (ASEAN observer status; planned entry to APEC). Papua New Guinea also plays a directive role in regional cooperative organizations such as the South Pacific Commission (SPC) and the South Pacific Forum (SPF), and aims to attain a position of leadership among South Pacific island nations. Regional cooperation organizations of which Papua New Guinea is a member include:

- South Pacific Forum (SPF: HQ in Suva)
- South Pacific Commission (SPC: HQ in Nouméa)
- South Pacific Regional Environmental Planning (SPREP: HQ in Apia)
- South Pacific Applied Geosciences Commission (SOPAC: HQ in Suva)
- Forum Fisheries Agency (FFA: HQ in Honiara)

2. Economic situation

(1) General trend

Under Papua New Guinea's dual-structured economy, consisting of a subsistence economy and money economy, 80% of the population depend for their livelihoods on subsistence or half-subsistence farming. In the first half of the 1980s the trade balance ran a deficit due to internationally dulled prices for primary products, as well as increased investment in imported mining development equipment and materials. From 1984 a favorable turnaround was observed as the market for primary products recovered and exports from new mines began. However, the halting of operations at the Bougainville mine in 1989 caused a decrease in foreign currency revenues and a price drop for primary agricultural products — particularly coffee and cocoa — on the world market caused unfavorable trade conditions. Consequently, Papua New Guinea has had to receive structural adjustment financing from the World Bank and is conducting curtailment of financial expenditures, monetary restraints, currency devaluation, and wage control, etc. as economic structural adjustment measures. From the time between gaining independence and 1990 the average per capita GDP growth rate was roughly zero, but after 1990 the rapid growth of mining and petroleum brought the growth rate to a high plateau of 9%.

(2) Trends in the major sectors

1) Agriculture:

Slightly over 80% of Papua New Guinea's population is engaged in agriculture, with produce accounting for 30% (1985-90 average) of the GDP and master industries accounting for 26% of overall exports, making coffee, cocoa, palm oil and copra important sources of foreign currency. On the other hand, the majority of farmers rely on rough traditional farming methods, and the ratio of small farms engaged in the production of cash crops such as coffee is high, making life below the poverty line unavoidable.

2) Mining:

Mining represents a foreign currency source accounting for 67.5% (1991) of total exports. Mining has been heavily influenced by the Bougainville crisis, but it continues to grow through full operations at gold and copper mines. Crude oil export (17% of total exports) began in June 1992, and plans to develop natural gas are also underway.

3) Forestry:

Forestry is next in line among export industries, following mining and agriculture. Exports include primarily logs and extremely limited amounts of processed products as well. Export of processed products is a future goal, and dramatic change is sought through new forestry policies presently under careful discussion in the Diet. Among these, exporters of raw timber shall submit plans within 8 months for the implementation of processing plants.

4) Fishing:

2.3 million sq. km of economic water area contains 300,000 tons of migrating bonito and tuna varieties. It is estimated that waters along 17,000 km of coastline contain 138,000 tons of coastal fish, but unfortunately less than 10% of these are being directly used at this time.

(3) Fiscal policy

Under the former Namaliu administration various policies were undertaken, striving for development balancing economics and social welfare, but neither national economy development nor employment opportunities in line with population increases were seen, and public safety and other aspects of social stability took a form for the worse. Also, the economy sagged as a result of both the Bougainville crisis and sluggish prices for primary products worldwide. Various structural adjustment measures to the economy were carried out to handle these. The current Wingti administration is working on new policies to promote agriculture through farming village development, along with the cultivation of non-mining private enterprise centering around manufacturing industries.

(4) International balance of payments

Following the commencement of copper exports in 1972 a non-deficit trade balance was the norm, but in 1980 a drop in commercial export prices and increased imports of equipment and materials for mining development took the balance into the red. In 1984, through increased exports of gold and copper, the trade balance took a turn for the better, with no deficit from 1985. Further, recently the invisible trade balance deficit has widened, indicating that the tendency towards deficit in the balance of current accounts will not change. In 1989 a collapse of exports led to a trade balance deficit. Moving into 1991 the scale of mining exports increased, but the simultaneous increase of mining development-related imports still led to a trade balance deficit. The sudden expansion of mining and petroleum industries in recent years contributed to a turnaround from a 32 million kina trade balance deficit the previous year to a 476 million kina trade surplus the next year in 1992, and the balance of current accounts is vastly improving, with a 251 million kina deficit the previous year reduced to 37 million kina in 1992. Regarding the overall balance of payments, there

has been a tendency towards deficit in recent years, and along with this external money reserves are decreasing year by year, reduced from 455 million kina in 1985 to 244 million kina in 1992. This corresponds to approximately 2.5 months worth of total imports, and to approximately 3.2 months worth of non-mining industry imports.

(5) External debt

Foreign debt in 1987 was 1.718 billion kina, primarily due to investments in mining industry development, and this increased to 2.211 billion kina in 1991. The national debt cumulative total increased from 961 million kina in 1987 to 1.013 billion kina in 1991. The DSR at 21.8% in 1988 rose to 30.9 in 1990, but influenced by the introduction of low-interest development capital by the World Bank and the Asian Development Bank, etc. It improved to 28.4% in 1991 and 25.4% in 1992.

(6) Economic relations with Japan

Relations with Japan center around trade and economic assistance, and the two countries are becoming increasingly close. Japan imports copper and timber, etc. from Papua New Guinea, while exporting automobiles and machinery, etc., with Papua New Guinea running a trade surplus from the time of its independence to the present. Exports of copper to Japan began in 1987, for a time making Japan Papua New Guinea's largest trading partner, but in 1990 Japan fell to second place behind Australia in both imports and exports. Cumulative Japanese investments in Papua New Guinea amount to \$240 million (0.1% of total foreign investments), with forestry and marine industries the primary investment targets.

3. Social situation

(1) Trends in the major sectors

1) Education:

Primary school education is 6 years, including public and private mission elementary schools. Intermediate education consists of 4 years of provincial high school and 2 years of national high school, with graduates of the former attending Technical College or Community Teacher's College to receive training either in specialty technical fields or as primary school teachers. Institutions of higher education include the national University of Papua New Guinea (UPNG, located in Port Moresby, approx. 2,500 students in fiscal 1992) and Papua New Guinea Technical University (UniTech, located in Lae, approx. 1,400 students), as well as Goroka Teacher Training College (located in Goroka, approx. 490 students) which trains middle-school teachers. Since the establishment of the University of Papua New Guinea in 1966 there has been a tendency to concentrate too much on higher education, but recent years have seen moves drastically to improve primary and intermediate education, and the government aims by 1999 to raise school attendance rates to 100% for primary school children (73% in 1990) and 50% for middle school children (13% in 1990).

2) Health:

The National Health Plan drafted in 1974 improved primary health care through the expansion of examination and treatment facilities and health centers, etc. In the Secondary National Health Plan of 1986 primary health care was to be backed up through the improvement of general hospitals in each state, and the level of secondary health care was to be raised, but the results were not satisfactory. The tertiary plan from 1991 endeavors to realize the projects of the previous plans. Further, tertiary medical care still relies on foreign medical organizations.

3) Transportation:

Because of geographical restrictions and the small scale and scattered nature of

cities and villages, with the exception of air routes, water and land transportation networks remain undeveloped. With the exceptions of the Highland Highway starting in Lae and the northwest coastal area, land transportation networks lag behind and do not extend far enough to connect the major cities. In the whole country there are only about 20,000 km of national and state roads, and only 7 out of the 19 states are linked by roads. Even the Central State containing the capital city special ward is not linked to the surrounding states. The cross-highway construction plan to link Reio with the capital city, in which Japan is collaborating, has received great attention. Inland there are many places where, besides limited water transportation, the only form of transportation is by light airplane. This hinders the coordinated provision of various socio-economic services by the government that would benefit residents in regional societies. It is also a primary reason for the high cost of transportation of materials and is a barrier to the promotion of regional industry.

(2) Income distribution/Regional disparities

Because of the mix of subsistence and monetary economies, as well as geographic and social conditions, there exist conspicuous regional disparities between the farm village population (85%) and the urban population (15%). Great disparities are also caused by the condition of resources and the degree of development of economic and social infrastructures.

(3) Others

- 1) Amidst worsening public safety and the increasingly brutal nature of crimes, the government's greatest concern among mid-term economic and social development policies is the improvement of law and order, and it is actively engaged in such measures.
- 2) In many cases traditional land ownership systems complicate the acquisition of land for development projects, creating long delays and impeding the efficient implementation of many development projects.
- 3) The new administration is applying itself energetically to resolution of the Bougainville issue, and it is necessary to investigate carefully how to cooperate in post-resolution revival projects in that region.

4. Special issues

(1) Environment

Environmental destruction accompanying development has been emerging in the national consciousness in recent years. Environmental damage to coasts and rivers resulting from mining development has begun to surface, and there are campaigns by NGO nature preservation groups, etc. calling for forest preservation oriented development. The government, too, has established an environmental protection department and created guidelines. When applying for development projects an environmental impact evaluation report must be submitted, and projects underway are required to undergo method inspections and post-project evaluations. In reality, however, there is neither budget nor manpower to make these function sufficiently.

(2) Women in Development

Following independence in 1976 a policy containing national development strategies through the year 2000 was drafted. In this "the encouragement of active participation by women in economic and social activities" was expounded, but despite this the social and economic status of women is still extremely low, particularly in regional societies where traditional customs remain strong. In an effort to improve the status of women, in October 1992 the government changed the "Women's Policy," approved in 1990, into the "National Women's Development Programme," and has made a bold start in implementing various projects.

(3) Military expenditures, etc.

Military expenditures account for approximately 3% of national expenditures, with a combined total of approximately 3,800 armed forces personnel in the army, navy and air force. There are no weapons exports. Following resolution of the Bougainville crisis, activities working closely with regional societies are planned in order to deal with the issue of law and order.

(4) Democratization and basic human rights

A constitutional democracy with Queen Elizabeth II revered as the head of state, Papua New Guinea is a democratic nation with independence among the legislative, executive and judicial branches of government. According to the UNDP, Papua New Guinea has an excellent record regarding democratization and the protection of basic human rights, occupying second place among developing countries.

5. Indicators

	Land area	461,693 km ² (approx. 1.25 times the size of Japan)		
	Population	3.9 million (1990 census estimate)		
	Country classification (DAC list)	Lower Middle-Income Country		
Economic indicators	GDP (in US\$ millions)	2,351 (1990)→	2,574 (1991)→	2,806 (1992) (1)
	Real GDP growth rate	▲3.0%(1990)→	9.5%(1991)→	9.0%(1992) (1)
	Per capita GNP (US\$)	810 (1988)→	890 (1989)→	860 (1990) (1)
	Sectoral distribution of GDP	Agriculture, 31.7%; Mining/Industry, 23.0%; Others, 46.0% (1991) (1)		
	Sectoral growth rate	Agriculture, 3.4%; Mining/Industry, 26.6%; Others, 6.1% (1991) (1)		
	Sectoral distribution of employment	Agriculture, N/A%; Mining/Industry, N/A%; Service, N/A% ()		
	Growth rate of consumers' price index	6.9% (1990)→	7.0% (1991)→	4.3% (1992) (2)
	Unemployment rate	N/A% (1990)→	N/A% (1991)→	N/A% (1992)
	Exports (in US\$ millions)	1,122 (1990)→	1,304 (1991)→	1,751 (1992) (2)
	Imports (in US\$ millions)	1,056 (1990)→	1,336 (1991)→	1,275 (1992) (2)
	Balance of current accounts (in US\$ millions)	▲556 (1990)→	▲251 (1991)→	▲37 (1992) (2)
	External debt balance (in US\$ millions)	1,735 (1989)→	2,246 (1990)→	2,211 (1991) (2)
	Debt service ratio	30.9% (1990)→	28.4% (1991)→	25.4% (1992) (2)
	Foreign currency reserve (in US\$ millions)	377.9 (1990)→	309.0 (1991)→	244.0 (1992) (2)
	Social indicators	Population growth rate	2.03% (1986-1990) (1)	
Life expectancy at birth		54.7 (1990) (1)		
Infant mortality rate		57.5/1,000 (1990) (1)		
Per capita calorie intake		2,403 Kcal/day (1990) (1)		
Primary education enrollment rate		Overall, 73.3%; female, N/A (1990) (1)		
Secondary education enrollment rate		Overall, 13.0%; female, N/A (1990) (1)		
Tertiary education enrollment rate		Overall, N/A%; female, N/A (1990) (1)		
Adult illiteracy rate		Overall, 48.0% (1990) (1)		
	Population ratio in absolute poverty	Overall, N/A%; urban, N/A%; farm villages, N/A% (1989)		

Source

(1) ADB Basic Data 92.10

(2) Bank of Papua New Guinea

II. Socio-economic development situation

1. Outline of the national development plan (goals and issues)

The current 5-year plan aims at development balancing economic and social services. The need for more widely based economic development that does not rely solely on mining has been recognized. Improved agricultural productivity, control of public expenditures, and strengthening of the private sector are planned and economic structural adjustments are being implemented. Basic guides to development policy include:

- 1) Comprehensive human resource development
- 2) Equal participation in development planning and fair distribution of profits
- 3) Political and economic independence for Papua New Guinea's national polity
- 4) Use of natural resources and the environment by all citizens, as well as the preservation of these for the next generation
- 5) Declaration of 5 types of development employing social, political and economic organization appropriate to Papua New Guinea. Medium-term issues include, 1) the improvement of law and order, 2) the development of education and human resources, 3) the creation of economic growth and employment opportunities and 4) administrative reforms.

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
(1) Improvement of law and order	<ol style="list-style-type: none"> 1) Create National Youth Service 2) Reinforce police, judicial and correctional facilities 3) Strengthen measures against narcotics 	<ol style="list-style-type: none"> 1) Difficulties in budgetary procedures for non-industry 2) Difficulties coordinating ministries and agencies
(2) Development of education and human resources	<ol style="list-style-type: none"> 1) Expand institutions of higher education 2) Drastically re-evaluate education 3) Expand vocational training 4) Expand primary and secondary schools 	<ol style="list-style-type: none"> 1) Difficulties in budgetary procedures for non-industrial sectors 2) Difficulties acquiring land for public use 3) Insufficient ability among regional governments
(3) Creation of economic growth and employment opportunities	<ol style="list-style-type: none"> 1) Promote economic structural adjustment 2) Promote development of small and medium manufacturing 3) Promote acceptance of foreign investment 4) Develop non-mining industries (primary industries and manufacturing) 	<ol style="list-style-type: none"> 1) Shortage of technicians 2) High production costs 3) Narrowness of domestic market and lack of infrastructure 4) Poor public safety discouraging foreign investment (increased security costs) 5) National enterprise not achieved
(4) Administrative reforms	<ol style="list-style-type: none"> 1) Develop resource management system 2) Decrease surplus personnel and expand public sector training 3) Promote of private management 	<ol style="list-style-type: none"> 1) Dispersion of authority among the central and regional governments 2) Difficulties coordinating ministries and agencies 3) Insufficient private management know-how

3. Investment program for the development plan

The Public Investment Program (PIP) for 1993-97 is summarized below.
(in millions of kina)

Economic sector	287.87	(18%)
Infrastructure Improvement	607.18	(38%)
Social services	308.50	(20%)
Law and order	32.49	(2%)
Regional government	185.35	(12%)
Others	170.54	(12%)
Total	1,591.93	

Source

PIP 93-94 Dep. of Finance and Planning

4. National budget

(in millions of kina)

	Fiscal 1991	Fiscal 1992	Fiscal 1993
Revenues	1,460.9	1,381.4	1,635.1
Tax revenue	637.9	727.4	666.6
Others	169.6	259.7	377.6
Donations	311.6	230.2	197.5
Loans	341.8	164.1	393.4
Expenditures	1,455.0	1,381.4	1,635.1
General administration	236.4	265.5	316.1 (19.4%)
Defense	91.8	56.0	53.9 (3.3%)
Education	211.7	251.9	305.2 (18.7%)
Health and hygiene	96.4	117.9	144.6 (8.8%)
Social services*	36.3	41.0	46.4 (2.8%)
Agriculture, forests and fisheries	68.1	95.6	119.0 (7.3%)
Economic infrastructure**	150.6	166.4	204.5 (12.5%)
Mining and Industry	27.4	20.2	21.7 (1.3%)
Economic services	16.5	31.9	25.4 (1.6%)
Regional government, etc.	145.5	116.5	128.4 (16.5%)
Debt return	374.3	218.5	269.9 (7.9%)

* Including social security, housing, waterworks, environmental preservation, culture, etc.

** Including transportation, communications, construction, land management, etc.

Department of Finance and Planning

Note:

\$1US= 0.9514 kina (1990), 0.9526 kina (1991), 0.9875 kina (1992)

Bank of Papua New Guinea

III. Aid flow from multilateral organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$321.7 million (1991)

	Australia	Germany	New Zealand
Aid amount	\$262.3 million ('91)	\$7.4 million ('91)	\$3.4 million ('91)
Share	81.5%	2.3%	1.1%
Type of aid	Primarily financial support	Primarily technical assistance	Primarily technical assistance
Priority areas or sectors	Currently involved in transfer from financial assistance to project assistance by the year 2000 <ul style="list-style-type: none"> • Human resource development • Law and order problem • Education, medicine, agriculture 	<ul style="list-style-type: none"> • Centered around health and education fields 	

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$75.5 million (1991)

	Asian Development Bank	BEC
Aid amount	\$54.0 million ('91)	\$11.5 million ('91)
Share	71.5%	15.2%
Type of aid	Loans	Technical assistance
Priority areas or sectors	<ul style="list-style-type: none"> • Agriculture, animal husbandry, fishing • Roads, harbors • Urban waterworks, sanitation • Health and medicine 	<ul style="list-style-type: none"> • Farm village development • Human resource development • Promotion of animal husbandry • small-scale hydroelectric power

Also, the World Bank is conducting structural adjustment financing

3. Japanese ODA

The place of Japan among bilateral donors: 2nd Share: 13.1%

Aid amount (in million US \$, 1991)	Trends in assistance
Technical cooperation 7.9	The development of energy and transportation infrastructures necessary for industrial activation, non-grant assistance for agricultural development, grant assistance primarily for medicine and manpower creation and technical assistance centering on agriculture, forestry and fisheries and manpower creation are being implemented.
Grant aid 14.5	
Loans 19.9	
Total 42.3	

4. Significance of ODA in the country

ODA accounts for 31.4% (1991) of the national budget

5. Collaboration among aid organizations

At the World Bank Assistance Conferences begun in 1988 (1988, 89 Tokyo, 1990, 91, 92 Singapore, 1993 Hong Kong) so-called assistance coordination was to be carried out. However, the conference consisted of talks about development measures by Papua New Guinea's government, explanations of important items and declarations of intentions by donors, etc. in other words, primarily macro-level discussions, with no discussion of individual projects. Structural adjustment measures were the primary topic at the May 1991 Conference, during which a satisfactory evaluation of Papua New Guinea's macro-economic management was obtained. At the April 1992 Conference issues such as Australia's gradual transfer of massive financial assistance to project assistance, and Papua New Guinea's capacity to absorb and implement assistance was focused on. Strengthening of Papua New Guinea's implementation capacity was the theme of the June 1993 Conference.

6. Situation of NGO activities

- (1) NGOs currently active: Approximately 50 organizations
- (2) Main organizations and details of activities
 - 1) Foundation for the People of the South Pacific: Farm village development, spread of appropriate technology
 - 2) CARE International: Village tree planting guidance
 - 3) Swiss Volunteer Service: Farm village development
 - 4) SIL: Anti-illiteracy education
 - 5) Oisuka Industrial Development Assistance Group: Rice farming education

IV. Priority areas or sectors for JICA cooperation

Assistance to Papua New Guinea is based on the country's own development plans including, 1) comprehensive human resource development, 2) equal participation in development and fair distribution of profits, 3) political and economic independence and 4) natural resources and environmental protection. Development balancing economic and social aspects, pivoting around a breakaway from economic dependence on primary products, and the offering of a reasonable lifestyle environment, are the aims of Papua New Guinea and should be supported and implemented along the following lines:

- (1) Economic independence and stable growth through expansion of job creation and income acquisition opportunities
- (2) Improvement of public welfare and social life base, centering around basic areas of livelihood, enabling people to benefit directly
- (3) Equal participation in development planning, fair distribution of profits and correction of regional disparities
- (4) Environmental preservation for lasting development

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable growth	Improvement of public welfare	Correction of regional disparities	Environmental preservation			
Economic management	⊙	⊙	⊙	○	(1) Improve ability to draft, adjust and implement development policies	1) Improve quality of administrators 2) Strengthen ability and function of organizations drafting development plans	
Agriculture, forestry and fisheries	⊙	○	⊙	⊙	(1) Improve ability of farmers to secure income (2) Protection and planned development of forests (3) Qualitatively improve agriculture, forestry and fishery dissemination systems	1) Improve market access 2) Improve and disseminate cash crop cultivation technology 3) Diversify agricultural produce 1) Develop and disseminate technology for forestry production 2) Develop environmental evaluation technology for forestry development 1) Maintain and improve organizations and systems for dissemination of agriculture, forestry and fisheries education	

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable growth	Improvement of public welfare	Correction of regional disparities	Environmental preservation			
Mining and industry	<p>⊙</p> <p>○</p> <p>⊙</p>	<p>○</p> <p>○</p>			<p>(1) Promote industrialization</p> <p>(2) Foster medium and small enterprises</p> <p>(3) Rationally develop natural resources</p>	<p>1) Draft long-range plans for manufacturing development</p> <p>2) Cultivate primary products processing industry</p> <p>3) Improve investment environment</p> <p>1) Improve business management</p> <p>2) Strengthen support system for medium and small enterprises</p> <p>1) Investigate and develop mining resources</p> <p>2) Improve and disseminate mining industry technology</p> <p>3) Improve investigative research ability</p> <p>4) Improve environmental impact evaluation and monitoring technology</p>	
Economic infrastructure	<p>⊙</p>	<p>○</p> <p>○</p>	<p>⊙</p> <p>○</p>		<p>(1) Increase opportunities to develop under-developed regions</p> <p>(2) Improve industrial base infrastructure</p>	<p>1) Develop transportation and communication networks in regions with underdeveloped infrastructures</p> <p>1) Improve airports, harbors and road networks</p>	
Social infrastructure	<p>⊙</p> <p>○</p>	<p>○</p> <p>⊙</p>	<p>○</p> <p>⊙</p>	<p>⊙</p>	<p>(1) Develop human resources</p> <p>(2) Improve social lifestyle base</p>	<p>1) Improve literacy ratio</p> <p>2) Strengthen and spread all levels of education</p> <p>3) Maintenance and improvement of vocational training organizations</p> <p>1) Improve waterworks and sewage</p> <p>2) Improve everyday refuse disposal facilities</p> <p>3) Strengthen health and sanitation organizations</p> <p>4) Strengthen medical services</p> <p>5) Improve electric power network and electrify rural areas</p>	

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

- 1) It is not only that Papua New Guinea is a "new country," with only 17 years since its independence, but also that it is a nation of people for whom it has been a mere half-century since the highland regions came into contact with modern civilization. It is important to bear in mind the fact that Papua New Guinea has only just begun the construction of itself as a nation. Worsening public safety and land acquisition problems caused by traditional land ownership systems may be understood to be rooted in the conflict between long-established traditional and modern values systems, and it is necessary to take a long-range view. Namely, it is important to continue patiently to facilitate understanding of Japan's assistance projects, as well as to advance human interaction.
- 2) Overall project forming ability is currently low, making it difficult for exceptional plans to come about. And, in light of the conditions mentioned in 1), above, development of human resources may be the most pressing need, with technical assistance concentrating on the dispatch of specialists and collaborative teams being of great importance. It is also necessary to ascertain what sorts of projects will be effective through financial assistance.
- 3) In order to provide more effective technical assistance, in many cases it is necessary to be sure to coordinate with donors such as Australia, New Zealand, the World Bank, and ADB in order to avoid overlap. Such coordination is becoming even more important as hopes for assistance from Japan have increased in recent years from the Papua New Guinea side. Particularly, Australia has already established a policy calling for a qualitative turnaround from financial assistance to project assistance, and in 1993 it began private sector reviews of 6 fields including education, health, agriculture (renewable resources), infrastructure, law and order issues, and NGOs. Including possibilities for collaborative projects with Australia, considerable consideration must also be given to ascertaining what might be exceptional items of assistance.
- 4) Overall the ability of implementing organizations is low. Particularly with regard to new businesses, under present circumstances, in which there must be continual concentration on land acquisition and recurrent costs, it is desirable to pursue assistance that aims at development through improvement and more full use of existing facilities (and human resources).

(2) Consideration for implementation capacity of counterpart-organizations

Strengthening of window organizations is planned. The Finance and Planning Ministry and Papua New Guinea's internal government have not yet established strong voices, and in many cases assistance items require time-consuming internal government investigation and approval. Also, along with conflicts between Papua New Guinean and foreign staffs within ministries and agencies and high staff turnover, there is a deficiency in continuation, and it takes considerable effort to collaborate with window organizations, facts which Japan must understand sufficiently.

VI. Summary of evaluation studies

Full and detailed advance surveys are necessary for more effective assistance to be realized. Particularly for grants, etc., it is desirable to make full investigations in advance, including basic planning surveys to ascertain management and the guarantee of maintenance costs, etc.

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Western Samoa

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional monarchy

(2) Date of independence

January 1, 1962 (Independence Day celebrations are held on June 1 to avoid the rainy season.)

(3) Head of state

Malietao Tanumafili II (in office for life)

(4) Political structure

Independence of legislative, executive and judicial branches of government

1) Legislature:

Unicameral system with legislative parliament only (49 seats; 5 year terms)

2) Executive:

Comprised of 1 representative body and 12 ministries, with the ruling party (Human Rights Protection party) making up a one-party cabinet.

3) Judiciary:

Supreme court, high court, regular courts, and a land and titles court

4) Political parties:

Human Rights Protection party (30 seats), Samoan National Development party (15 seats), Independents (4 seats)

(5) Domestic administration

Western Samoa was a New Zealand UN trusteeship until 1962 when it became the first of the South Pacific Island Nations to become fully independent.

The Prime Minister is selected by Parliament and appointed by the head of state.

Eligibility for the legislative parliament is limited to persons bearing the title of Chieftain, or Matai (approximately 14,000). The electorate is divided into 41 electoral districts, each a single-member constituency except for 4 districts that elect 2 members. Political parties include the Human Rights Protection party (HRPP) and the Samoan National Development party (SNDP), but these depend more on territorial and human relationships than on policy.

(6) Trends of Politics

As a result of a victory by the opposing Human Rights Protection party in the 1988 elections, Tofilau Eti Alesana became Prime Minister and a new cabinet was formed.

The Alesana cabinet put forth a popular elections policy to grant suffrage to all persons 21 years or older, rather than only to those bearing the title of Chieftain, and this was approved by public vote in October 1990. Based on this policy general elections were held in April 1991, and the Human Rights Protection party, which had advocated the popular elections, was victorious and remained in power.

(7) Diplomatic relations

As a peaceful, friendly member of the South Pacific Islands community, Western Samoa pursues its national interests, taking an active role in regional cooperation through regional organizations such as the South Pacific Commission (SPC) and the South Pacific Forum (SPF) and so on. It maintains close relations with former suzerain New Zealand, and for geographical reasons has strong ties with Australia and the United States as well. At the same time it also has relations with Russia and China and participates keenly in world affairs through membership in international organizations such as the United Nations, the World Bank, IMF, and ADB.

Regional cooperation organizations of which Western Samoa is a member include:

- South Pacific Forum (SPF: HQ in Suva)
- South Pacific Commission (SPC: HQ in Nouméa)
- South Pacific Regional Environment Programme (SPREP: HQ in Apla)
- South Pacific Applied Geoscience Commission (SOPAC: HQ in Suva)
- Forum Fisheries Agency (FFA: HQ in Honiara)

2. Economic situation

(1) General trend

Like other countries in the South Pacific, Western Samoa is not favored with an environment conducive to economic development (narrowness of domestic markets, isolation from international markets, etc.), and it is difficult to realize management of manufacturing, sales, and transport on scales that will yield commercial profits. Also, agriculture, which is Western Samoa's largest industry (50% of GDP, 90% of total exports, 65% of workers engaged in farming), depends heavily on primary products such as copra, cocoa, taro, and lumber. Structural problems in this industry include its easy susceptibility to sluggish international prices for these products and sudden price rises in imported products. Worse, three successive hurricanes in 1990, 91 & 92 caused serious damage, resulting in decreased output and exports of these products. Money sent back by Western Samoans living in places like Australia and New Zealand plays an important role in foreign currency conditions and in the domestic economy, but the amount of such funds has decreased in light of recession abroad, and there is a constant trade deficit. To eliminate this sort of deficit in international accounts Western Samoa depends on economic assistance from New Zealand, Australia and Japan, as well as on loans from international organizations. As for domestic policy, in addition to the introduction of a commodity tax, long-term tourism industry prospects are being promoted through strengthening the management of the state-operated Polynesian Airlines. Further, the use, through long-term leases, of land managed under the traditional system is being encouraged.

(2) Trends in the major sectors

1) Agriculture:

Agricultural produce was severely damaged by successive hurricanes in 1990, 91 & 92. The production and supply of food staples such as taro and vegetables have been tentatively stabilized, but copra and banana production remains sharply declined compared to before the hurricanes, and overall there have been sharp increases in the prices of agricultural produce.

2) Industry:

In 1992 manufacturing output rose roughly 4% from the previous year. This reflects increased productivity of beer, tobacco, soft drinks, etc. brought about by a stable electricity supply provided by a new hydroelectric plant. On the other hand, raw materials for the production of coconut oil, lumber, coconut cream, soap, corned beef and copra are in short supply due to hurricane damage, causing sharply decreased production of these items. In July 1991 Australia Yazaki (the Australian affiliate of Yazaki Corporation) established an automotive parts plant, the first large-scale foreign-affiliated manufacturing industry in Western Samoa and a major source of foreign currency.

(3) Fiscal policy

From 1986 government revenue was improved through an overhaul of the tax system, including the introduction of a commodities and services tax. However, expenditures on hurricane damage recovery increased sharply, causing a shortfall of 20 million tala in 1992. As a domestic policy to rectify this, the general income tax rate was lowered and a fixed tax obligation in the form of a nationwide uniform 10% commodity tax levied on non-taxpayers was introduced in January 1993.

(4) International balance of payments

Because Western Samoa's main export products including copra, bananas, etc. sustained severe hurricane damage, and imports of building materials have had to be increased radically, the international balance of payments is worsening greatly. In 1992, exports totaled 14 million tala against imports of 271 million tala, and even with the addition of aid from each country and remittances by Western Samoans working abroad, a 20 million tala deficit remains.

(5) External debt

Western Samoa's largest external debt comes from Asian Development Bank financing, which remained 88.45 million tala (¥5.3 billion) in 1989. Following ADB, debts center on borrowing from international finance organizations such as IDA at 33.04 million tala (¥1.98 billion) and EEC at 10.03 million tala (¥602 million). The government finance debt repayment ratio has decreased yearly, accounting for 11.9% in 1986, but dropping to 6.8% in 1989, gradually returning to a reasonable scale. As the result of successive hurricanes, however, government finances have taken a turn for the worse, causing concern that this will affect debt repayment.

(6) Economic relations with Japan

12.8% of Western Samoa's total imports come from Japan, making Japan the third largest exporter to Samoa after Australia and New Zealand. Imports from Western Samoa to Japan, however, amount to no more than 0.20% (1990), creating conspicuously one-way trade. In March 1991, however, in a joint venture with the Western Samoan government and Australian enterprise, Kitano Construction Corporation purchased the Tusitala Hotel, and in addition Japanese-owned enterprises including the aforementioned Australia Yazaki are making noticeable inroads.

3. Social situation

(1) Trends in the major sectors

1) Education:

From the time of its independence Western Samoa has received assistance from New Zealand and its level of education is high among developing countries. Nationwide there are 159 primary schools, 45 intermediate schools, and 15 high schools. Western Samoa has the Agriculture Department of the University of the South Pacific, whose main school is in Fiji, and a national university newly established in 1984. Primary education is mandatory, and while the government has little capacity to enforce this, each region is enthusiastic about school education and primary school attendance rates are high. However, there is a conspicuous lack of facilities and educational materials at all levels of education, from primary schools to university, and the quality of teachers also cannot be said to be adequate.

2) Health:

In addition to the national hospital in Apia, there are 38 local hospitals, district clinics and sub-centers nationwide, all of which have permanent nursing staffs. However, an acute shortage of doctors makes the hiring of foreign doctors and treatment on a rotational basis unavoidable.

(2) Income distribution/Regional disparities

The social bedrock of Western Samoa is the Algan, or extended family, and members of a Council of Chieftains exercise autonomous control over villages. 80% of the country's land is village common land, and because of traditional interdependence and mutual aid within society the crime rate is low and there are few disparities between rich and poor.

(3) Others

In the past many Samoans went abroad to work, primarily to New Zealand. However, because of the worsening economy there a limit has been imposed on the number of Polynesian workers that are accepted, creating many employment-related problems for Western Samoa, including unemployment among young people, decrease in foreign earned currency, and an increase in returnees from New Zealand.

4. Special issues

(1) Environment

Having little industry Western Samoa does not directly face serious environmental damage, but efforts are being made towards environmental protection activities that focus on nature preservation. 1988 saw a strengthening of activities addressing environmental issues, for example the change of the Land Survey Ministry to the Land Environment Ministry and the new establishment of the Environmental Protection Agency. Also, Western Samoa is a member of the South Pacific Regional Environment Programme (SPREP), a regional international organization with headquarters located in the capital city of Apia.

(2) Women in development

The status of Samoan women is high, and a considerable number of women hold the title of Chieftain. Women's associations are active in each region and village, and emphasizing the importance of women's activities in national development, the Western Samoan government established the Women's Activities Ministry in April 1991. Also, the current Education Minister is a woman.

(3) Military expenditures, etc.

Western Samoa has only 360 police officers and does not maintain a military. There are no weapons exports.

(4) Democratization and basic human rights

Parliamentary democracy is maintained. The freedoms of speech, assembly, thought and belief are all protected. However, eligibility for membership in Parliament is limited to those bearing the title of Chieftain. Formerly this applied also to voting rights, but a national vote in October 1990 granted suffrage to all persons 21 years of age or older.

5. Indicators

	Land area	2,934 km ² (slightly larger than Japan's Kanagawa Prefecture)	
	Population	159,000 (1989)	
	Country classification (DAC list)	Low Income Country	
Economic indicators	GDP (in million US\$)	114.1 (1987) → 116.6 (1988) → 120.1 (1989)	
	Real GDP growth rate	1.0% (1987) → 0.8% (1988) → 2.2% (1989)	
	Per capita GNP (US\$)	— (1987) → 580 (1988) → — (1989) According to the World Bank Atlas. Data for 1989 has not been officially released by the Samoan Finance Ministry.	
	Sectoral distribution of GDP	Agriculture, 34%; Mining/Industry, 13%; Services, 53% (1989)	
	Sectoral distribution of employment	Agriculture, 64%; Mining/Industry, 3%; Services, 33% (1989)	
	Growth rate of consumers' price index	4.5% (1987) → 8.5% (1988) → 12.3% (1989)	
	Exports (in million US\$)	12.4 (1987) → 14.6 (1988) → 12.7 (1989)	
	Imports (in million US\$)	65.1 (1987) → 72.1 (1988) → 74.8 (1989)	
	Balance of current accounts (in million US\$)	12.8 (1987) → 14.7 (1988) → 14.2 (1989)	
	External debt balance (in million US\$)	70.7 (1987) → 72.2 (1988) → 70.5 (1989)	
	External debt service ratio	7.5% (1987) → 6.4% (1988) → 6.8% (1989)	
	Foreign currency reserve (in million US\$)	37.2 (1987) → 45.9 (1988) → 55.2 (1989)	
	Social indicators	Population growth rate ^{*1}	0.4% (1980-89)
		Life expectancy at birth	Male 63; Female 65 (1985)
Infant mortality rate		24/1000 (1986)	
Per capita calorie intake		3.9 Kcal/day (1985)	
School enrollment ratio		82% (age 5-19) (1988)	
Adult illiteracy rate		1%	

(*1) Low increase rate due to immigrations to New Zealand

II. Socio-economic development situation**1. Outline of the national development plan**

In May 1992 the Western Samoan government announced its 7th Development Plan (1992/3-1994/5). Compared with past plans, the 7th Development Plan is a strategic plan aiming at development and policy coordination between ministries.

(1) Goals

- 1) Advancement of economic growth in the agricultural and manufacturing industries
- 2) Improvement of the quality of life
- 3) Achievement of independence for basic fields in the economy
- 4) Participation by the people in development and the offering and fair distribution of equal opportunity regarding development
- 5) Improvement of living environment and natural development attentive to ecological maintenance and environmental preservation

(2) Issues

Besides the urgent issue of recovery from hurricane damage, short-term issues within the 7th Development Plan include the following:

- 1) Regulation and integration of public investment
- 2) More efficient administration and economy
- 3) Job creation
- 4) Activation of primary industries

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
(1) Economic stability and growth	<ol style="list-style-type: none"> 1) Management of finances and currency appropriately 2) Secure development resources through re-evaluation and overhaul of government expenditures and the tax system 3) Cultivate of the private sector 	<ol style="list-style-type: none"> 1) Structural weakness and insufficient personnel within the Finance Ministry and central bank
(2) Growth acceleration of agriculture, etc. industries	<ol style="list-style-type: none"> 1) Diversify of cultivated crops 2) Promote investment by foreign enterprise 3) Foster manufacturing industry 4) Foster development of tourism 5) Strengthen development assistance financing 	<ol style="list-style-type: none"> 1) Weakness of research and dissemination capacity of the Agriculture Ministry 2) Lack of investment environment 3) Lack of tourism resources
(3) Improvement of economic base	<ol style="list-style-type: none"> 1) Recovery from hurricane damage (improve harbors and sea routes, repair and improve roads) 2) Electrify rural areas 3) Improve telephone network 4) Improve rural waterworks 	<ol style="list-style-type: none"> 1) Insufficient development resources 2) Insufficient engineers and skilled laborers
(4) Human resource development	<ol style="list-style-type: none"> 1) Improve basic medical care and nutrition 2) Qualitatively improve primary and intermediate education 3) Improve higher education 4) Strengthen and augment vocational training 	<ol style="list-style-type: none"> 1) Shortage of doctors and lack of facilities 2) Shortage of educators 3) Lack of university organization and facilities 4) Lack of vocational training organizations
(5) Environmental preservation and ecological maintenance	<ol style="list-style-type: none"> 1) Preserve the natural environment 	<ol style="list-style-type: none"> 1) Lack of organization

3. Investment program for the development plan

Total public investment between 1992/3 and 1994/5 is slated to be 243 million tala (¥12.2 billion).

- (1) Economic sector (secondary industry and environment-related projects) 25%
- (2) Infrastructure (encouragement of manufacturing industries and tourism, aviation, and communications, water resources and sewage projects emphasizing the improvement village life) 50%
- (3) Social services (education and training projects) 25%

4. National budget

Fiscal 1989 (in million tala)

Revenues	149.7	Expenditures	56.75
Tax revenue	80.8	National defense	0 (0 %)
Business revenue, etc.	32.5	Agriculture, forestry and fisheries	1.93 (3.4%)
Domestic borrowing, etc.	—	Mining and construction	9.23 (16.3%)
Donations, etc.	36.4	Transport and communications	4.99 (8.8%)
		Education	12.28 (21.6%)
		Health	8.81 (6.4%)
		Social welfare and housing	— (— %)
		Loan repayment	— (— %)
		Others	19.51 (34.4%)

Fiscal balance 17.2

Note:

US\$1 = 2.2899 tala (1989)

Expenditures are for 1989 general accounting draft budget

III. Aid flow from multilateral organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$25.83 million (1991)

	Australia	New Zealand	Germany
Aid amount	\$9.18 million ('91)	\$4.21 million ('91)	\$1.20 ('91)
Share	35.5%	16.3 %	4.6%
Type of aid	Mainly technical cooperation and loans	Mainly technical cooperation and loans	Mainly technical cooperation and loans
Priority areas or sectors	<ol style="list-style-type: none"> 1) Dispatch of government administration specialists 2) Education and training 3) Improvement of traffic infrastructure 4) Fostering of agriculture and small-scale manufacturing 	<ol style="list-style-type: none"> 1) Dispatch of government administration specialists 2) Education and training 3) Village development 4) Health care 	<ol style="list-style-type: none"> 1) Improvement of waterworks and sewage 2) Electric power

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$30.47 million (1991)

	Asia Development Bank	IDA	EDF
Aid amount	\$14.46 million ('91)	\$7.00 million ('91)	\$6.79 million ('91)
Share	47.5%	23.0 %	22.3%
Type of aid	Loans		Technical cooperation, loans
Priority areas or sectors	1) Road maintenance 2) Electric power development 3) Economic policy maintenance		1) Electric power development 2) Improvement of rural waterworks

3. Japanese ODA

The place of Japan place among bilateral donors: 1st Share: 38.6%

Aid amount (in million US\$, 1991)	Trends in assistance
Technical cooperation 1.99	Assistance to Western Samoa is primarily in the form of grants and Japan Overseas Cooperation Volunteers dispatch projects. Grant aid is oriented towards improving the infrastructure which is the basis of economic development, while Japan Overseas Cooperation Volunteers are involved in public welfare activities such as construction, civil engineering, telecommunications, etc. Further, the dispatch of senior volunteers was begun in June 1992.
Grant aid 7.98	
Loans 0	
Total 9.98	

4. Collaboration among aid organizations, etc.

Meetings among aid donors to Western Samoa are held regularly through the cooperation of the UNDP.

(Held 4 times up until 1990. Donor meeting regarding hurricane recovery aid held in July 1992 in Western Samoa.)

Meetings of aid organization within Western Samoa are held once a month, and in addition aid conferences are held for special fields.

5. Situation of NGO activities

- (1) NGOs currently active: 25 organizations
- (2) Primary organizations and contents of activities
 - 1) Australian Volunteer Abroad (an Australian volunteer organization)
 - 2) New Zealand Volunteer Abroad (a New Zealand volunteer organization)
 - 3) In addition to these there are also aid activities by many Christian organizations.

IV. Priority areas or sectors for JICA cooperation

Assistance to Western Samoa should support that country's own development plans which include 1) the promotion of economic growth centering around agricultural industries and improvement of the economic infrastructure and 2) the development of human resources centering around education and medical care, contributing to a qualitative improvement of life and the improvement of the social infrastructure. Aid should be conducted in keeping with the goals below.

- 1) Foster and strengthen the base of industry to create stable growth
- 2) Qualitatively improve people's lives
- 3) Preserve the environment for lasting development

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Stable growth	Improvement of life	Environmental preservation			
Economic management						
Agriculture, forestry and fisheries	⊙	○		(1) Expand agricultural production	1) Strengthen testing and research capacity for breeding improvement 2) Strengthen structure necessary for dissemination of technology 3) Diversify crops	
	⊙	○	○	(2) Develop fishery resources	1) Protect and cultivate fishery resources 2) Establish and disseminate marine cultivation technology	
	⊙		⊙	(3) Protect forests and conduct planned development	1) Establish and disseminate forest resource development technology	
Mining and industry	⊙			(1) Stimulate exports	1) Develop and strengthen processing technology for primary products 2) Improve and expand processing facility zones	
	⊙			(2) Modernize tourism	1) Improve tourism infrastructure 2) Cultivate manpower in the tourism industry	
	⊙		⊙	(3) Conduct planned development of ocean resources	1) Study and develop unused mineral resources	
Economic infrastructure	⊙	○		(1) Improve base for economic growth	1) Improve harbors and sea routes 2) Manage shipping traffic 3) Improve and maintain roads 4) Improve airports	
	⊙	○		(2) Improve base for industrial development over a wide area	1) Develop energy through electric power development and rural electrification 2) Improve communications infrastructure	
	○	○		(3) Improve capacity to protect against natural disasters	1) Strengthen capabilities of national weather bureau	

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Stable growth	Improvement of life	Environmental preservation			
Social infrastructure	⊙	⊙	⊙	<p>(1) Improve health and medical system</p> <p>(2) Secure manpower for economic and social development</p> <p>(3) Environment and sanitation</p>	<p>1) Strengthen hospital capabilities (including restoration of hurricane-damaged hospitals)</p> <p>2) Improve nutrition and strengthen measures against obesity and geriatric diseases</p> <p>3) Improve rural health care</p> <p>1) Strengthen and augment organs of higher education</p> <p>2) Strengthen and augment science and mathematics education and vocational training</p> <p>1) Improve waterworks and sewage in Apia</p> <p>2) Improve rural waterworks facilities</p>	

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

- 1) Along with New Zealand and Australia, international organizations such as UNDP, FAO, WHO, UNESCO, etc. are providing assistance to Western Samoa in various fields. In many cases, depending on the item in question, other aid-giving countries or international organizations may already be providing the same aid in some form. Therefore, when Japan implements aid it is necessary to confer with these others beforehand regarding the results of their efforts and their subsequent plans, actively gathering information and exchanging ideas in order that aid be more effective.
- 2) Island nations such as Tonga, the Cook Islands, Tuvalu and Niue, as part of English-speaking Polynesia, are culturally and racially aligned with Western Samoa, and it is important to advance programs (Pacific Education Consortium, etc.) towards these, as well as to actively pursue assistance through regional organizations (SPC, SPF, etc.)
- 3) Because Western Samoa has offices of regional international organizations such as the Agriculture Department of the University of the South Pacific (USP) and South Pacific Regional Environment Programme (SPREP), when offering assistance to countries in the area, it is effective to develop close relationships with these.

(2) Consideration for implementation capacity of counterpart-organizations

- 1) Because the greater part of Western Samoa's already extremely small finances goes towards the salaries of government workers, in many cases there is not enough money in the budget of each government organization involved in the implementation of projects. Therefore, in implementing assistance, it is necessary in advance to prepare adequately to shoulder local costs such as travel expenses for counterparts, etc., or in the case of grant aid to prepare supplies of spare parts and consider how to conduct long-term "after care."
- 2) Many Western Samoans who have received their higher education abroad and acquired a certain degree of technical knowledge leave Western Samoa, creating a chronic shortage of engineers. This shortage is made up for, in many cases, by supplying specialists and volunteers, etc. from abroad, thus making it difficult to secure counterparts within the country. Accordingly, when implementing projects sufficient advance planning with supervising government agencies is essential.
- 3) Traditions remain most strongly rooted in Western Samoa of all the Polynesian countries. The authority of villages remains as strong as ever, and Government administration somehow does not manage to percolate to villages, whose authority remains as strong as ever, and they remain managed by meetings among chieftains. Thus, it is difficult to cultivate strong leaders or entrepreneurs capable of motivating villages as a whole, making it difficult to establish agriculture and fishing as businesses. These social conditions must be understood when conducting assistance in Western Samoa.

VI. Summary of evaluation studies

- 1) In the case of grant items, as mentioned above in 'V. "Considerations during the implementation stage of projects," the Western Samoan government's various ministries and departments run on meager budgets. Consequently, in many cases they are unable to respond when items are damaged by hurricanes, etc. or when parts break down or are lost, and things are simply left in a state of disarray. Therefore, "after care" must be given sufficient consideration.
- 2) Standard salaries for government employees in Western Samoa are low and there has long been a custom of seeking work abroad, factors which cause many specialists and assistance team member counterparts and JICA-trained personnel to transfer to other jobs, making it a problem to train engineers.

Central and South America

Argentina

Bolivia

Brazil

Chile

Colombia

Dominican Republic

Honduras

Mexico

Panama

Paraguay

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Argentine Republic

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional republic

(2) Date of independence

July 9, 1816

(3) Head of state

Carlos Saul Menem (Justicialist Party; elected to a 6-year term in July 1989)

(4) Political structure

Independence of the three branches of government — legislative, executive and judicial.

1) Legislature:

A bicameral system comprised of an upper and lower house. Members of the upper house, which contains 48 seats, serve 9-year terms, one-third of which come up for re-election every 3 years. Members of the lower house, which contains 257 seats, serve 4-year terms, one-half of which come up for re-election every two years.

2) Executive:

Comprised of 10 agencies of the presidency and 8 ministries. All above the rank of director are political appointees. Each state has its own constitution, and most state governors, who serve 4-year terms, are elected directly.

3) Judiciary:

Supreme Court, High Court and District Court.

4) Federation:

Administrative divisions consist of one federal capital district and 23 states. (In January 1991 statehood was approved for the territory of Tierra del Fuego.)

5) Political parties:

In the upper house, the Justicialist Party and the Radical Civic Party respectively control 30 and 11 seats (with 7 remaining); in the lower house, 117 and 84 seats, with the remaining 53 accounted for by other parties. Justicialist Party governors currently hold office in 16 of the 23 states; 3 states each are controlled by Radical Civic Party governors and local party governors. A government-appointed transitional governor serves in one state, but a gubernatorial election is scheduled for October. In the lower house election of October 3, 1993, in which half of all seats were up for re-election, the Justicialist Party achieved an overwhelming victory (42.3% of all votes); its power will increase by 10 seats in December.

(5) Domestic administration

The most important policy objectives of the current government, founded in July 1989, are restraining inflation and achieving economic stability and sustained growth. To accomplish these it has promoted administrative reform and rationalization (primarily involving the privatization of and personnel reductions at state-run enterprises), increased tax revenues, furthered the regional distribution of power, eased regulations, and revised the social security system, while also striving to increase foreign and domestic investment.

(6) Trends in politics

Civilian control was restored with the Alfonsín administration (Radical Civic Party) in 1983, which brought an end to a period of military rule that began with a coup in March 1976. Justicialist Menem was elected president in May 1989. The ruling Justicialist Party holds an absolute majority in the upper house and a relative majority in the lower, and through a policy agreement with the UCEDE (a moderate alliance), major bills proposed by the government are passed with almost no modification. Although the effectiveness of its economic stabilization program gave the ruling Justicialist Party a better-than-expected showing in the gubernatorial and lower house elections of late 1991, Radical Civic Party candidates won in Buenos Aires in May 1992, due partly to the fact that the federal capital has been a traditional Radical Civic Party stronghold and that the party's candidates were already well-known after serving two terms in the upper house.

(7) Diplomatic relations

- 1) Priority is given in Argentina's diplomatic relations to the U.S., EC, Japan and Asian NIEs.
- 2) With the continuous support of the U.S. for its economic policies, the Menem administration has maintained a pro-U.S. stance that was reaffirmed at the U.S.-Argentine summit meeting held on June 28, 1993.
- 3) A four-nation free-trade agreement with Brazil, Paraguay and Uruguay (MERCOSUR) was ratified on March 26, 1991 and will go into effect in 1995. Relations with Chile are also being strengthened.
- 4) Economic Minister Cavallo met with Japanese Foreign Minister Watanabe in Tokyo on December 10, 1992.
- 5) President Menem is scheduled to visit Japan in December 1993.

2. Economic situation**(1) General trend**

Argentina faced economic stagnation in the 1980s (between 1981 and 1990 GDP and per capital GDP increased by ▲13% and ▲24.3% [ECLAC estimates]). Structural budget deficits, a worsening international balance of payments, debt load and other factors consistently resulted in three-digit inflation and a weakened economic base as the country repeatedly experienced hyperinflation and temporary abatement due to shock therapy, while the fixed investment ratio fell from 25.3% in 1980 to 14.0% in 1990. Using foreign currency reserves swelled by a 1990 trade surplus (on a total monetary basis; equivalence for one year of imports), the government succeeded in holding down inflation with a new economic program commenced in April 1991 (centered around the Conversion Law), and strove for macroeconomic stability to achieve economic revitalization accompanied by capital returned through privatization, budget deficit reduction, the regional distribution of power, deregulation, and economic liberalization policies. The subsequent economic recovery was rapid, with the GDP growth rate 8.9% and 8.7% in 1991 and 1992, respectively.

(2) Trends in the major sectors**1) Agriculture:**

Argentina's agricultural sector accounts for 6-7% of GDP, and roughly 70% of exports are primary products and processed foods. Although production and exports, led by grains and oil crops, expanded in 1990, agricultural protectionism in the international market and worsening trade conditions have ended hopes for large increases in exports of traditional crops (e.g., wheat, corn and soy beans), making improved competitiveness (i.e., diversification and higher quality) a pressing issue.

2) Industry:

The manufacturing sector, which accounts for roughly 25% of GDP and which recorded negative growth (Δ 11.6%) between 1987 and 1989, began recovering in 1990, and achieved a growth rate of 11.9% in 1991 and 7.3% in 1992 thanks to rapidly increasing consumer demand under economic stability. Total exports have not fluctuated greatly, but with competitiveness decreasing (due to high fixed exchange rates and energy costs and the deterioration of production equipment), cost reduction and enhanced productivity have become important issues. Imports are increasing rapidly as a result of the lowering of import duties (in April 1991) and other market-opening policies.

(3) Fiscal policy

The ratio of the budget deficit to GDP, cited as a major factor behind inflation, has been gradually decreasing since peaking at 16.7% in 1983. Policies introduced in 1990 to balance the budget (i.e., tax reform, privatization and personnel reductions in the public sector) are beginning to show results (probability of a budget surplus in 1993: 0.39%).

(4) International balance of payments

Rapidly increasing external debt (along with rising interest rates) in the early 1980s, along with falling prices for export products, combined to create a continuously worsening international balance of payments, and in 1992 a huge trade deficit was recorded. The government's approach to improving the balance of payments, in view of limited domestic capital, has been to induce foreign capital to achieve large surpluses in the balance of capital.

The international balance of payments in 1992 was as follows (in US\$ million): trade balance Δ 2,872 (from 3,698 in the previous year), invisible trade Δ 5,643 (from Δ 6,559), current balance Δ 8,547 (from Δ 2,832), balance of capital 12,639 (from 5,540), errors and omissions Δ 357 (from 42), total balance of payments 3,735 (from 2,750).

(5) External debt

External debt, which totaled \$61,095 million at the end of 1992, was reduced in 1990 by swapping external debt in the privatization of state-run enterprises, but grew again in 1991. Stand-by credit approved by the IMF in June 1991 was changed to EFF in March 1992. In July of the same year a debt-rescheduling agreement was approved by the Paris Club, and in March 1993 a debt-reduction agreement under the Brady Initiative was ratified by a group of private banks. The distribution of external debt is as follows (US\$ million): private banks 31,463, multilateral institutions 7,538, Paris Club 8,835, government bonds 8,738, other 4,521 (Source: *C. Economica*).

(6) Economic relations with Japan

In 1993 Argentine exports to Japan totaled \$513.6 million and imports from Japan \$709.1 million (respectively a drop of 17.4% and a gain of 58% over the previous year), giving Argentina a \$195.5 million trade deficit with Japan. There have been 139 cases of Japanese direct investment between 1951 and 1992, for a cumulative total of \$490 million; in 1992 there were 2 cases totaling \$18 million.

3. Social situation

(1) Trends in the major sectors

1) Education:

With free public education, a middle class comprising roughly half the population (high for a Central or South American nation) and a large Caucasian population (97%), both the secondary education enrollment rate and literacy rate are high. Nevertheless, because of the serious problems posed to Argentina's public schools by the chronic budget deficits of recent years, separate profitability, the charging of tuition, and limits on numbers of students are now being considered for public universities despite public opposition.

2) Health:

In urban areas, public and private medical institutions, emergency care and the separation of pharmacy and clinic are well established. Chronic budget deficits, however, are preventing public medical institutions from purchasing adequate medical supplies and from replacing and upgrading medical equipment and instruments. Death from disease was 687 per 100,000 persons in the 1980s (in contrast to 402 in Japan), with roughly half dying from circulatory ailments, making countermeasures to such ailments an urgent matter.

3) Urbanization:

People living in urban areas account of a high percentage (87%) of the total population. Furthermore, one-third of the country's population is concentrated in and around Buenos Aires, resulting in problems involving traffic, garbage, waterworks and sewage.

4) Others:

Research conditions at public universities are appalling because of insufficient funding under chronic budget deficits.

(2) Income distribution/Regional disparities

Although income disparities between urban and rural areas and between the capital and the rest of the country do exist, no specific data is available. Income disparities according to education are great, while the ranks of the poor are swelling due to the impact of chronic economic deterioration and the current structural adjustment program on the middle class and small and medium-scale farmers.

(3) Others

- Theft and robbery have risen slightly, and civil disorder is on the rise in areas around the capital.
- It has been reported that seven to eight thousand Argentinians of Japanese descent have left the country to work in Japan.
- On March 17, 1992, an international terrorist group said to be Islamic fundamentalist bombed the Israeli embassy, killing 30 and wounding 250. No terrorist acts have been committed by extremist elements in Argentina thereafter.

4. Special issues

(1) Environment

- 1) Major environmental issues:
Flooding, water pollution, the desertification of Patagonia, waste disposal in urban areas, and the cutting down of virgin forests.
- 2) Organization responsible for environmental affairs:
Agency of Natural Resources and the Human Environment (established in November 1991)
- 3) Major environmental policies:
Currently under consideration.
- 4) Framework for environmental law:
A nationwide "Federal Environmental Law" is currently being drafted.

(2) Women in development

- 1) General conditions concerning women:
The social advancement of women in fields such as education and research is considerable, and there are more women in technical and managerial positions than in Japan.
- 2) Organization responsible for women's affairs:
Human Rights and Women's Affairs Bureau, Ministry of Foreign Affairs
- 3) WID policies:
Nothing particular.

(3) Military expenditures, etc.

Military expenditures increased 2% between 1992 and 1993, from 1.9887 billion to 2.0288 billion pesos, accounting for 5.1% of all fiscal expenditures. Some arms are manufactured domestically.

(4) Democratization and basic human rights

Civilian rule returned in 1983, and the second civilian president (the current President Menem) was elected in 1989. Although a small dissatisfied element within the military rebelled during the early days of the current administration, it was quelled quickly and its effects were limited. Argentina's period of military rule (1976 to 1983) saw various human rights problems (including disappearances associated with crackdowns on terrorist activity), but the freedom of speech, assembly, thought and belief and other basic human rights guaranteed by the constitution are being restored.

5. Indicators

	Land area	2,791,810 km ² (7.3 times the size of Japan)			
	Population	32,370,298 (according to the census of May 1991)			
	Country classification (DAC list)	Middle to high-income country			
Economic indicators	GDP (US\$ million) ^{*1}	3,244 (1989) → 68,922 (1990) → 180,898 (1991) → 226,638 (1992)			
	Real GDP growth rate ^{*1}	▲6.2% (1989) → 0.9% (1990) → 8.9% (1991) → 8.7% (1992)			
	Per capital GDP (US\$) ^{*2}	2,160 (1989) → 2,730 (1990) → 2,750 (1991)			
	Sectoral distribution of GDP ^{*1}	Agriculture, 7.8%;	Mining/Industry, 29.3%;	Services, 54.4%;	Others, 8.5%; (1991) (1992)
	Sectoral growth rate ^{*1}	Agriculture, 0%;	Mining/Industry, 7.4%;	Services, 7.7%;	(1991)
	Sectoral distribution of employment ^{*3}	Primary industry, 13%;	Secondary industry, 33.8%;	Tertiary industry, 53.1%;	(1986-89)
	Growth rate of consumers price index ^{*3}	4,923% (1989) → 1,343% (1990) → 84% (1991) → 17.5% (1992)			
	Unemployment rate ^{*2}	7.1% (1989) → 6.2% (1990) → 6.0% (1991) → 7.0% (1992)			
	Exports (US\$ million) ^{*4}	9,573 (1989) → 12,353 (1990) → 11,978 (1991) → 12,237 (1992)			
	Imports (US\$ million) ^{*4}	4,200 (1989) → 4,077 (1990) → 8,275 (1991) → 14,872 (1992)			
	Balance of current accounts (US\$ million) ^{*4}	▲1,294 (1989) → 1,903 (1990) → ▲2,832 (1991) → ▲8,547 (1992)			
	External debt balance (US\$ billion) ^{*5}	62.8 (1989) → 61.7 (1990) → 63.1 (1991) → 62.5 (1992)			
	Debt service ratio ^{*4}	67.1% (1989) → 49.6% (1990) → 47.1% (1991) → 36.0% (1992)			
	Foreign currency reserve (US\$ million) ^{*5}	784 (1989) → 3,242 (1990) → 5,945 (1991) → 10,029 (1992)			
	Social indicators	Population growth rate	1.5% (1980-1990)		
Life expectancy at birth (1985-1990)		male 63.9, female 74.0,			
Infant mortality rate		32/1,000 (1985-1990)			
Per capita calorie intake		3,168 Kcal/day (1986-1988)			
Primary education enrollment ratio		110.0% (1985)			
Secondary education enrollment ratio		73.2% (1987)			
Higher education enrollment ratio		38.7% (1986)			
Adult illiteracy rate		4.7% (1987)			
Population ratio in absolute poverty	9% of total population (1988; ECLAC data)				

Source:

(*1) Central Bank

(*2) World Bank

(*3) INDEC

(*4) ECLAC

(*5) FIDE.

II. Socio-economic development situation

1. Outline of the national development plan

The Three-Year Plan for Economic Growth, announced on May 1, 1993, as part of efforts to economic stability, contains not only macroeconomic forecasts and forecasts of public investment, but also policy objectives and methods for the next three years.

(1) Goals and issues

Goals

- 1) Increased stability through market functions
- 2) Solid economic growth
- 3) Increased employment and reduced income disparity

Issues

Deregulation; trade liberalization; government involvement in uncompetitive markets; increased savings, investment and exports; integration into the world economy; reform of the tax system, labor laws and social security system; and increased public investment in the social sector.

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
(1) Economic stability	<ol style="list-style-type: none"> 1) Dollar-peso convertibility assurance (Conversion Law) 2) Maintenance of the current conversion rate. 3) Tax reform and enhanced tax administration capabilities to maintain the primary fiscal surplus at 2% of GDP 	<ol style="list-style-type: none"> 1) Downward pressure to relieve high currency 2) Whether appropriate measures can be implemented to prevent economic stagnation 3) The extent to which the public's trust can be gained
(2) Privatizing and increasing efficiency in the public sector	<ol style="list-style-type: none"> 1) Reorganizing the public service system 2) Reorganizing and rationalizing the structure and functions of the central government 3) Completing privatization during 1993 4) Environmental considerations primarily in areas of privatization 	<ol style="list-style-type: none"> 1) Training government personnel under the new system 2) Proper supervision and regulation in fields of privatization
(3) Deregulation	<ol style="list-style-type: none"> 1) Revising and eliminating various regulations 	<ol style="list-style-type: none"> 1) Whether the counted-upon market entry and withdrawal will occur 2) Whether proper measures to prevent cartels and collusion can be implemented
(4) The decentralization of power/Regional development	<ol style="list-style-type: none"> 1) Transferring education and medical institutions to state jurisdiction 2) Organizational rationalization and systemic reform in local governments 3) Promoting local industry 4) Infrastructure improvement by local governments and the private sector 5) Regional development and promotion in Patagonia 	<ol style="list-style-type: none"> 1) The administrative capabilities of local governments 2) The willingness of local residents to participate in regional development 3) Accurate assessment of trends in each state and in neighboring countries 4) Incentive in the private sector

(5) Promoting exports	<ol style="list-style-type: none"> 1) Increasing market size through MERCOSUR (to commence in 1995) 2) Promoting agroindustry 3) Diversifying export items (i.e., promoting mining, agriculture, forestry, fisheries and high value-added products) 4) Improving the infrastructure of the Import-Export Bank and communications, and increasing efficiency 	<ol style="list-style-type: none"> 1) Political and economic stability in Brazil 2) Absence of a common exchange policy within MERCOSUR 3) International competitiveness (quality control and cost reduction) 4) Proper capital and information channels
(6) Developing a diversified, advanced industrial structure	<ol style="list-style-type: none"> 1) Improving business management capabilities (i.e., quality control, productivity and energy) 2) Using information to increase efficiency 3) Increased competitiveness in manufacturing 4) The industrial application of science and technology 5) Introducing foreign technology through capital partnerships 6) Environmental improvement to induce foreign direct investment 7) Modernizing small and medium-sized companies 	<ol style="list-style-type: none"> 1) Confidence in macroeconomic stability and system reform 2) Establishing proper channels for information and capital 3) Promoting competition through privatization and deregulation 4) Promoting technology transfers
(7) Health	<ol style="list-style-type: none"> 1) Reform of the health insurance system 2) Improving public medical institutions and medical equipment 	<ol style="list-style-type: none"> 1) A consensus on systemic reform 2) Shortages of full-time physicians because of low wages 3) Insufficient funding 4) Improving administrative and managerial capabilities
(8) Human resource development	<ol style="list-style-type: none"> 1) Improving the quality of primary education through local supervision 2) Enhancing tertiary educational institutions 3) Improving corporations' in-house training 	<ol style="list-style-type: none"> 1) Teachers' low wages 2) Insufficient funding for education and research 3) Lack of long-term vision

3. Investment program for the development plan

Total public investment from 1993 to 1995 is expected to be roughly 30 billion pesos. The breakdown according to investor and source of revenue is as follows.

Business-related investment by privatized corporations and concessions	26%
Investment by the central government and its institutions	24%
Investment in the form of transfers and loans from the central government to local governments	14%
Investment by state and local governments using local sources of revenues	36%

4. National budget

The central government's budget for 1993 (in millions of pesos)

Current revenues	38,437 (96.9%)	Current expenditures	35,726 (90.1%)
Tax revenues	35,646 (89.9%)	Administrative expenses	23,775 (59.9%)
Non-tax revenues	2,791 (7.0%)	Interest on debt	3,453 (8.7%)
Capital revenues	1,213 (3.1%)	Transfers	8,498 (21.4%)
Total revenues	39,650 (100%)	Capital expenditures	3,924 (9.9%)
		Total expenditures	39,650 (100%)

Ratio of public-sector balance of payments to GDP

1993 (forecast)
0.39%

Distribution of expenditures

General administration	3,864 (9.75%)
Defense and security	3,430 (8.65%)
Social projects	24,229 (61.11%)
Economic projects	4,561 (11.50%)
Government bonds	3,564 (8.99%)
Expenditures	39,650 (100.00%)

Note:

The budget for fiscal 1993 -- submitted prior to September 15 and subsequently approved by the legislature within fiscal 1992 -- was only the second budget (the first being that of 1953) to be drafted lawfully under the provisions of the current accounting law.

Assumptions in the budget for fiscal 1993

Annual inflation rate: 5.3%

Exchange rate: 1 peso = 1 dollar

International interest: 6% (annual average LIBOR)

GDP growth rate: 10%

Public utilities: Unchanged

Public-sector salaries: Unchanged (However, internal adjustment is possible under reformed public servant salary regulations.)

III. Aid flow from multilateral organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$236.9 million (1991)

	Italy	Germany	Spain
Aid amount (in million US\$)	153.2 ('91)	29.9 ('91)	12.4 ('91)
Share	64.7%	12.6%	5.2%
Type of aid	Technical cooperation and loans	Technical cooperation	Technical cooperation and loans
Priority areas or sectors	Promoting small and medium-sized enterprises National reform, science and technology Energy and immigrant assistance	Promoting small and medium-sized enterprises Conserving the environment and natural resources Infrastructure and improved industrial technology	Developing small and medium-sized enterprises Creating land registers Labor issues and the environment

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$34.5 million (1991)

	UNDP	EEC
Aid amount (in million US\$)	23.7 ('91)	3.60 ('91)
Share	82.0%	10.4%
Type of aid	Technical cooperation	Technical cooperation
Priority areas or sectors	Economic growth Trade and investment Functional improvement of governmental institutions	Promoting commerce and industry/Energy The environment Science and technology

3. Japanese ODA

The place of Japan among bilateral donors: 3rd Share: 11.4% (1991)

Aid amount (in million US\$, 1991)	Trends in assistance
Technical cooperation 18.4	Because of Argentina's relatively high income levels, assistance has centered around technical cooperation, in which priority has been given to transportation, traffic, agriculture, livestock, fisheries, health, mining and industry. Financing has been provided once in the form of a loan for debt deferment. Grant aid has been provided for fisheries and cultural projects.
Grants	
Loans 8.7	
Total 27.1	

4. Significance of ODA in the country

Percentage of national budget funded with ODA: approx. 0.7% (JICA estimate)

Total amount of ODA (net disbursements): \$265.8 million (1991)

Argentina, making use of adjusted financing from the World Bank and IDB and EFF approved by the IMF in March 1992 (\$3.2 billion, including the 3rd and ensuing transfers under standby credit approved on June 29, 1991), has undertaken systemic reform and the reorganization and rationalization of governmental institutions. In the Three-Year Plan for Economic Growth, loans (including technical cooperation from these multilateral institutions) are the main source of funding for major projects.

5. Collaboration among aid organizations

Meetings regularly held by UNDP to facilitate the exchange of information between multilateral institutions and donor nations were discontinued in September 1992.

6. Situation of NGO activities

(1) NGOs currently active: approx. 100 (UNDP data)

(2) NGO activities

1) Antipoverty measures

2) Vocational training

3) Environmental issues

IV. Priority areas or sectors for JICA cooperation

As the current Menem administration --- the second since the restoration of civilian rule --- is currently promoting measures for reducing the nation's cumulative debt and overcoming economic stagnation to achieve stable, sustained economic growth, assistance to Argentina shall be provided in accordance with the following goals and in order to assist in attaining economic stability and growth through these new economic policies.

- (1) Sustained, stable socioeconomic growth through improvement of the socioeconomic infrastructure (including short- to medium-term assistance for economic reform)
- (2) Promoting exports through industrial diversification and advancement (including agriculture, livestock and fisheries)
- (3) Regional development through a balance between resource management and effective utilization
- (4) Higher living standards through enhanced sanitation and welfare

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Sustained, stable growth	Export promotion	Resource management and regional development	Higher living standards			
Economic management	⊙	○	○	○	(1) Building the foundations of growth through economic stabilization	1) Rationalization of the public sector (administrative reform, modernization and privatization) 2) Functional enhancement of institutions responsible for drafting comprehensive development policy 3) Enhanced capabilities for collecting and analyzing information for drafting sectoral policy	
	⊙	○	⊙	○	(2) Drafting regulatory framework and strengthening supervisory institutions in fields targeted for privatization and deregulation	1) Increasing capabilities for drafting policy measures and monitoring methods 2) Coordination between separate fields and integration with economic policy	

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Sustained, stable growth	Export promotion	Resource management and regional development	Higher living standards			
Agriculture, forestry and fisheries	<input type="radio"/>	<input checked="" type="radio"/>			(1) Increased international competitiveness through increased production in agriculture and livestock and improved quality	<ol style="list-style-type: none"> 1) Improved technology for the stable production of grains and oil crops (i.e., preventing pest damage and using post-harvest agrochemicals) 2) Expansion and enhancement of fruit and vegetable production 3) Expansion of R&D (including biotechnology) 	
	<input type="radio"/>	<input checked="" type="radio"/>			(2) Promoting agroindustry	<ol style="list-style-type: none"> 1) Developing high value-added products (meats, dairy products, oil crops and fruits) 2) Improved quality control, sanitation standards and inspection techniques 3) Enhanced marketing capabilities 	
	<input type="radio"/>		<input checked="" type="radio"/>	<input type="radio"/>	(3) Improved measures for small-scale agriculture	<ol style="list-style-type: none"> 1) Regional agricultural development and improved living standards 2) Developing and adopting export cash crops 3) Establishing an agricultural financing system 	
	<input checked="" type="radio"/>		<input type="radio"/>		(4) Forestry promotion	<ol style="list-style-type: none"> 1) Forest resource management and environmental measures 	
	<input checked="" type="radio"/>		<input type="radio"/>		(5) Promoting fisheries	<ol style="list-style-type: none"> 1) Resource management and enhancing research capabilities 2) Improving and disseminating fishing technology 3) Developing products for export promotion and expanding domestic consumption (including processed products) 4) Improving fishing harbors and related facilities 	

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Sustained, stable growth	Export promotion	Resource management and regional development	Higher living standards			
Mining/Industry	○	⊙			(1) Modernizing the technological foundations of industry	1) Drafting medium to long-term strategies for industrial technology and considering policies for promoting technology	
	○	⊙			(2) Promoting industrial support by strengthening public research institutions	1) Promoting industrial technology transfers and implementing R&D activities 2) Drafting standards for quality improvement 3) Expanding testing facilities into the provinces 4) Modernization and human resource development at research institutions	
	○	⊙	○		(3) Improving international competitiveness by modernizing manufacturing	1) Expanding training programs and training instructors for disseminating business management methods and production technology. 2) Considering financing programs and standards for small and medium-sized corporations 3) Promoting local industry in the provinces 4) Drafting policies for import promotion	
	○		⊙		(4) Developing resources and energy	1) Investigations for resource management and the effective use of resources, and improved capabilities therefore 2) Developing technology for energy conservation and unused and substitute sources of energy	
Economic infrastructure	⊙		○		(1) Improving the infrastructure for promoting exports	1) Harbor renovation (e.g., storage systems), constructing container terminals and arterial roads, and enhancing river transport 2) Investigations on Pacific passage	
	○	⊙			(2) Responding to industrial advancement and the information age	1) Improving information, electricity and communications networks	

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Sustained, stable growth	Export promotion	Resource management and regional development	Higher living standards			
Social infrastructure	<input type="radio"/>	<input checked="" type="radio"/>			(1) Human resource development for industrial diversification and advancement	1) Enhancing higher education institutions 2) Training in information processing 3) Expanded vocational training	
	<input type="radio"/>			<input checked="" type="radio"/>	(2) Environmental improvement	1) Strengthening institutions that perform investigations on water and air pollution, and establishment the methods of investigation	
	<input type="radio"/>		<input checked="" type="radio"/>	<input type="radio"/>	(3) Improving standards of living in the provinces	1) Enhanced training for regional administrators	
	<input type="radio"/>			<input checked="" type="radio"/>	(4) Enhanced medical care	1) Better medical equipment and medical supplies 2) Better training for medical workers	

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

- 1) Plans must be formulated after proper confirmation of conditionality with the IMF and World Bank, etc. Administrative reform, including personnel reduction and organizational restructuring and reorganization, is now in progress under a structural adjustment program, and governmental institutions, whose self-help capabilities are surprisingly limited, cannot be expected to carry through with equipment investment and replacement. Hence, careful and foresighted consideration concerning the appropriateness and sustainability of each condition is necessary. As all counterpart organizations have extremely low capacities to bear local costs (in spite of the desire for new cooperation), care must be taken to avoid excessive expectations regarding the type and extent of costs that counterparts can bear.
- 2) Requests for assistance are expected to increase now that the approval of MERCOSUR (the South American free-trade agreement scheduled to go into effect in 1995) has made the promotion of competitive industries an urgent task. However, careful consideration is required for cases in which the interests of each country involved are not clear.
- 3) Disparity is great between regional areas and the capital area (with the extent depending on local resources), where one-third of the nation's population is concentrated. Although a decentralization program has been implemented, special attention must be paid to the administrative capabilities of local governments and progress in privatization.
- 4) In spite of great needs for cooperation in advanced science and high-tech sectors, deteriorating equipment and facilities plague nearly all public

Institutions, resulting in many cases of assistance for equipment and facility renewal. Therefore, when assessing the implementation capacity of a requesting institution, it is necessary to properly investigate the usability of water, electricity, gas, telephone service and buildings and to scrutinize the preconditions for technology transfers (including equipment).

- 5) The Argentine people have praised the Argentine Republic Economic Development Investigation Report (commonly called "Okita Report" implemented between 1985 and 1986), and advice concerning harmonization and the drafting of medium-term plans has been incorporated into the Three-Year Plan for Economic Growth. It is hence of the utmost importance that we scrutinize the policies described in the Three-Year Plan, supplement and enhance them, and strive to seek out and formulate superior cases in each field while keeping in mind the recommendations of the aforementioned Report.

(2) Consideration for implementation capacity of counterpart-organizations

- 1) Because of an unfamiliarity with Japan's framework for assistance on the part of Argentinian institutions that request and coordinate assistance, we must, beginning in the scouting stages, properly explain not only the nature of the technology and cooperation involved but also the scope and nature of Japan's assistance.
- 2) For requests from sectors targeted for privatization, the collection of information about the role of public institutions (both national and local) must be greatly enhanced in order to help determine appropriateness.
- 3) A weak bureaucratic foundation and frequent transfers among top-level bureaucrats necessitate the proper determination of the rules of decision-making and where decision-making powers lie.

VI. Summary of evaluation studies

- 1) In the midst of severe economic fluctuation, "The fact that the annual guidance investigation was held to check on the progress of each project, and that cooperation plans were considered in light of the results thereof, is extremely meaningful to project promotion following an agreement on necessary plan modifications and responses" (Report of the Argentinian National Railway Central Training Sector Project Investigation Committee, February 1991).
- 2) In spite of generally high levels of technology and superior theoretical science, the continued failure of universities, research institutions, hospitals, and other institutions to implement fiscal measures for procuring materials and renovating facilities has resulted in equipment and facility deterioration that significantly hampers technology transfers. All equipment already provided has therefore been effectively used, and the providing of equipment has become an effective means of technical cooperation in Argentina. Seminars are also an extremely effective way of introducing technology to a wide audience.
- 3) In addition to actively responding to the training needs of local governments, the response to the training needs of privatizing public-sector firms must also be enhanced ("Trainee Acceptance Projects," The 1991 Report on Foreign Offices, March 1992).
- 4) With an understanding of the importance of follow-ups for returning trainees, a comprehensive investigation of content, type and methods is necessary, as is the speedy application of new knowledge (ibid.).

- 5) **Project-implementing organizations, in securing funds to finance their operations, are expected to make such self-help efforts as using income from testing and inspection contracts from the private sector to fund overall projects (English text, "Assessment Report-After Completion of Packaging Technology Program," October 1992).**
- 6) **As the concurrent assignment system for counterparts hinders project implementation, we must switch to exclusive assignment in order to assure the independent development of projects (ibid.).**

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Republic of Bolivia

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional republic

(2) Date of independence

August 6, 1825

(3) Head of state

LIC. Gonzalo Sanchez de Lozada (Appointed in August 1993 to a four-year term.)

(4) Political structure

Independence of the three branches of government — legislative, executive and judicial.

1) Legislature:

Bicameral system comprised of an upper and lower house. The 27 members of the upper house serve four-year terms, as do the 130 members of the lower house.

2) Executive:

President Sanchez de Lozada consolidated the 17 ministries into the current 10. The cabinet is comprised of a coalition of the Nationalist Revolutionary Movement (MNR), Tupakkatali Liberal Revolutionary Movement (MRTKL), Civic Union Solidarity (UCS), and the Free Bolivia Movement (MBL); included is a minister without portfolio from the Federation of Private Corporations (CDEP). The country is divided into 9 prefectures, each of which is headed by a governor appointed by the president.

3) Judiciary:

Comprised of the Supreme Court (in Sucre), High Courts (in the 9 prefectures), and lower courts in the cities and counties. Each court's head and judges are appointed by the legislature.

4) Political parties:

Ruling parties: The alliance of the Nationalist Revolutionary Movement (MNR) and Tupakkatali Liberal Revolutionary Movement (MRTKL) holds 17 seats in the upper house and 52 in the lower, while the Civic Union Solidarity holds 1 and 20 seats (respectively) and the Free Bolivia Movement 7 in the lower house only.

Opposition parties: The alliance of the Movement of the Revolutionary Left and the Nationalist Democratic Action holds 8 and 35 seats in the upper and lower houses, respectively; the Conscience of the Fatherland Party 1 and 13 seats; and

the Bolivian Revolutionary Alliance, Democratic Socialist Reform Party, and Patriotic National Convergency Axis 1 seat each in the lower house only.

(5) Domestic administration

The current administration, elected in 1993, has stated the following goals and issues in its "Plan for the People" (Plan de Todos).

Goals:

- 1) Increased democracy
- 2) Economic stability and development
- 3) Reform in education and health care

Issues:

- 1) Fighting corruption
- 2) Creating jobs
- 3) Agricultural development
- 4) Emphasis on education and health care
- 5) Participation of the people
- 6) Sustaining natural resources
- 7) Encouraging private-sector investment
- 8) Capitalizing state-run enterprises
- 9) Increasing public savings

(6) Trends of politics

Administrative authorities and the general public have great expectations in the current Sanchez de Lozada administration. Although many of the poor are suspicious of the fact that the ministers of Economic Development and Social and Human Development are individuals closely involved with the Federation of Private Corporations, the current administration has targeted corruption — extensive under the previous administration — for elimination, an act that has raised hopes that these ministers will perform their duties impartially. Since taking office, the president has stressed to the people the necessity of social justice, sustained economic growth and the participation of the public. In addition, Vice-President Cárdenas is the country's first from the Aymara, Bolivia's aboriginal people.

(7) Diplomatic relations

Bolivia has announced its intentions to strengthen relations with surrounding countries while maintaining a pro-West stance, particularly towards the U.S. The issue of ocean access continues with neighbor Chile, with Bolivia demanding the return of land lost to Chile in 1879.

2. Economic situation

(1) General trend

The new administration, basically following the economic policies of the previous administration, has placed emphasis on economic revitalization — particularly 1) promoting financing for agriculture and smaller businesses and 2) laws related to investment — to achieve economic growth and create jobs. Inflation was 10.46% in 1992, and the (Boliviano-dollar) exchange rate, seeing little fluctuation, has been stabler than exchange rates in other Latin American countries.

(2) Trends in the major sectors

1) Agriculture, forestry and fisheries:

Roughly half the work force is engaged in agriculture, which was responsible for 21.3% of GDP in 1991.

2) **Natural gas, etc.:**

Exports of minerals and natural gas accounted for roughly 70% of all exports and 18.5% of GDP in 1991. Natural gas is Bolivia's biggest export item, accounting for 25% of all exports. All exported natural gas goes to Argentina.

(3) **Fiscal policy**

Budgetary emphasis is placed on energy, roads and other aspects of the social infrastructure.

(4) **International balance of payments**

Although large amounts of capital left the country because of worsening economic conditions during the Siles administration (after the restoration of civilian rule), subsequent economic policies have reduced deficits in the capital balance. In its international balance of payments, however, current accounts deficits and debt have consistently resulted in deficits since 1981. As of December 1992 the current account deficit was \$56.09 million.

(5) **External debt**

External debt has been reduced under a program to buy back debt with a trust established with capital donated from foreign governments and multilateral organizations. In 1990 the Paris Club selected Bolivia to be the first nation in Latin America to implement the Toronto scheme. Debt as of December 1992 totaled \$3,774 million, of which 11.69% (\$441.3 million) was owed to Japan, making the later Bolivia's largest bilateral creditor nation.

(6) **Economic relations with Japan**

Trade with Japan, though continuously in Japan's favor, has been small in scale. Major imports from Japan are automobiles, general machinery, electrical products and steel, while exports to Japan include antimony, gold and other nonferrous metals, lumber and agricultural products.

3. Social situation

(1) **Trends in the major sectors**

1) **Education:**

The primary education enrollment rate is 75%, but enrollment in rural areas is significantly lower than urban areas, a disparity that is even larger in secondary education and beyond. Education is one of the most important major policy areas, and the "Plan for the People" (Plan de Todos) calls for ambitious educational reform.

2) **Health:**

The primary policy objective in the field of health is to focus on prevention and treatment to reduce morbidity and mortality rates. Specifically, this entails an emphasis on waterworks, improved environmental and sanitation measures, increased inoculations and enhanced nutrition. Progress is expected in the prevention of diarrhea, acute respiratory ailments and thyroid cancer, and fundamental research on the prevention of diseases like tuberculosis and malaria will be commenced.

3) **Urbanization:**

Increased concentration of the population in La Paz and other urban areas, along with national and local fiscal difficulties, has resulted in severe environmental problems; countermeasures to contamination in waterworks and sewers and the propagation of disease-carrying insects due to unsanitary conditions are urgently required.

4) Others:

Aboriginal peoples such as the Aymara and Quechua, who account for over half the country's population, are engaged primarily in agriculture -- subsistence farming in most cases -- and are a very closed culture, priding themselves on self-sufficiency. (Bolivia is said to be 55% aboriginal peoples; 32% mixed and 13% caucasian.)

(2) Income distribution/Regional disparities

There are striking disparities between social services and income in urban and rural areas. Disparities in income distribution are also extensive: The poor account for 40% of the nation's population but only 15% of all income, while the upper class account for 20% of the population and 55% of all income.

(3) Others

Drugs: Bolivia, along with Columbia and Peru, is one of the world's largest producers of coca, and the government, partly because of assistance-related pressure from the U.S., is concentrating on drug countermeasures.

4. Special issues

(1) Environment

In spite of the importance of environmental issues, incomplete systems and laws have hampered an organized response. However, with World Bank having mandated the inclusion of environmental studies in developmental studies, the Bolivian government has begun implementing measures concerning mining damage, soil erosion and destruction of the rain forests. The "Environmental Bureau" was established in January 1992 under the presidency to orchestrate the country's approach to environmental issues, and has been used to help establish in the new cabinet the Ministry of Sustained Development, which encompasses authorities responsible for environmental conservation and a wide range of other issues.

(2) Women in development

Women workers account for 33% of the entire work force (a ratio of employed women to employed men of a low 49 to 100). However, this ratio is 89 to 100 in primary industry (a significant increase from 64 in 1960), reflecting women's importance in agricultural production. The ratio of women to men enrolled in school is 60 to 100, reflecting unequal opportunities in education. There are various differences in opportunities for social advancement, and the removal of these barriers is an important issue in development. The governmental organization responsible for children's issues, "Organismo Nacional de Menor, Mejer y Familia," has made remarkable efforts to protect the interests of mothers and children.

(3) Military expenditures, etc.

Defense expenditures (excluding arms purchases) account for 2.78% of public spending. Military expenditures account for 2.25% of GDP.

(4) Democratization and basic human rights

No military coup (a once-frequent occurrence) has occurred since 1982, and politically the country has stabilized. The freedom of speech, assembly, thought and belief are guaranteed under the constitution, and with worker's rights also guaranteed, teachers and Ministry of Health workers have gone on strike to demand higher wages, as have farmers to protest privatization and coca countermeasures.

5. Indicators

	Land area	1,098,000 km ² (approx. 3 times the size of Japan)		
	Population	Approx. 6.42 million (according to the 1992 census)		
	Country classification (DAC list)	Low-Income Country		
Economic indicators	GDP (in million US\$)	4,473 (1990)	→ 5,020 (1991)	→ 5,513 (1992)
	Real GDP growth rate	2.60% (1990)	→ 4.10% (1991)	→ 3.80% (1992)
	Per capita GNP (US\$)	630 (1990)	→ 807 (1991)	→ 850 (1992)
	Sectoral distribution of GDP	Agriculture, forestry and fisheries, 21.20%;	Mining/ Industry, 31.70%;	Services, 47.30% (1990)
	Sectoral growth rate	Agriculture; forestry and fisheries, -1.49%;	Mining/ Industry, 23.00%;	Services, 16.61% (1990)
	Sectoral distribution of employment	Agriculture, forestry and fisheries, 46.10%;	Mining/Industry, 13.72%;	Services, 40.12% (1990)
	Growth rate of consumers' price index	18.00% (1990)	→ 14.5% (1991)	→ 10.50% (1992)
	Unemployment rate	14.2% (1989)	→ 8.5% (1991)	→ 5.80% (1992)
	Exports (FOB: in million US\$)	830.2 (1990)	→ 760.3 (1991)	→ 751.8 (1992)
	Imports (CIF: in million US\$)	962.4 (1990)	→ 992.4 (1991)	→ 1,134.0 (1992)
	Balance of current accounts (in million US\$)	-217.9 (1989)	→ -313.5 (1991)	
	External debt balance (in million US\$)	4,000 (1990)	→ 3,582 (1991)	→ 3,777 (1992)
	Debt service ratio	42.0% (1989)	→ 41.6% (1990)	
	Foreign currency reserves (in million US\$)	142 (1990)	→ 266 (Dec. 1991)	→ 263 (1992)
	Social indicators	Population growth rate	2.1% (1976-1992)	
Life expectancy at birth		Male, 50.85; female, 54.41 (1988)		
Infant mortality rate		115/1,000 (1989)		
Per capita calorie intake		1,916 Kcal/day (1985)		
Primary education enrollment ratio		60.5% (1988)		
Secondary education enrollment ratio		32.4% (1988)		
Tertiary education enrollment ratio		6.0% (1988)		
Adult illiteracy rate		Male, 10.9%; female, 25.6% (1989)		
Population ratio in absolute poverty		33% of total population, 27.63% in urban areas, 39.02% in rural areas (1989)		

Source (economic indicators):

IMF and World Bank (Data for 1992 is from the Bolivian Central Bank, National Statistic Agency estimates, and official government statistics.)

II. Socio-economic development situation

1. Outline of the national development plan

The current administration, which came to power in 1993, has consolidated its policies into the "Plan for the People" (Plan de Todos). This plan involves the following goals and issues.

(1) Goals

- 1) Increased democracy
- 2) Economic stability and development
- 3) Reform in education and health

(2) Issues

- 1) Fighting corruption
- 2) Creating jobs
- 3) Rural development
- 4) Priority for education and health
- 5) The people's participation
- 6) Sustaining natural resources
- 7) Encouraging private investment
- 8) Capitalizing state-run enterprises
- 9) Increasing public savings

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
(1) Education	<ol style="list-style-type: none"> 1) 100% enrollment in primary education 2) Educational reform 	<ol style="list-style-type: none"> 1) Insufficient teacher capabilities 2) Low teacher salaries 3) Inadequate educational infrastructure in the provinces
(2) Health	<ol style="list-style-type: none"> 1) Higher health care standards 2) Lowering the mortality rate of children 5 and under 3) Lowering prenatal and postnatal mortality rates 4) Better nutrition for children and pregnant women 5) Lowering the morbidity rate of endemic and contagious diseases 	<ol style="list-style-type: none"> 1) An inadequate health care system 2) Human resource-related problems 3) Underdeveloped health care infrastructures in the provinces
(3) Transportation and communications	<ol style="list-style-type: none"> 1) Transportation cost reduction and export strategies 2) The construction and renovation of rural roads 3) Improving national and international roads to facilitate international transport 4) Improving domestic and international communications 	<ol style="list-style-type: none"> 1) Geographical, systemic and economic difficulties
(4) Drugs	<ol style="list-style-type: none"> 1) Switching to coca substitutes 2) Reducing coca growing to increase the availability of local labor 3) International financing for coca substitute plans 	<ol style="list-style-type: none"> 1) The difficulty of growing substitutes equivalent to coca in value (i.e., international market factors and insufficient private investment)
(5) Agriculture, forestry and fisheries	<ol style="list-style-type: none"> 1) Market mechanisms for encouraging production 2) Developing scientific and technological capabilities in this sector 3) Growth and improvement in traditional agriculture 4) Encouraging investment in subsistence farming 5) Rules for conserving plant and animal ecosystems 	<ol style="list-style-type: none"> 1) Low efficiency in agricultural production because of inferior technology and insufficient investment 2) Improper use of resources 3) Restrictions on investment in small-scale farming

(6) Energy	<ol style="list-style-type: none"> 1) Increased production of petroleum and natural gas 2) Exporting natural gas to more countries 3) Increased domestic consumption of natural gas 4) Increasing the supply of energy through lower costs 	<ol style="list-style-type: none"> 1) An imbalance between production and demand in the petroleum industry 2) Construction of the gas pipeline between Santa Cruz and San Paolo is erratic and muddled
(7) Mining	<ol style="list-style-type: none"> 1) Harmony between domestic and international economic conditions 2) Private investment from foreign countries (i.e., joint ventures) 3) Promoting corporate mergers 4) Diversification of mining production 5) Reducing environmental contamination caused by mining 	<ol style="list-style-type: none"> 1) Problems with investment and marketability (i.e., a reduced international market for ores) 2) Problems with the technology for mineral processing 3) High transportation costs and poor roads 4) Environmental impact
(8) The environment	<ol style="list-style-type: none"> 1) Protecting and conserving natural resources and making the necessary investments 2) Drafting and strengthening environmental legislation 	<ol style="list-style-type: none"> 1) Damage to plant life 2) Soil erosion and contamination 3) Misuse and contamination of water resources

3. Investment program for the development plan

Expenditures for fiscal 1993 totaled 18,423 billion Bs, of which expenditures for natural gas accounted for roughly 19% (3,501 billion Bs). This, along with transportation (approx. 12%) and health and welfare (8%), accounted for a major portion of budgetary expenditures.

4. National budget

Fiscal 1993 (millions of Bs)

1) Revenues		2) Expenditures		Allocation	Percentage
Total revenues	18,423.375				
Current revenues	13,371.116	Agriculture, forestry and fisheries	344.165		1.87
Corporate revenues	5,441.368	Mining/metallurgy	1,028.562		5.58
Mining leases	397.784	Petroleum and natural gas	3,501.496		19.01
Tax revenues	3,057.097	Industry and tourism	420.818		2.28
Non-tax revenues	765.287	Electricity	626.475		3.40
Interest	58.883	Transportation	2,202.533		11.96
Social insurance	724.587	Communications	531.687		2.89
Assistance	302.683	Health and welfare	1,533.373		8.32
General registry	1,983.477	Education and culture	962.099		5.22
Corporate repayment	287.965	Basic sanitation	273.608		1.49
Selling of private assets	138.886	Housing	224.098		1.22
Other corporate revenue	213.099	Water resources	31.315		0.17
Other revenue	2,526.181	Finance/commerce	1,397.316		7.58
Capital revenue	2,526.078	General administration	3,565.635		19.35
		Judiciary/policy	586.842		3.19
		Defense	512.788		2.78
		Legislature	60.704		0.33
		Others	619.865		3.36
		Total	18,423.376		100.00

Note: \$ 1.00 = 4.32 Boliviano (as of August 1993)

Source: Budget Bureau, Ministry of Finance

III. Aid flow from multilateral organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$367.7 million (1991)

	U.S.	Germany	Netherlands	Other (Italy, Switzerland, etc.)
Aid amount	81.00	80.90	35.90	114.80
Share	22.0%	22.00%	9.80%	31.20%
Type of aid	Grants	Technical cooperation and grants	Technical cooperation and grants	Technical cooperation and grants
Priority areas or sectors	<ul style="list-style-type: none"> • Economic stability through fiscal assistance • Solid economic growth • Coca countermeasures 	<ul style="list-style-type: none"> • Economic management • Natural resources • Agriculture, forestry and fisheries • Regional development 	<ul style="list-style-type: none"> • Economic management • Development management • Natural resources • Human resources 	<ul style="list-style-type: none"> • Natural resources, economic management and human resources • Development management, agriculture, forestry, fisheries, and regional development, etc.

2. Assistance from multilateral organizations

Total amount of multilateral ODA (net disbursements): \$156.80 million (1991)

	International Development Association (2nd World Bank)	International Monetary Fund	Inter-American Development Bank	EC
Aid amount	46.00	30.9	25.10	19.90
Share	29.5%	19.7%	16.00%	12.70%
Type of aid	• Loans	• Loans	• Loans and technical cooperation	• Grants and technical cooperation, etc.
Priority areas or sectors	<ul style="list-style-type: none"> • Analysis of the macroeconomic structure and sectoral reform programs • Management of the public sector • Farming technology development projects • Reducing poverty • Waterworks, health and sanitation 	<ul style="list-style-type: none"> • Structural adjustment loans • Economic policies and programs 	<ul style="list-style-type: none"> • Energy • Transport • Communications • Agriculture • Mining and industry 	<ul style="list-style-type: none"> • Agriculture, forestry and fisheries • Natural resources • Regional development • Industry • Women's activities (NGOs)

3. Japanese ODA

The place of Japan among bilateral donors: 3rd

Share: 12.07%

Aid amount (in million US\$, 1991)	Trends in assistance
Technical cooperation 19.49	Technical cooperation and grants have been provided primarily in the fields of economic infrastructure improvement (e.g., road maintenance), agriculture, health, and such public services as waterworks, sewers and garbage collection.
Grant aid 28.27	
Loans 6.95	
54.71	

4. Significance of ODA in the country

Bilateral ODA disbursements for Bolivia from DAC nations totaled \$347.81 million in 1991, with the U.S., Germany, Japan, the Netherlands and Italy being the major donor nations. Technical cooperation and ODA (for basic infrastructure improvement and regional development) is extremely important to this country's economic development.

5. Collaboration among aid organizations

General and sectoral conferences for major donor nations and multilateral organizations have been held since 1988 with the objective of coordinating assistance in order to avoid superfluosity and to use assistance effectively.

6. Situation of NGO activities

(1) NGOs currently active: Approx. 530

(2) Major organizations and their activities

- 1) CARE (rural development)
- 2) SAVE THE CHILDREN (rural development and health)
- 3) CHRISTIAN CHILDREN (rural development, health and education)
- 4) CARITAS (rural development, health, education)

IV. Priority areas or sectors for JICA cooperation

Assistance for Bolivia shall be provided in accordance with the goals and issues set forth in the government's "Plan for the People" (Plan de Todos). Specifically, this entails the following.

- (1) Strengthening the foundations of basic services that contribute to stable growth and improved living standards
- (2) Infrastructure improvement to achieve economic growth
- (3) Supporting poor regions to alleviate regional disparities
- (4) Environmental conservation to achieve sustainable development

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable growth	Economic growth	Alleviating regional disparities	Environmental conservation			
Economic management	⊙	⊙	⊙		(1) Improving the production base in order to achieve stable growth	1) Drafting plans for improving the production base 2) Enhancing administrative institutions and providing training in policy formation	
Agriculture, forestry and fisheries	⊙	○	○		(1) Improved productivity in agriculture, livestock and fisheries (2) Improving the distribution system for farm products (3) Forest conservation	1) Improvement and dissemination of production and processing technologies for agriculture, livestock and fisheries in general (e.g., vegetables, orchards, livestock farming and fisheries) 2) R&D on technology concerning export crops 3) Improving the agricultural infrastructure 1) Improvement and organization of the entire distribution system, from production to consumption 1) Drafting forest development plans for achieving harmony between forestry development and environmental conservation	Eastern Bolivia
Mining and industry	○	○	○	⊙	(1) Preventing environmental destruction from mining (2) Securing the development of mineral resources	1) Research on countermeasures to mining damage 1) Promoting basic studies on resource development in order to secure mineral resources 2) Establishing the technology for coal bed exploration	
Economic infrastructure	○	⊙	⊙		(1) Improving the foundations of wide-area industrial development	1) Improving roads in economically marginal regions 2) Railway development under a master plan for railways 3) Creating topographic maps 4) Modernizing the country's major airports	Northern Bolivia

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable growth	Economic growth	Alleviating regional disparities	Environmental conservation			
Social infrastructure	⊙	○	⊙	○	(1) Improving basic services for the poor	1) Improved water supply and sewerage system 2) Expanded and improved medical and health care facilities and services	Northern Bolivia
	○	○		⊙	(2) Improved sanitation in urban areas	1) Establishing a waste treatment system 2) River pollution countermeasures	
	⊙	⊙	○		(3) Human resource development	1) Expanded and enhanced vocational training for qualitatively improving the work force 2) Increased enrollment and qualitative improvement in primary and secondary education	
	⊙	⊙	○	⊙	(4) Countermeasures to flooding and other natural disasters	1) Drafting basic plans for disaster countermeasures	

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

- 1) Cooperation plans containing considerations for relief for the poor are necessary to respond to issues designated as important to Bolivia, such as stability in daily life.
- 2) One issue requiring an urgent response by the Bolivian government is coca growing. Although it is extremely difficult for Japan to provide direct cooperation for related countermeasures, we must provide indirect cooperation, i.e., in areas like agricultural improvement and substitute crops.
- 3) As environment considerations are now a condition for loans from World Bank, Inter-American Development Bank, and other institutions, we must actively support environmental conservation projects and also incorporate proper environmental considerations into all projects in general.

(2) Consideration for implementation capacity of counterpart-organizations

- 1) When providing cooperation it is necessary to determine whether each counterpart organization has the capacity to bear local costs and the organizational and human-resource capacities to receive the assistance in question. Special investigations must also be made of each organization's organizational structure and decision-making mechanism with respect to the permanent establishment of the related technology after project completion.
- 2) However, as Bolivia may not be able to actually bear local costs even when it may fully intend to do so, when providing grants, in particular, the Japanese side must devise flexible measures concerning local-cost assistance.

(3) Consideration in formulating or selecting proposals

- 1) The only Bolivian equivalent of a national development plan are policies announced in the form of presidential orders, and although many governmental institutions may seem overly eager for any type of assistance, in the formulation or selection of proposals, it is necessary to fully understand the counterpart's needs and priorities and select proposals that are truly beneficial to Bolivia.
- 2) Although donor nations and multilateral organizations are actively providing assistance to Bolivia, because of the lack of aid coordinating capabilities on the part of the Ministry of Finance and the Ministry of Economic Development (which actually receive aid), in the examination of proposals it is necessary to take steps to avoid duplicating assistance from other donor nations or multilateral organizations.
- 3) When selecting proposals of grants, it is necessary to accurately determine Bolivian economic circumstances and pay special attention to maintenance expenses.

(4) Consideration during implementation stage of projects

- 1) Field investigations for grants should involve not merely documentation but also adequate on-site inspections designed to determine Bolivia's implementation capacity and the counterpart organization's technical level and economic and managerial capabilities; only after such inspections should a grant suited to local circumstances be considered. Also, consensus-building should begin in the investigation stage.
- 2) Top-level personnel changes in counterpart organizations can affect the sustainability of projects.

(5) Consideration after project implementation

- 1) Pertinent guidance and advice should be provided to counterparts after project completion to ensure proper administration and maintenance.

VI. Summary of evaluation studies

- 1) Counterpart capabilities (concerning organization and personnel) must be accurately determined when selecting proposals.
- 2) Social and economic impact must be examined in greater detail when selecting proposals. (Local consultants familiar with local circumstances should be used.)

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Federative Republic of Brazil

I. Political, economic and social situation

1. Political situation

(1) Government regime

Federal republic comprised of 26 states and the federal district of Brasilia.

(2) Date of independence

September 7, 1822

(3) Head of state

President Itamar Augusto Cautiero Franco.

On September 29, 1992, then-Vice-President Franco became acting president when Brazil's lower house voted to impeach then-President Fernando Collor de Mello, who had taken office in March 1990 after being elected the previous year in Brazil's first direct election in 29 years. Although President Collor was immediately suspended from duties, he resigned on December 29, 1992, immediately before his impeachment vote in the upper house; acting President Franco officially assumed the office of president on the following day. His term lasts until March 1995.

(4) Political structure

A U.S.-style structure comprised of three independent branches: legislative, executive and judiciary. In spite of the presidential system, the new constitution, adopted in October 1988, gives the legislature considerably more authority than before.

1) Legislature:

Bicameral system comprised of an upper house (81 seats and 8-year terms) and lower house (503 seats, 4-year terms).

2) Executive:

Consists of 3 bureaus and 20 ministries under direct authority of the president, who also selects the cabinet. The 26 states and the federal district are also divided into three independent branches, with a unicameral state council exercising legislative authority in each state. State governors (publicly elected to 4-year terms) exercise administrative authority.

3) Judiciary:

Comprised of the Federal Supreme Court, Judicial High Court, Federal District Court, Labor Court, Election Court, Military Court and State Supreme Courts.

4) Political parties:

In the lower house the government's base of support consists of the Brazilian Democratic Movement Party (Brazil's largest party with 101 seats), Brazilian Social Democracy Party (45 seats), and other parties. Anti-government

parties include Liberal Front Party (69 seats), Democratic Labor Party (36 seats), and the Workers' Party (35 seats).

(5) Domestic administration

Fundamentally, the Franco administration continues the basic policies of President Collor: establishing democracy, rebuilding the economy, and improving Brazil's status in international society. Other policies being promoted include fiscal austerity, administrative reform, economic liberalization, harmony with lenders, and fighting corruption. The Franco administration is characterized by its emphasis on social policies for low-income people.

(6) Trends of politics

After the lower house voted to impeach him on September 28, 1992, President Collor was suspended from duties on October 2 and then Vice-President Franco became acting president and immediately formed his cabinet. Vice-President Franco officially became president on December 30, 1992, after President Collor resigned on the previous day.

As President Franco owes his office to the national assembly-led impeachment of his predecessor, he has from the start been highly dependent on the national assembly, where his weak political base (President Franco belongs to no political parties) has forced him to reward party support with ministerial appointments. Hence, a majority of members in the national assembly are government supporters, thus preventing the kind of antagonism between president and national assembly seen during the Collor administration.

(7) Diplomatic relations

One of the most important goals in Brazilian diplomacy is the strengthening of relations with other Latin American countries (including the Mercado Común del Cono Sur economic union). Emphasis is also placed on closer friendly relations with Japan and the West (Japan is one of Brazil's most valuable economic partners), and, with respect to external debt, on maintaining dialogue with creditor nations and multilateral financial institutions. Brazil prides itself as the leading country in Central and South America.

(8) Special notes on executive structure

The ABC, an umbrella agency of the Foreign Ministry founded in 1987, is in charge of technical cooperation, while the Planning Ministry is in charge of loans and grants.

2. Economic situation

(1) General trend

Since the end of World War II, Brazil has transformed itself into an industrial nation by actively promoting import substitute policies, industrial modernization policies, and policies for introducing foreign capital. Part of the "Brazilian miracle" includes real economic growth rates exceeding 9% during the ten years of military rule (from 1964 to 1974) and double-digit growth between 1971 and 1973. In the 1970s and early 1980s, however, the effects of oil crises and growing external debt resulted in severe inflation and economic stagnation. After taking office in 1990, President Collor implemented his "Collor Plan" (which included two price freezes in March 1990 and February 1991), but its effects failed to last long. Although a subsequent switch to orthodox means of controlling inflation (i.e., high interest rates and austerity measures) helped stabilize inflation at monthly rates of 20 to 29 percent, the economic downturn brought economic growth to a halt (Brazil recorded negative growth in 1990) and swelled the ranks of the unemployed.

Succeeding the Collor administration, President Franco has emphasized balanced budgets to control inflation. Attempts at deficit reduction, however, have so far been

unsuccessful, and monthly inflation has risen to 30%. On the other hand, Franco has rolled back interest rates (reversing the high-interest policy of the previous administration), and the economy is growing again.

(2) Trends in the major sectors

1) Agriculture:

Agriculture's share of GDP has dropped continuously from 23% in the 1960s as Brazil industrialized, eventually ceding the lead to industry. Since 1970 this share has stayed at around 10%, and was 9.26% in 1990. Over 20% of the entire work force is engaged in agriculture (22.8% in 1990), but low productivity and efficiency result in a share of GDP of only 10%. Chief crops are coffee, soy beans, corn, rice, beans, sugar cane, cotton, manjoka and oranges. Brazil is the world's largest producer of coffee, sugar cane and oranges, the second largest producer of soy beans, and the third largest producer of corn. These crops, along with the processed food products made from them, greatly contribute to Brazil's exports (they were responsible for 25% of all exports in 1989) and are an important source of foreign currency. At the same time, climate changes and decreased government financing for agriculture are forcing the country to import wheat, feijoa, rice and beef. The government, giving priority to increasing foodstuff production (also to reduce inflation), has announced plans to reform the agricultural sector by improving productivity and using idle land, but extensive fiscal and political restrictions have hindered actual effectiveness.

2) Industry:

An industrial policy centered around the active introduction of foreign capital by the government, expanded imports of capital goods, tax incentives, and the domestic manufacture of imported goods helped the country achieve rapid growth beginning in the late 1960s, with industry playing a leading role in economic growth particularly between 1967 and 1973, when the annual rate of growth exceeded 10%. Growth has been especially extensive in such major sectors as transport equipment, shipbuilding, energy, transport, communications and steel, which have become the most important sectors of the Brazilian economy. Industrial products accounted for 77% of Brazil's exports in 1990, but because of long years of the government's protectionist policies, many firms, accustomed to oligopolistic markets, have become uncompetitive and been lax in modernizing and rationalizing plants and equipment. Thus, a change in corporate mentality and the renovation of deteriorating facilities have become urgent issues.

The Franco administration is continuing the bold economic liberalization program of President Collor, which involve the active restoration of competitiveness (including the liberalization of imports) and priority on improving quality and productivity in order to increase the international competitiveness of Brazilian firms.

(3) Fiscal policy

The finances of the Brazilian government before 1964's revolution were characterized by large budget deficits caused by increased expenditures with no guarantee of future revenues, such as personnel expenses in the public sector, government investment, and covering the deficits of state-run enterprises. Government bonds and loans from the central bank to cover the deficit formed inflationary foundations, and in spite of various measures since 1964 to balance the budget (including changes in the tax structure, budget cuts and issuing government bonds), the budget deficit remains one of Brazil's most pressing problems. The current Franco administration, giving top priority to balancing the government's budget, is cutting government expenditures, increasing revenue by cracking down on tax evasion, and promoting and expanding the privatization of state-run enterprises.

(4) International balance of payments

- 1) **Balance of trade:**
Brazil's balance of trade has worsened rapidly since the first oil crisis, which resulted in increased imports due to the skyrocketing price of crude. Although the government imposed import restrictions and tried to promote exports, it wasn't until 1981 that a trade surplus was achieved. However, in spite of continuing surpluses that peaked at an all-time high of \$19.2 billion in 1988, in the 1990s imports swelled under President Collor's import liberalization policies as exports fell — from \$10.7 billion in 1990 to \$10.6 billion in 1991 — because of reduced export potential (from the domestic economic downturn) and reduced agricultural production. Subsequent efforts to increase productivity caused exports to rise to \$15.3 billion in 1992 and the trade surplus to exceed levels of the previous year in 1993.
- 2) **Current balance:**
Up to 1987, servicing Brazil's external debt of over \$120 billion involved annual interest payments to the tune of \$10 billion, resulting in chronic deficits in the nation's current balance. After current balance surpluses in 1988 and 1989 thanks to a favorable balance of trade, a smaller trade surplus in 1990 brought a deficit of \$1.8 billion.
- 3) **Overall balance:**
In the international balance of payments, Brazil has offset deficits in its service balance (resulting from service on external debt and the remittance of profits, etc.) with surpluses in its capital balance created primarily through loans. As the worsening international financial crisis made new loans almost impossible, it was necessary to cover at least interest payments with trade surpluses, but since 1989 the country has recorded deficits in its overall balance because of deficits in the capital balance beginning that year due to smaller trade deficits, decreased direct investment, larger repayments, and fewer medium- and long-term loans.
- 4) **Foreign currency reserves:**
Foreign currency reserves fluctuated between \$6 billion and \$10 billion between 1980 and 1991, but larger trade deficits in 1992 helped push this figure to over \$20 billion (\$23.7 billion in December 1992).

(5) External debt

Because of such factors as an economic expansion program involving large-scale projects that was continued after the oil crises, which coincided with rising interest rates in the U.S. in response to budget deficits, Brazil's external debt swelled rapidly — increasing roughly ten-fold between 1973 (\$12.6 billion) and 1987 (\$107.5 billion). In April 1991 external debt was \$121 billion, making Brazil the developing world's biggest debtor nation. In February 1987, when foreign currency reserves bottomed out at \$3.9 billion, President Sarney effectively imposed a moratorium on external debt by ordering a group of private banks to cease service on medium- and long-term debt. While President Collor's negotiations with Brazil's creditor banks, begun two months after taking office in March 1990, reached an impasse upon the outright rejection of the country's proposals, a basic agreement on overdue interest was reached in April 1991 with a group of private banks, and in January 1992 the IMF approved standby credit, negotiations for which had begun the previous July. However, after its first withdrawal under this standby credit, Brazil failed to satisfy the conditionality initially promised by the government, and all subsequent standby credit was suspended. In February 1992, negotiations with Paris Club nations ended in an agreement on the rescheduling of Brazil's public debt, and in July of the same year a final agreement on the rescheduling of cumulative debt was reached with a group of private creditor banks. A rescheduling agreement based on this final agreement and the Brady Initiative was reached in May 1993, but will take effect at

the end of November only if Brazil's economic program is approved by the IMF, with whom the Brazilian government has hurriedly initiated negotiations.

(6) Economic relations with Japan

Trade with Japan has been in Japan's favor, with major export items to Japan being iron ore, steel, coffee, soy beans and pulp, while the major import items from Japan include machinery and chemicals. In 1991 exports to Japan totaled \$3.2 billion and imports from Japan \$1.2 billion. At the end of fiscal 1990, cumulative Japanese direct investment in Brazil totaled 1,461 cases worth \$6.56 billion, accounting for roughly 2.1% of all Japanese foreign investment (making Brazil the 9th largest recipient after the U.S., Germany, and England, etc.) and 16.2% of all foreign investment in Central and South America. In April 1992 a mission from the Federation of Economic Organizations visited Brazil, at which time the Japan-Brazil Joint Committee held its first meeting in six years.

3. Social situation

Brazil, the world's 5th largest nation, possesses bountiful and expansive land, as well as rich underground resources, a multi-ethnic composition, relative social stability, and various economic indicators that indicate NIEs-level performance. However, regional and income disparities are great, and the country also faces a "North-South problem."

(1) Trends in the major sectors

1) Education:

Illiteracy is 27.1% among the general population (5 or over), highest at 47% in the northeast, and lowest at 18% in the southeast. Illiteracy is slightly higher among women. A modern education system was introduced in 1946, and the current 8-year primary education system was legislated in August 1971. However, the enrollment rate for secondary education and beyond is a low 20%, and because of large numbers of dropouts and students traveling overseas to continue their education, fewer than half of all students complete the program. The government is currently implementing the First New Republic Development Plan (1PND- NR) to raise the enrollment rates of primary and secondary education to 90% and 60%, respectively, by the year 2000. Vocational training is provided by public vocational training institutions like SENAI and SENAC. Rates of enrollment and literacy greatly reflect income and regional disparities.

2) Health:

Although on a national level most health indicators show Brazil to be a middle-income nation (with an average life expectancy of 64 [male] and 68 [female], an infant mortality rate of 61 in 1,000, and the top three causes of death being circulatory system afflictions and malignant ailments in 1989), indicators for northern and northeastern Brazil, which contain 30% of Brazil's population, are like those of the poorest nations: life expectancy is 51 years, infant mortality 124.5 per 1,000, and the leading causes of death are diarrhea and other contagious diseases. In addition, the modern medical facilities in urban areas are in stark contrast to the backwardness of even primary medical facilities in the provinces. In response the government is implementing various measures for the urban poor, countermeasures to tropical diseases, plans for eliminating epilepsy and polio, and a plan for expanding health care in ways that take into account regional differences and characteristics.

3) Urbanization:

Industrialization has led to increased urbanization, and the failure to eliminate disparities between classes and regions in the industrialization of the country has not only increased the gap between rich and poor but also widened the gap between classes. Brazil's overall urban population has already exceeded its rural population,

and southeastern Brazil, which contains the metropolises of Rio de Janeiro and Sao Paulo and where population concentration is extensive, contains a population that is 70% urban. With Brazil expected to have a population that is 90% urban by the early 21st century, problems such as sprawling slums and strain on the social infrastructure due to population increase will no doubt grow in severity.

(2) Income distribution/Regional disparities

Past administrations' emphasis on development (with priority to increasing efficiency), though achieving certain successes in economic development, has resulted in income disparities (roughly 60% of all households earn less than the minimum wage) and increased regional disparities, as seen in high illiteracy rates and high infant mortality rates. Health care and education in northern and northeastern Brazil, in particular, where the disparities with southern Brazil are striking, are at levels equivalent to an underdeveloped nation. This extreme regional disparity between north and south — known as the "North-South problem" — is one characteristic of the Brazilian socioeconomic structure. And in spite of efforts by such departments as the Northeastern Development Agency (SUDENE) and the Amazon Development Agency (SUDAM) to alleviate this regional disparity, the government is still a long ways from finding a solution: 60% of Brazil's poorest are still concentrated in the northeast.

(3) Others

The growing numbers of poor people moving to Rio de Janeiro and Sao Paulo primarily from northeastern Brazil in response to growing income and regional disparities have formed a class of poor ("favela") in the areas outside these cities. Efforts to improve urban infrastructure have been outpaced by the growth of the favela, who live in worsening conditions and whose areas, where gang violence is rampant and confrontations with police never cease, have become hotbeds for drug dealers and other criminals. A new problem related to worsening crime in Brazil's big cities is the growing numbers of street children and the crimes — including murder — committed against them.

4. Special issues

(1) Environment

- 1) Environmental destruction in Brazil — i.e., the destruction of tropical rain forests as more farmers move into the Amazon basin, mercury contamination caused by gold excavation, and deforestation along the Atlantic coast as urbanization progresses — has attracted worldwide attention, while industrialization has led to problems caused by factory smoke, industrial waste water and industrial solid waste. In addition, the concentration of the population in Sao Paulo, Rio de Janeiro and other big cities is aggravating public health problems and pollution caused by automobile exhaust and garbage.
- 2) The federal government's Environmental Ministry (SEMAM) and the Brazilian Environmental and Natural Resource Regeneration Agency (IBAMA) are responsible for environmental issues, while each state government has its own environmental bureau.
- 3) Since 1981, when the Environmental Act was passed, Brazil has strengthened its legal framework and organizational structure for environmental protection and conservation: The new constitution, ratified in 1988 (the same year in which a plan titled "Our Natural Environment" was adopted), includes provisions on environmental protection; a national environmental fund was established in 1989; and in 1990 the Environmental Agency (which would later be elevated to ministerial status by President Franco) was established as a department under the direct authority of the president.

- 4) The national environmental plan places emphasis on preventing pollution, the effective use and sustained development of natural resources, the revival of wasteland, and the conservation of biological diversity.

(2) Women in development

- 1) There are almost no cultural or religious obstacles to the participation of women in development. The percentage of women in the work force has risen from 32.90% in 1981 to 38.70% in 1989, while the social advancement of women is also common.
- 2) In 1985 the National Conference on Women's Rights (CNDM) was established with the objectives of ending discrimination against women and achieving freedom and equality in political, economic and cultural activities.

(3) Military expenditures, etc.

Military expenditures have accounted for roughly 7% of total expenditures over the past 10 years. Brazil's military-industrial complex, in spite of its short history, has developed steadily over the years and is now second in size only to China's. However, because of the conspicuously low burden of arms in terms of military strength and military expenditures, Brazil is considered as having a low military burden.

(4) Democratization and basic human rights

Civilian rule was finally restored in March 1985 after 21 years of military rule beginning 1964. Freedom of speech, assembly, thought and conscience and other basic human rights are guaranteed in an article titled "Rights and Obligations of Individuals and Groups" in the new federal constitution (ratified in 1988).

5. Indicators

	Land area	8,512,000 km ² (22.5 times the size of Japan)		
	Population	153 million (1991)		
	Country classification (DAC list)	Middle-income country, NIES		
Economic indicators	GDP (US\$ million)	375,146 (1989) →	402,788 (1990) →	497,324 (1991)
	Real GDP growth rate	3.2% (1989) →	Δ4.6% (1990) →	1.2% (1991)
	Per capita GNP (US\$)	2,550 (1989) →	2,680 (1990) →	2,920 (1991)
	Sectoral distribution of GDP	Agriculture, 9.26%;	Mining/Industry, 34.20%;	Services, 56.54% (1990)
	Sectoral growth rate	Agriculture, 2.36%;	Mining/Industry, -0.30%;	Services, -2.06% (1989-1990)
	Sectoral distribution of employment	Agriculture, 22.80%;	Mining/Industry, 22.69%;	Services, 54.51% (1990)
	Growth rate of consumers' price index	1,462.0% (1990) →	480.3% (1991) →	1,161.8% (1992)
	Unemployment rate	4.28% (1990) →	4.83% (1991) →	4.50% (Dec. 1992)
	Exports (US\$ million)	31,414 (1990) →	31,620 (1991) →	35,989 (1992)
	Imports (US\$ million)	20,362 (1990) →	21,014 (1991) →	20,593 (1992)
	Balance of current accounts (US\$ million)	Δ1,797 (1990) →	(1991) →	(1992)
	External debt balance (US\$ million)	122,828 (1990) →	123,232 (1991) →	(1992)
	Debt service ratio	% (1990) →	% (1991) →	% (1992)
	Foreign currency reserve (US\$ million)	9,973 (1990) →	9,406 (1991) →	23,754 (Dec. 1992)
	Social indicators	Population growth rate	1.9% (Average increase from 1981 to 1991)	
Life expectancy at birth (1989)		Male, 63.0;	Female, 69.0 (1990)	
Infant mortality rate		57/1,000 (1990)		
Per capita calorie intake		2,751 Kcal/day (1989)		
Primary education enrollment ratio		Male, 76.0%;	Female, 74.6% (1988)	
Secondary education enrollment ratio		Male, 8.6%;	Female, 10.4% (1988)	
Tertiary education enrollment ratio		Male, 4.3%;	Female, 4.6% (1988)	
Adult illiteracy rate		23.3% (Male and female, 1990)		
	Population ratio in absolute poverty			

Sources:

World Development Report 1992 (World Bank); *IBGE* (Brazilian Institute of Geographical Statistics); *1991 Yearbook*, *Brazilian Central Bank 1991 Yearbook*; "Indicador Economico February 1993 (Brazilian Ministry of Finance); *1993 List of Nations* (Sekainougokisha); "Japan's Official Development Assistance 1992" (Japanese Foreign Ministry).

II. Socio-economic development situation

1. Outline of the national development plan

President Franco, giving priority to social programs for low-income Brazilians, has adopted the "Plan to Eliminate Starvation and Misery" for the destitute. At the same time, he is promoting the transition from protectionism to open markets and liberalization in order to improve the competitiveness of domestic industries.

(1) Goals

- 1) Improved living standards for the poor
- 2) Industrial modernization

(2) Issues

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
1) Improved living standards for the poor	<p>The "Plan to Eliminate Starvation and Misery," announced by the Brazilian government in April 1993, is a comprehensive plan a part of which each of the 22 participating organizations (including 19 ministries) is responsible. Component plans include the securing of funds for the entire plan (Ministry of Finance); creating jobs for the poor (Ministry of Labor); increasing food production, modernizing the distribution system and reducing loss (Ministry of Agriculture); lowering prices by strengthening domestic industry (Ministry of Commerce); developing an information system for the overall plan (Ministry of Science and Technology); enhancing nutrition for infants and improving basic health care (Ministry of Health); providing housing for the poor, improving waterworks and sewers and creating jobs through these projects (Ministry of Social Welfare); providing school lunches at all public schools (Ministry of Education); improving the transportation infrastructure to reduce food loss in the transportation process (Ministry of Transportation); reducing energy loss and providing energy to poor areas (Ministry of Mines and Energy); and promoting investment likely to create jobs (Socioeconomic Development Bank).</p>	
2) Industrial modernization	<p>Below are the major programs being implemented to modernize Brazilian industry.</p> <ul style="list-style-type: none"> a. Liberalizing imports The New Industrial and Trade Program, announced in June 1990, calls for the liberalization of imports, introducing foreign capital to improve productivity and quality, and revising the Information Industry Law and Antitrust Law. b. Improving quality and productivity The Brazilian Quality and Productivity Program, announced in November 1990, entails private sector-driven instruction for corporations as well as human resource development and modernization of the technological infrastructure. c. Increasing industrial competitiveness Announced in February 1991, the Industrial Competitiveness Program, intended as the final stage of the New Industrial and Trade Program, involves simplifying the legal procedures for technology transfers, eliminating protectionist measures in the software market, and other sector-specific measures. d. Reducing import duties A plan for reducing import duties was amended to February 1991's 2nd Collor Plan, and an import duty reduction program designed to supplement this was also announced. e. Privatizing state-run enterprises A program to privatize state-run enterprises is currently in progress and proceeding smoothly. 	

3. Investment program for the development plan

Investment program (in millions of cruzeiros)

(1) Agriculture, forestry and fisheries	---
(2) Mining and industry	---
(3) Economic infrastructure	---
(4) Social infrastructure	---
Total	---

4. National budget

Fiscal 1991 (in millions of dollars)

Revenues	316.701	Expenditures	316.701
Tax revenues	181.948	Defense	12.999 (4.11%)
Corporate revenues, etc.	20.380	Agriculture, forestry & fisheries	5.833 (1.84%)
Profits from fund operation, etc.	114.373	Mining and industry	232 (0.07%)
		Energy	226 (0.07%)
		Transportation	6.856 (2.17%)
		Communications	19 (0.01%)
		Education	12.128 (3.83%)
		Health care	9.122 (2.88%)
		Social security/housing	101.634 (32.90%)
		Debt servicing	86.870 (27.43%)
		Other	80.782 (25.50%)

Fiscal balance 0

Source: Government newsletter

III. Aid flow from multilateral organizations & donor countries

1. Assistance from major donor countries

Total amount of bilateral ODA (net disbursements): \$165.00 million (1991)

	Germany	France	Netherlands
Aid amount	\$54.96 million (1991)	\$20.45 million (1991)	\$14.77 million (1991)
Share	32.7%	12.4%	9.0%
Type of aid	Primarily technical cooperation	Primarily technical cooperation	Primarily technical cooperation
Priority areas or sectors	<ul style="list-style-type: none"> • The environment • Regional development • Alleviating income disparities • Agriculture 	<ul style="list-style-type: none"> • The environment • Regional development • Health • Administration 	

Source: "Japan's Official Development Assistance," Ministry of Foreign Affairs, 1993.

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$16.79 million (1991)

	UNDP	WFP	EC
Aid amount	\$21.91 million (1991)	\$12.46 million (1991)	\$7.28 million (1991)
Share	—	—	—
Type of aid	Technical cooperation		
Priority areas or sectors	<ul style="list-style-type: none"> • Communications, transportation and energy • Housing & public health • Agriculture • Environment 		

Source: "Japan's Official Development Assistance", Ministry of Foreign Affairs, 1993.

3. Japanese ODA

The place of Japan among bilateral donors: 2nd

Share: 23.9% (1991)

Aid amount (in millions of US\$, 1991)	Trends in assistance
Technical cooperation 45.20	1) Assistance has centered around technical cooperation and loans, while technical cooperation has been provided primarily in the fields of agriculture, health, medical care, industry, transportation, and administration. Loans have been provided for projects concerning irrigation, ports, agricultural development, and rural electrification. 2) In terms of the cumulative total of assistance promised by Japan through 1991, Brazil is the largest recipient in South America (for both loans and technical cooperation) and is the world's 6th largest recipient of technical cooperation. Loan disbursements totaled \$86.60 million in 1991.
Grant aid —	
Loans 15.85	
Total 39.35	

Source: "Japan's Official Development Assistance," Ministry of Foreign Affairs, 1993.

4. Collaboration among aid organizations

Organizations providing assistance exchange information, although no conference for such organizations exists. Interests in assistance from Japan — Brazil's largest donor nation — is generally high.

5. Situation of NGO activities

- (1) NGOs currently active: Approx. 300
- (2) Major organizations and their activities
 - 1) FASE (Federation of Health and Education Assistance Organizations): Rural development and human rights.
 - 2) OXPAM (a foreign organization): Rural development and the participation of women in development.
 - 3) NOVIB (Netherlands Organization for International Development Cooperation): Rural development and human rights.

IV. Priority areas or sectors for JICA cooperation

Assistance for Brazil shall be provided in accordance with the following goals concerning three major issues: (1) environmental measures (an urgent issue in Brazil) and the medium- to long-term goals of (2) industrial modernization through economic liberalization and (3) the elimination of poverty and the alleviation of regional disparities.

- (1) Stable economic growth through industrial modernization and increased international competitiveness
- (2) Alleviating disparities between regions and social classes through assistance for impoverished regions and the poor
- (3) Sustainable development through environmental conservation (i.e., establishing a sustainable production base)

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Stable economic growth	Alleviating disparities	Environmental conservation			
Economic management	⊙	○	○	(1) Promoting economic modernization (through awareness of quality control and improved productivity in each sector)	1) Supporting the "Brazilian Quality and Productivity Program" (PBQP)	All of Brazil
Agriculture, forestry and fisheries	⊙	⊙	○	(1) Expanding agricultural production	1) Promoting agricultural development in regions with scale merit 2) Developing and disseminating agricultural technology for semiarid areas 3) Developing techniques for intensive farming (i.e., selective breeding and technology for increasing productivity) 4) Developing environmentally safe agricultural technology	Midwest Northeast Southeast South
	○	○	⊙	(2) Increased planting, forest management and utilization	1) Improved technology for ecologically sound forest management 2) Promoting plans for planting and lumber use and developing related technology 3) Afforestation for farmland conservation	Amazon Southeast Northeast Southeast
	⊙			(3) Increased collaboration between production and processing in the agroindustry	1) Promoting the food processing industry and developing technology for using agricultural by-products 2) Enhancing the distribution system, from production to exporting 3) Improving quality control and productivity	Midwest Southeast South Midwest Southeast Southeast
		○	⊙	(4) Increased production and environmental protection in livestock farming	1) Developing and disseminating the technology needed to effect the transition from grazing to intensive livestock farming	Northeast

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Stable economic growth	Alleviating disparities	Environmental conservation			
Agriculture, forestry and fisheries	○	⊙	○	(5) Developing fishery resources and promoting the fishery industry	1) Developing and disseminating fishing techniques and processing techniques 2) Development and management of marine resources 3) Development and dissemination of hatchery technology	Northeast
Mining and industry	⊙			(1) Improved quality control and productivity in industry	1) Introducing productivity-improvement systems at corporations 2) Standardization of industrial products and a system for certification	All of Brazil Southeast
	⊙		⊙	(2) Modernizing factories	1) Promoting the modernization and rationalization of plant and equipment 2) Installing low-pollution equipment and pollution-control devices	Southeast Southeast
	⊙			(3) Developing state-of-the-art technology for advanced industry	1) Enhanced R&D capabilities in state-of-the-art technology 2) Strengthening industrial R&D	Southeast Southeast
	⊙	⊙		(4) Promoting small and medium enterprises	1) Training entrepreneurs to promote local industry 2) A better support system for disseminating new technology	Northeast Northeast
	⊙		⊙	(5) Enhanced countermeasures to industrial pollution	1) Developing and adopting techniques for treating toxic industrial waste 2) Stronger countermeasures to factory smoke and industrial waste water 3) Establishing a control system for factory and mine pollution	Southeast Southeast Southeast
	⊙	⊙		(6) Developing mineral resources	1) Promoting mineral exploration	North Northeast
Economic infrastructure	⊙		○	(1) Energy development	1) Increased petroleum production 2) Increased electric power supply (through construction of hydroelectric thermal power plants) and increased reliability in the electric power system 3) Developing technology for using low-calorie coal 4) Promoting the use of natural gas 5) Developing technology for conserving energy	Southeast All of Brazil South Southeast Southeast
	⊙		○	(2) Developing water resources	1) Exploring for water resources in metropolitan areas 2) Flood countermeasures	Metropolitan areas South Southeast

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Stable economic growth	Alleviating disparities	Environmental conservation			
Economic infrastructure	⊙	○		(3) Establishing a base for advanced industry	1) Constructing/improving industrial parks, ports, industrial roads and other aspects of an advanced infrastructure 2) Renovating the urban mass-transportation infrastructure 3) Developing improved transmission technology	Southeast Metropolitan areas Southeast
Social infrastructure	⊙	⊙		(1) Training to help achieve industrial diversification and advancement	1) Expanding and enhancing vocational training that suits the needs of industry 2) Enhancing tertiary education through research cooperation, etc.	Southeast Southeast
	○	⊙		(2) Better living standards and more jobs for the poor	1) Enhancing primary education (i.e., increasing literacy and enrollment rates) 2) Expanding and enhancing secondary education (vocational training) 3) Enhanced PHC (i.e., lowering the infant mortality rate) 4) Improved regional medical care for the urban poor	Northeast Northeast North Northeast Metropolitan areas
		⊙		(3) Enhanced health care	1) Establishing the technology for manufacturing basic medications (e.g., vaccines) and technology for quality control therein 2) Strengthened countermeasures to adult digestive tract ailments 3) Heightening people's awareness of sanitation and establishing sanitation services	All of Brazil Southeast North Northeast
		○	⊙	(4) Countermeasures to urban pollution	1) Air pollution countermeasures 2) Increased capabilities for treating household waste water 3) Increased capabilities for processing household garbage	Southeast Southeast Southeast
		○	⊙	(5) River pollution countermeasures	1) Countermeasures to mercury contamination caused by gold mining operations	Amazon

Notes:

Brazil has been given top priority for technical cooperation among all Central and South American nations because of its great need for (and considerable capacity for absorbing) technical cooperation, and so a wide range of cooperation is being developing primarily in fields such as agriculture, health care, industry, transportation, and administration.

Also, because of the high level of Brazilian technology (compared to that of other South American nations), technology transfers have been effected through training in third nations — in electrical and electronic engineering, ceramics, architecture, forest management, and health care (i.e., vaccines). This training in third nations has become an extremely effective means of technical cooperation.

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

1) North-south disparities

Because the tendency of Japanese cooperation to be concentrated in southern and southeastern Brazil, where many superior counterpart organizations are located, can potentially aggravate existing disparities between these areas and impoverished northern and northeastern Brazil, what is required is a balanced approach involving projects for advanced technology in southern and southeastern Brazil and projects for alleviating poverty and developing basic industry in the north and northeast.

2) Cooperation in fields targeted for improved quality control and productivity

With economic liberalization currently driving the world economy, the Brazilian government is actively pursuing import liberalization and the formation of a common market with Argentina, Uruguay and Paraguay, and thus it has become urgent to various sectors of Brazil's industry to increase international competitiveness through modernization and by beefing up technical cooperation. In 1990, under the Brazilian Quality and Productivity Program, the Brazilian government has assigned top national priority to improving quality control and increasing productivity, which are indispensable to achieving the above goals — particularly the goal of industrial modernization.

As Japan has come to possess high levels of technology in all sectors of industry, the experience and know-how of Japan's private and public sectors are now in great demand. This is likely to become a key part of Japanese cooperation for Brazil.

3) Because of the important role in Brazil's development played by Brazilians of Japanese descent (Brazil's has the world's largest population of Japanese immigrants [roughly 1.23 million]), we must pursue the further utilization of Japanese-Brazilians in cooperation, strengthen collaboration between immigrant enterprises and economic/technical cooperation projects, and actively consider utilizing Japanese-Brazilians as specialists to be sent to third countries (e.g., other parts of Central and South America and Portuguese-speaking Africa).

(2) Consideration for implementation capacity of counterpart-organizations

1) Agency for Brazilian Cooperation (ABC): its implementation capacity and participation in the proposal formation process

The implementation capability of the ABC has been significantly weakened by drastic cuts in personnel during April 1990, and consequently the organization, in addition to being slow in the performance of duties, lacks the capabilities for properly scouting for, forming and coordinating proposals. Nevertheless, because of its emphasis on legal formalities in relations between Japan and Brazil and its strong insistence on being included in the drafting of agreements concerning new and existing projects, prior consultation with the ABC in the proposal formation stage is absolutely necessary.

Japan has encountered no problems with the ABC in the performance of duties thanks to the former's efforts to maintain communications and support the ABC in any means possible. Japan, while working with the ABC, must take the initiative in scouting for and forming worthwhile proposals.

2) Bearing local costs

The policy of the ABC concerning equipment, etc., payable in Brazilian currency (e.g., equipment produced in Brazil or facilities constructed in Brazil) is for Brazilian counterpart organizations to bear all costs without requesting support from donor nations. Because, consequently, it is generally unfeasible to procure equipment locally or construct facilities with emergency expenses or

expenses for infrastructure improvement, the ability of a counterpart organization to bear local costs must be verified in the project selection stages. At the same time, however, depending on regional factors (e.g., a counterpart organization in an impoverished area that is unable to bear these costs) or the nature of the project itself (for example, when a large initial investment is needed for experimentation), it may be necessary for Japan to bear local costs in order to make the project succeed, and so it is important to gain the understanding of the ABC regarding this.

- 3) Counterparts require time to iron out the differences between the regulations and restrictions of federal and state governments.

VI. Summary of evaluation studies

1) Expanding research in third countries

Brazil has highly praised Japan's training in third countries -- having categorized it as cooperation with Japan -- and desires its expansion (such research has increased from one course in 1986 to five in 1990). Participating nations have also highly praised training in Brazil, resulting in more and more applications to participate each year (from "Third-Country Training in Brazil: the Current Situation, Problems and Future Issues," an assessment of overseas offices in 1988).

In view of present circumstances, we must strive to expand third-country training and examine the possibility of other types of Japan-Brazil cooperation projects.

2) Assistance for Portuguese-speaking African nations

The five Portuguese-speaking nations of Africa (including Angola and Mozambique), because of their cultural and linguistic similarities with Brazil and their abundance of medium-level technology, anticipate technical cooperation from Brazil. However, the current fiscal crisis prevent the latter from adequately responding to these nations' expectations.

Despite calls for Japan to provide cooperation in sub-Saharan Africa, expanding the current scale of technical cooperation is not feasible because of linguistic distinctiveness, great disparities in levels of technology, poorer living environments, and the absence of diplomatic offices in said countries (from "Third-Country Training in Brazil: the Current Situation, Problems and Future Issues," an assessment of overseas offices in 1988). Under such circumstances, trainees have been sent to Brazil from Mozambique and Angola since 1989, with better-than-expected praise received from those involved. It should therefore be acceptable to consider expanding the range of training to include other Portuguese-speaking African nations, and examine the possibility of cooperation between Japan, Brazil and sub-Saharan Africa (with the cooperation of Brazil), including the utilization of Japanese-Brazilian specialists.

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Republic of Chile

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional republic

(2) Date of independence

September 18, 1818

(3) Head of state

President Patricio Aylwin Azocar (Four-year term began in 1990.)

(4) Political structure

Independence of the three branches of government --- legislative, executive and judicial

1) Legislature:

A bicameral legislature with a 47-seat upper house and a 120-seat lower house. Except for the eight-year terms of nine appointed members of the upper house (starting in 1989) and eight elected members from an even number of states (1st through 12th) and eastern Santiago (starting in 1990), members of both houses serve 4-year terms starting in 1990.

2) Executive:

The country's executive branch consists of 18 ministries (including the President's Secretariat Ministry and the Cabinet Secretariat Ministry). The cabinet is a coalition of 17 parties. The government, as part of a decentralization and democratization program, re-introduced the direct election of local government leaders in June 1992 after a 21-year absence. Although the power to appoint state governors lies with the central government, in order to strengthen local autonomy the government in March 1993 amended the constitution and enacted legislation to transfer to the 13 state governments (including the capital district) the authority to secure separate budgets and enter outside contracts for regional development projects.

3) Judiciary:

Consists of the Supreme Court (Corte Suprema), High Court (an appellate court) and district courts, etc. The judiciary has begun recovering its autonomy, and a constitutional amendment to revise the constitutional court system and election court system is now being debated.

4) Political parties:

The Christian Democratic Party (PDC; 53 seats), National Renovation (RN; 46 seats), Party for Democracy (PPD; 8 seats), Independent Democratic Union (UDI; 16 seats), Radical Party (PR; 8 seats), Socialist Party (the Arumelda faction; 21 seats), etc.

(5) Domestic administration

To achieve its stated goals of economic growth, socialism, the people's participation in government and national autonomy, President Aylwin's coalition cabinet (formed in 1990), the first civilian government in 16 years, has made progress in (a) achieving harmony among the people, (b) the permeation and establishment of democracy, (c) promoting socialism, (d) expediting national growth, development and modernization, and (e) returning to international society and restoring Chile's original status therein. The next administration, likely to be the same type of moderate coalition government, is expected to continue the current policies listed above and also to give priority to the conservation of an environment that has been polluted through economic growth; local development; the elimination of poverty; sustained economic development; educational reform; and infrastructure improvement.

(6) Trends of politics

President Aylwin, the first democratically elected president in 16 years, is scheduled to hand over the reins of power in March 1994 to the next president, to be elected in December 1993 (at the same time as elections in both houses). Closest to the presidency at present is Christian Democrat Frei, who will run as candidate for the Moderate Democratic Alliance. Although Frei will face right-wing alliance candidate Alessandri in a runoff if he fails to win a majority in the first round of voting, opinion polls show the former to have greater support.

While former president Pinochet continues to hold onto power as supreme commander of the armed forces, democracy has been firmly established in the public consciousness during the four years of Aylwin's presidency. And while the possibility of military intervention in politics no longer exists, past human-rights violations committed under military rule remain a major political issue — one seen as unresolved by the Left and on which a consensus has yet to be achieved among the people or in government. Expectations for improved living conditions for the poor (who comprise 40% of the population) continue to grow, and with crime and terrorist acts becoming more frequent, the next presidency will face numerous difficult issues.

(7) Diplomatic relations

- 1) Chile has re-established diplomatic relations with Russia, Eastern Europe, Mexico, Nicaragua and other nations (severed during military rule) and is working to improve relations with the West and its South American neighbors, which had been chilled by accusations of human-rights violations. Chile is also striving to expand the CTPD agreement with Central American and Caribbean nations, under which Chile accepts trainees and provides other forms of assistance.
- 2) Relations with Japan, except during World War Two, traditionally have been friendly. In November 1992 President Aylwin became the first Chilean president to visit Japan while in office since the restoration of Japan-Chilean relations, and relations between the two countries are expected to improve further.

2. Economic situation

(1) General trend

Chile's economic recovery (which began in late 1970s) was brought to a halt in the early 1980s by the worldwide economic downturn, which led to a worsening balance of trade and decreased domestic capacity; negative economic growth occurred in 1982 and 1983 (respectively -14.1% and -0.7%). Since 1984, however, structural adjustment loans from the World Bank and measures such as a tight-money policy and the promotion of exports, savings and investment began producing results. This, combined with favorable external conditions (i.e., falling oil prices, lower international interest rates and a jump in copper prices), helped Chile achieve an average GDP growth rate of 6% between 1985 and 1989 and provided the momentum for solid economic recovery. In spite of higher inflation (27.3%) and disappointing economic growth (2.1%) in 1990 (the first year of democratic rule), both improved to 18.7% and 6% (respectively) in 1991. Stable growth continued through 1992, with inflation kept down to 12.7% and GDP growth of 10.4% achieved.

(2) Trends in the major sectors

1) Mining:

In 1992 mining, an industry of vital importance to the Chilean economy, accounted for 46.7% of exports, 6.6% of GDP, and 1.8% of all employment. Chile also possesses roughly 30% of the world's copper reserves and is the world's leader in both copper output and copper exports. Output rose by 8.4% in 1989 after falling during both 1985 and 1986 and hitting 0% in 1987, but fell again, to -0.7%, in 1990, jumped 4.8% in 1991, and rose by only 1.1% in 1992. Current issues in the mining industry are stronger countermeasures to mining damage and lower production costs through the promotion of investment and the mining of superior beds. An urgent response is also required for the large number of miners who will lose their jobs when many of the coal mines in the 8th state are closed because of falling international competitiveness.

2) Agriculture, forestry and fisheries:

This sector, which was responsible for 8.2% of GDP and 18% of all employment in 1992, possesses latent capabilities for self-sufficiency. In particular, exports of fruits (a non-traditional sector) are rising, as are those of such internationally competitive products as lumber, wood products, paper, pulp, and hatchery fish (salmon, etc.). Chile is the world's second-largest producer of salmon, exports of which totaled 50,000 tons in 1992.

(3) Fiscal policy

In 1986, reduced government revenues resulted in a fiscal deficit after spending cuts and other deficit-reduction measures had produced fiscal surpluses in the early 1980s. However, significant increases in indirect taxes since 1987 have reduced the size of the deficit. By 1992 the ratio of the budget surplus to GDP had risen significantly, to 0.03, partly because of government savings increases intended to achieve a domestic economic balance since 1990.

(4) International balance of payments

Chile has been running consistent deficits in its invisible trade balance because of interest payments and excessive fare and insurance payments, while surpluses in capital (from the influx of foreign capital) are generally canceled out by consistent deficits in the balance of current accounts. An unfavorable balance of trade in 1993 came on the tail of successive trade surpluses between 1988 and 1992, while servicing external debt has resulted in continued deficits in the current balance of accounts. The ratio of current account deficit to GDP began shrinking in 1989, and a surplus was achieved in 1991. Although 1992 saw a return to deficits, this was because of increased imports due to domestic economic growth. Increased exports following economic recovery — especially copper, forestry products and other non-traditional exports — have helped bring the current accounts deficit under 1% of GDP. Supported by increased private capital and foreign investment, the surplus in the overall balance of payments grew suddenly as the country's foreign currency reserve swelled to over \$9.0 billion at the end of 1992.

(5) External debt

Growing rapidly in the 1980s as the country borrowed heavily from the Inter-American Development Bank and other multilateral financial institutions, Chile's external debt peaked at \$19.5 billion in 1986, prompting the World Bank to classify it as a heavy debtor nation. Although "debt capitalization" and other debt-reducing measures succeeded in lowering the rate of foreign debt increase and reducing the foreign debt balance to \$16.4 billion by the end of 1991, increased borrowing by the private sector brought total external debt back up (to \$18.2 billion) in 1992.

(6) Economic relations with Japan

Japan, one of Chile's biggest trading partners, received \$1.7 billion in Chilean exports in 1992 (16.8% of all exports), making Japan the biggest importer of Chilean goods, while Japanese goods worth \$960 million accounted for 9.9% of all Chilean imports, making Japan the 3rd largest export to Chile. Past trade has almost always been in Japan's favor. The major industries responsible for exports to Japan are mining (66%), lumber (15%), fisheries (13%) and agriculture (4%), with major exports being iron ore, copper, salmon, wine, foodstuffs, lumber and wood chips. Major imports from Japan are automobiles, machinery and steel. In 1991, Japan was Chile's second-largest direct investor (\$25 million, or 12.5%, trailing the U.S.'s share of \$420 million, or 43.9%), but this share dropped to 0.8% in fiscal 1992.

3. Social situation**(1) Trends in the major sectors****1) Education:**

Roughly 50% of all education expenditures are for primary education, which is the only compulsory education and the enrollment rates of which have been maintained at nearly 100%. Although this has kept adult illiteracy rates low, educational facilities and teaching content are poor, and the government, using \$173 million borrowed from the World Bank, is implementing a 7-year improvement program for primary education that calls for the construction of new facilities, teacher training, and the writing of new textbooks. Enrollment rates in secondary and tertiary education are estimated at 70%-79% and 15%, respectively. However, with rural youth presented with few educational opportunities, most enrollments are urban residents.

2) Health:

Except for certain private hospitals in the capital and other major cities, health care in Chile is greatly lagging in terms of personnel, facilities and equipment. In response, the government has borrowed \$290 million from the World Bank to improve the quality and efficiency of the country's health care. A total of five health referral centers are scheduled to be constructed across the country in order to enhance regional health care and primary care, and the government is also striving to shore up training, hiring and equipment.

3) Urbanization:

Eighty-two percent of Chile's population was already urban at the time of the 1982 census, a figure that had risen to 85.1% by 1992, reflecting the extreme depopulation of rural areas. Although this is partly due to geographic factors (the deserts of the north are in sharp contrast to the forests of the south), nearly half the country's urban population is concentrated in the capital, making the improvement of the huge social infrastructure and social services there a long-standing issue.

(2) Income distribution/Regional disparities

Statistics for 1992 show that roughly 40% of the entire population is poor, with 39.3% of Chile's large urban population (11.50 million) and 42.7% of its rural population (2.02 million) living in poverty. The extremely poor are concentrated in states 3 and 4 in the north and states 7, 8, 9 and 10 in the south. A full 60% of state 9, where the aboriginal Mapocho are concentrated, is said to be poor. In addition, because of Chile's unusually high rate of urbanization (urban poor outnumber rural poor by 3.9 to 1), the nation is characterized by a poverty problem that has already become an essentially urban one.

4. Special issues**(1) Environment**

In Chile, which possesses abundant forestry resources in the south and whose economy is dependent on mining, a wide range of environmental problems have increased in severity, such as air pollution in Santiago, sewage treatment in urban areas, pollution caused by mining, water contamination in rivers and marshlands, decreasing forestry and fishery resources, poor soil and soil erosion. Public awareness of the indispensability of environmental conservation in achieving sustainable development has led to an acute concern about environmental issues, and administrative efforts to implement effective policies have begun. The National Environmental Committee (CONAMA), which is comprised of related ministers, coordinates environmental issues and, having drafted the standards and legal framework for environmental conservation, is now considering coordinating government and private-sector policies, strengthening relations between related institutions, and providing training. A comprehensive environmental act has already passed the lower house and is expected to pass the upper house before yearend. The National Environmental Committee is slated for elevation to agency status following passage of this law, at which time it will begin playing an extremely important role in environmental administration. Priority in environmental policy is given to (1) air pollution, water treatment and waste disposal; (2) managing fishery and forestry resources; (3) environmental education and publicity; and (4) drainage basin management.

(2) Women in development

The achievements of women in Chile are prominent: Women have advanced considerably in various sectors; support the agricultural work force; and in 1992 were estimated to comprise roughly 30% of the nation's entire work force, higher than the Latin American average of 26.6%. In contrast to macroeconomic development, however, inequality in society and the workplace do exist. Furthermore, for cultural and religious reasons, legal divorces are not socially recognized and there are many households headed by women who have separated from their husbands. With many such families living in poverty, relief measures for them have become an important issue.

The current administration has founded the National Women's Agency (SERNAM) to improve the lives of impoverished women, and has expressed its intentions to enact and implement comprehensive programs. Responsible for the participation of rural women in production is the Agriculture and Livestock Farming Organization (INDAP), which is under the authority of the Ministry of Agriculture and which, in order to enhance the economic and social status of women, plans to provide vocational training, support for small businesses, and implement technology transfers for rural women, with particular priority given to housing, health care and education for poor women.

(3) Military expenditures, etc.

The ratio between military expenses and total fiscal expenditures has varied between 0.10 and 0.15. The four armed forces (including the police force) are over 100,000 strong. Roughly 14% of military expenditures are for weapons, 98% of which are imported. Costs such as repairs, parts replacement and the procurement of consumables account of a large portion of expenditures.

(4) Democratization and basic human rights

Since the restoration — after 16 years of military rule — of parliamentary democracy through direct election in 1990, various administrative, legal and policy reforms designed to firmly establish a democratic system have been implemented. Following an in-depth investigation of past military human-rights violations (which became an international issue) by a special presidentially-appointed committee (chaired by Mr. Rettig), facts have been uncovered, victims certified and relief provided. In late 1992, Chile's national assembly debated the Aylwin bill, intended as a political solution to military human-rights violations that also took the military's past into account, but as the bill failed to pass because of objections by the Socialist and Communist Parties over certain provisions, it will be up to Chile's next administration to hammer out a political solution to this issue.

5. Indicators

	Land area	756,000 km ² (approx. twice the size of Japan.)
	Population	13.5 million (Dec. 1992)
	Country classification (DAC list)	Upper Middle-income Country
Economic indicators	GDP (in million US\$)	27,805 (1990) → 31,325 (1991) → 34,583 (1992)
	Real GDP growth rate	2.1% (1990) → 6.0% (1991) → 10.4% (1992)
	Per capita GNP (US\$)	2,111 (1990) → 2,340 (1991) → 3,030 (1992)
	Sectoral distribution of GDP	Agriculture 8.2%; Mining/Industry 27.5%; Services 29.0%; Construction 6.0% (1992)
	Sectoral growth rate	Agriculture 3.6%; Mining 9.3%; Industry 12.2%; Construction 14.1%; Fishing 9.0% (1992)
	Sectoral distribution of employment	Agriculture 15.7%; Mining/Industry 19.1%; Services 31.5% (June 1993)
	Growth rate of consumers' price index	27.3% (1990) → 18.7% (1991) → 12.7% (1992)
	Unemployment rate (national average)	6.0% (1990) → 6.5% (1991) → 4.9% (1992)
	Exports (in million US\$)	8,309 (1990) → 8,929 (1991) → 9,986 (1992)
	Imports (in million US\$)	7,037 (1990) → 7,354 (1991) → 9,236 (1992)
	Balance of current accounts (in million US\$)	Δ565 (1990) → 101 (1991) → Δ583 (1992)
	External debt balance (in million US\$)	17,425 (1990) → 16,405 (1991) → 18,204 (1992)
	Debt service ratio	30.3% (1990) → 26.3% (1991) → 22.8% (1992)
	Foreign currency reserve (in million US\$)	5,375.5 (1990) → 6,640.5 (1991) → 9,009.2 (1992)
	Social indicators	Population growth rate
Life expectancy at birth		Male, 68.54; female, 75.59 (1990-1995 estimate)
Infant mortality rate		16.9/1,000 (1990-1995)
Per capita caloric intake		2,581 Kcal/day (1986-1988 average)
Primary education enrollment ratio		92.43% (1991)*
Secondary education enrollment ratio		78.46% (1991)*
Tertiary education enrollment ratio		Male, N/A; female, N/A (1991)
Adult illiteracy rate		Male, 6.5%; female, 6.8% (1992 estimated)
Population ratio in absolute poverty	11.6% of total population, 10.8% of urban population, 14.9% of rural population (1990)	

*Separate male/female percentages are unknown.

Source: Central Bank, National Statistics Agency (INE)

II. Socio-economic development situation

1. Outline of the national development plan

No concrete high-level plan has been announced; an outline of national development policy, etc., is as follows.

(1) Goals

- 1) Maintaining economic growth at 5% (annual) or more
- 2) Social justice and public participation

(2) Issues

- 1) Revitalizing the economy and continuing liberalization
- 2) Increasing productivity and promoting exports
- 3) Eliminating poverty and promoting regional development
- 4) Environmental conservation

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
(1) Maintaining economic growth	<ol style="list-style-type: none"> 1) Revitalizing investment 2) Utilizing private activities and privatizing state-run enterprises 3) Establishing a fair, consumer-driven economy 	<ol style="list-style-type: none"> 1) Keeping inflation in check 2) Reducing external debt 3) Economic and political stability
(2) Promoting export industries and raising productivity	<ol style="list-style-type: none"> 1) Lowering tariffs 2) Increased investment in infrastructure improvement 3) Technological renovation 4) Assisting small and medium-sized firms 	<ol style="list-style-type: none"> 1) Securing and effectively utilizing loans from multilateral institutions and securing local costs 2) Raising quality-control standards 3) The organizational weakness of research institutions 4) Proper exchange management
(3) Antipoverty measures	<ol style="list-style-type: none"> 1) Increased opportunities for participating in economic activities 2) Improved response to BHN 3) Tax reform 4) Revision of labor laws 	<ol style="list-style-type: none"> 1) Securing necessary funding 2) Regional distribution of development spending
(4) Environmental measures	<ol style="list-style-type: none"> 1) Promoting environmentally responsible development 2) Increasing administrative capabilities 	<ol style="list-style-type: none"> 1) Overdevelopment of natural resources 2) Inadequate investment in pollution countermeasures 3) Strengthening the legal framework

3. Investment program for the development plan

Recent medium- to long-term national development plans include the "Socioeconomic Plan" (1981-1991), the "National Development Plan" (1983-1989), and the "Three-Year Plan" (1985-1987). However, no plan has been formulated since the restoration of civilian rule.

4. National budget

Fiscal 1993 (in millions of pesos) (General account; total of peso and dollar amounts.)			
Revenues	3,420,195	Expenditures	3,420,195
Tax revenues	3,054,445	Defense	366,574 (10.9%)
Business revenues	126,372	Agriculture, forestry and fisheries	52,104 (1.5%)
Profit from sales of assets	1,344	Mining, industry and construction	116,431 (3.4%)
Loans returned	1,612	Transportation and communications	3,590 (0.1%)
Transfers	9,707	Education	402,248 (11.8%)
Other revenues	77,216	Health care	180,064 (5.3%)
Loans	91,899	Social security and housing	1,051,604 (30.9%)
Balance carried forward from last period	67,600	Debt serviced	340,774 (10.0%)
		Disaster reserves	540,391 (15.8%)
Fiscal balance	0	Other	366,415 (10.7%)

Exchange rate: US\$ 1.00 = 380.00 pesos (1992 yearend)

Source: National Accounting Agency

III. Aid flow from multilateral organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$100.2 million (1991)

	Germany	Netherlands	Italy
Aid amount	\$22.7 million	\$19.4 million	\$16.1 million
Share	22.6%	19.3%	16.1%
Type of aid	Primarily technical cooperation	Primarily technical cooperation	Primarily technical cooperation and grants
Priority areas or sectors	<ul style="list-style-type: none"> • Rural development • Housing construction • Training for regional development 	<ul style="list-style-type: none"> • The environment • Women • Technological development • Urban development 	<ul style="list-style-type: none"> • Housing and health care • Regional development

Source: Japan's ODA 1993

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$20.0 million (1991)

	EC	UNDP
Aid amount	\$12.6 million	\$7.0 million
Share	62.9%	35.2%
Type of aid	Primarily grants	Primarily technical cooperation
Priority areas or sectors	<ul style="list-style-type: none"> • Merger assistance • Opinion surveys • Social development • NGO support • Scientific and technical development • Support for persons returning from exile 	<ul style="list-style-type: none"> • Economic management and system building • New technology and social development • Natural resources and environmental management • Merger assistance • Social development • Regional development

Source: Japan's ODA 1993

3. Japanese ODA

The place of Japan among bilateral donors: 3rd

Share: 17.8% (1991)

Aid amount (in millions US\$, 1991)		Trends in assistance
Technical cooperation	13.95	Technical cooperation has been provided in a wide range of areas, including mining, agriculture, fisheries, health care, communications and broadcasting. Funding has centered around fisheries and cultural grants.
Grants	2.48	
Loans	1.41	
Total	17.83	

Source: *Japan's ODA 1993*

4. Significance of ODA in the country

Total ODA accounted for 2.17% of the national budget (general accounting portion 2,685,025 million pesos in 1992; US\$1.00 = 380 pesos).

Also, ODA received accounting for 0.4% of GDP in 1992.

5. Collaboration among aid organizations

JICA is the only bilateral aid organization with an office in Chile. Information is exchanged with the offices of multilateral organizations separately, but there was no association for all organizations to gather at once. However, on May 8, 1991, the First Aid Organization Conference was sponsored by Minister Molina, and on August 14 of this year a joint conference was held by AGCI and UNDP.

6. Situation of NGO activities

- (1) NGOs currently active: Roughly 18,000 (Includes only those NGOs situated in the capital district and registered by the Ministry of Justice as public-service corporations.)
- (2) Major organizations and their activities
 - 1) Caritas Chile (Food, medical care and medical supplies for infants and children.)
 - 2) Cruz Roja Chilena (The oldest NGO, which deals with public sanitation, prevention of contagious diseases, and disaster relief.)
 - 3) Fundacion Nacional de Ayuda a la Comunidad (Coordinates the activities of over 50 NGOs to help prevent juvenile delinquency.)
 - 4) Fundacion de Beneficencia Hogar de Cristo (Provides shelters for the young and elderly along with meals, medical care and education. Recipients of services number roughly 5,000 a month in Santiago.)
 - 5) Instituto de Educacion Rural-IER. This organization, which provides education and training in rural areas and which has over 13 locations nationwide and a staff of 600, provides small-scale farmers and their children with technical training in raising livestock and growing vegetables.

IV. Priority areas or sectors for JICA cooperation

The current Aylwin administration has announced that economic and technical cooperation from donor nations and multilateral organizations is indispensable to Chile's socioeconomic development. Assistance to Chile shall be provided in accordance with the following goals and with the objective of helping the maintenance of economic growth of at least 5%, the goal of the Chilean government. Assistance should, in view of Chile's current relatively advanced stage of development, conform with the problems that occur in a flexible, dynamic economy.

- (1) Infrastructure improvement and expansion designed to maintain stable socioeconomic development
- (2) Revitalizing economic activity and improving productivity in order to promote exports
- (3) Eliminating poverty and promoting industry in order to alleviate regional disparities
- (4) Establishing a sustained production base through environmental conservation

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable growth	Export promotion	Alleviating regional disparities	Environmental conservation			
Economic management	⊙	○	○	○	(1) Increased capacities for drafting and implementing effective, efficient development programs	1) Strengthened functions at organizations responsible for drafting development plans 2) Increased analytical capacity for formulating sectoral policy (especially concerning environmental issues)	
Agriculture, forestry and fisheries	○	⊙	○	○	(1) Increased productivity in farming, livestock, forestry and fishery products for export (2) Increased collaboration between the processing industry and the farming, livestock raising, forestry and fishery sector (3) Higher incomes in impoverished regions	1) Better production techniques in farming, fisheries, forestry and livestock 2) Promoting selective breeding and quality control 3) Organizational improvement to disseminate new technology 4) Establishing a rural financing program 1) Better processing techniques in farming, livestock raising and fisheries 2) Improved distribution functions and marketing capabilities 1) Infrastructure improvements concerning land usage, irrigation, and market access roads, etc. 2) Transition to high-productivity crops and cash crops and adoption of breeding techniques 3) An expanded comprehensive approach to development in small rural and fishing villages 4) Strengthening fisherman's cooperatives 5) Proper management of coastal marine resources	Southern and northern Chile Southern Chile

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable growth	Export promotion	Alleviating regional disparities	Environmental conservation			
Mining and industry	⊙	○			(1) Improved productivity and quality in industry	1) Improved high-tech R&D capabilities and strengthened relationships among production-related institutions 2) Standardization of industrial products and improved inspection capabilities 3) Increased business management capabilities at corporations 4) Better maintenance of plants and equipment	
	○	⊙			(2) Promoting resource development	1) Investigating and developing untapped mineral resources 2) Training for technicians in important mining sectors	
	○		⊙		(3) Industrial development	1) Training industrialists to promote local industry 2) Strengthening the system for disseminating new technology	
Economic infrastructure	⊙			○	(1) Infrastructure improvement for industrial development	1) Improving communications and transportation in areas with undeveloped infrastructures 2) Energy development centered around electric power	Southern and northern Chile
	⊙	○			(2) Infrastructure improvement for industrial advancement	1) Construction of an advanced infrastructure, including industrial parks, airports, harbors and industrial roads	Central Chile Central Chile
Social infrastructure	⊙	○			(1) Human resource development designed to facilitate industrial diversification and advancement	1) Expanded and enhanced vocational training 2) Enhancing tertiary education	
	○		⊙	○	(2) Improved living standards and increased employment	1) Better nutrition 2) Improvement of enrollment rates for secondary education 3) Improved regional medical services 4) Housing for low-income people 5) Better waterworks and sewers 6) Development of high-level medical technology	
	○			⊙	(3) Sanitation and land conservation	1) Establishing a legal framework for environmental conservation 2) Preventing metropolitan pollution (i.e., air pollution, industrial waste and household garbage) 3) Preventing mining pollution 4) Promoting afforestation and conservation of forest resources 5) Preventing contamination of the sea, rivers and marshlands	

Note: 1) This nation is not eligible for general grants.

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

- 1) As the austerity program is making it difficult for organizations to bear local costs, careful determination of the ability to do so is needed during planning stages, and innovation is required to incorporate into the cooperation framework the implementation of projects that fund the receiving organization.
- 2) Prior to actual implementation, time and effort are required to deepen basic understanding to compensate for the lack of familiarity with Japan's assistance process, which is due to total personnel changes among top-level officials since President Aylwin took office and to the country's familiarity with multilateral organizations (and general unfamiliarity with bilateral assistance).
- 3) Although the Chilean government has emphasized universities as assistance recipients, it is necessary to avoid research-related projects and clarify who the recipients will be and how the results of cooperation will be applied to the government.

(2) Consideration for implementation capacity of counterpart-organizations

- 1) The President's Planning Agency (ODEPLAN), traditionally responsible for coordinating grants received, was elevated to the Ministry of Planning and Cooperation (MIDEPLAN) as part of organizational reform in July 1990 and appended with an exclusive extra-ministerial department, the International Cooperation Agency (AGCI: Agencia de Cooperación Internacional), which, in addition to performing preliminary investigations of proposals from a national and sectoral perspective, also coordinates, assigns priority to, evaluates and administers assistance projects.
The Ministry of Finance is in charge of loans from multilateral organizations; the AGCI is responsible for some bilateral loans, with the Ministry of Finance in charge of those concerning OECF.
- 2) As incomplete coordination between organizations often impedes measures that encompass multiple sectors (like antipoverty and environmental measures), the AGCI, the liaison organization for assistance, must be requested to fulfill its role as coordinator and effect structural improvements concerning coordination and implementation.

VI. Summary of evaluation studies

- 1) Recent evaluation studies on Chile have shown that "soft prior cooperation" is more effective in the long run. As Chileans possess the capacity for action but are not disposed to an organized approach to a problem from a medium- to long-term perspective, it is important to persistently provide prior guidance and to view matters with trained foresight.
It is particularly important to decide the timing of Japan's response after first properly determining the state of readiness to receive assistance and capacity for bearing local costs.
- 2) In order to provide cooperation that conforms with Chilean requests and the nation's true needs, the Japanese side must carefully consider proposals after they are first organized and screened by the AGCI, then select only those proposals that are worthwhile.

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Republic of Colombia

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional republic

(2) Date of independence

July 20, 1810

(3) Head of state

President Cesar Gaviria Turjillo (Four-year term began on August 7, 1990.)

(4) Political structure

Independence of the three branches of government — legislative, executive and judicial

1) Legislature:

A bicameral system comprised of an upper and lower house (with 102 and 161 members, respectively, and both with 4-year terms).

2) Executive:

Comprised of a presidency and 13 ministries; the ruling Liberal Party (PL) holds a majority in the cabinet.

Power in Colombia is very decentralized, and state governments possess the authority to collect taxes and control land. The new constitution (promulgated on July 5, 1991) provides for the direct election of governors, who were theretofore appointed by the president.

3) Judiciary:

Separation of the legislature and executive branch is guaranteed. The judiciary consists of the Supreme Court of Justice (Corte Suprema de Justice), the High Court, district courts and constitutional courts (which review constitutionality issues).

4) Political parties:

Each party's number of seats

	Liberal Party	Social Conservative Party	Patriotic Union	M-19	Democratic Alliance	Indio Party	Other	
Upper house	59	14	5	9	8	3	4	(total 102)
Lower house	91	49	3	13		2	3	(total 161)

(5) Domestic administration**1) Anti-crime measures:**

In the early 1980s, Colombia's drug cartels, together with long-existing guerrilla groups, became the greatest threat to public order, and in 1984 the spread of drug terrorism brought the imposition of martial law, which ended seven years later in 1991.

In 1985 the terrorist organization M-19 attacked and occupied the Supreme Court building, and in August 1989, leading presidential candidate Galán, who had called for the elimination of the drug cartels, was assassinated while campaigning, after which then-President Varco declared an all-out war against the drug cartels that lasted for roughly one year.

In contrast, the current administration, while continuing peace talks with the guerrillas, issued an executive order that included a ban on the foreign extradition of drug criminals. This policy helped bring about the disarmament of all guerrilla groups (excluding the FARC and ELN) and their return to civilian life, as well as the surrender of such drug kingpins as Pablo Escobar and the three Ochoa brothers, the former of whom, however, escaped from prison in July 1992 and orchestrated sporadic and indiscriminate terrorist bombings between November and April of the following year. A state of emergency was declared from November 1992 to August 1993, but this type of terrorist activity by drug syndicates has subsided since April 1993.

Some of the most important tasks facing the current administration are the now-deadlocked negotiations with the country's two largest guerrilla groups, the FARC and ELN. Although the government continues to search for a breakthrough in negotiations while simultaneously applying military pressure, terrorist acts by the guerrillas continue to dampen its prospects.

The government is currently negotiating with the Socialist Reform Movement (CRS), a splinter group of the ELN.

2) Promulgation of the new constitution:

A constitutional convention convened in February 1991 in response to a constitutional movement begun by student organizations drafted a new constitution that was promulgated on July 5, 1991, effectively replacing a constitution that had been in place since 1886.

This new constitution is characterized by the following.

Politics

- 1) Increased decentralization (Governors are elected directly instead of appointed by the president as before.)
- 2) Elimination of martial law and other executive privileges
- 3) Reduced privileges for members of the national assembly
- 4) Upper-house precedence and creation of the new post of vice-president
- 5) Increased basic rights (including a ban on the foreign extradition of criminals)

Economics

- 1) Utilization of private-sector vitality
- 2) Elimination of monopolies and the establishment of free competition
- 3) Reduced government regulations
- 4) Establishment of free-trade zones
- 5) Transfer of authority for fiscal policy to the central bank
- 6) Fiscal reform to promote education and public investment

Despite delays in establishing a legal framework, the new constitution is praised for its increased respect for freedom and human rights, its political and economic improvements, and for its explicit determination for future development.

3) Economics:

The open-economy program announced in February 1990 towards the end of the previous administration is being steadily implemented by the current government, and import liberalization and lower tariffs are increasing international competitiveness and promoting exports. The liberalization of 1,065 items in November 1990 brought the total of liberalized items to 5,005 out of a total of 5,158, thus raising the rate of liberalization to roughly 97%.

Tariffs on raw materials, intermediate materials, capital materials and materials for final consumption were lowered in September 1991, and import tariffs on automobiles were significantly lowered in the following January.

This series of open-economy measures was intended to revitalize Colombia's markets through competition and at the same time stabilize prices while establishing a free-trade zone with neighboring countries. However, because of the weak base of Colombian firms, some feel that the rapid lowering of tariffs will impede economic growth.

(6) Trends in politics

Under a 16-year agreement begun in 1958 (the People's Front Agreement), the Liberal Party and Social Conservative Party (Colombia's two largest political parties) evenly divided the number cabinet posts and seats in the national and state assemblies. National presidential elections held since 1974, however, have brought the country a new president every four years. The Liberal Party won overwhelming victories in the elections of 1986 and 1990.

And while the Liberal Party won 47% of the votes in the 1990 election, it was followed by the Patriotic Union (23%), M-19 and the Social Conservative Party, thus signaling a transition from two-party to multi-party politics. Since taking office in August 1991, President Gaviria, with Colombia's first multi-party cabinet to contain a left-wing party member (M-19, however, left the cabinet in November 1992), has achieved reasonable political stability in face of such difficult domestic issues as open-economy measures, drugs, and peace talks with guerrilla groups.

(7) Diplomatic relations

In his inaugural address, the current president emphasized diplomatic diversification and Latin American unity, and has repeated this emphasis on many occasions. The foundation of the current administration's foreign policy is "modern, comprehensive diplomatic relations," which entails involvement in various international systems, establishing diverse diplomatic relations, strengthening existing relations, and efficiently promoting its open-economy program. Conspicuous are the government's overtures for increased market access in EC countries and calls for solidarity with Andes Group nations. Colombia's major long-standing bilateral concerns are as follows.

- a. A dispute with Venezuela over Venezuela Bay
- b. A dispute with Nicaragua over possession of the San Andreas islands
- c. The absence of diplomatic relations with Cuba since 1981

(8) Regional unity

Emphasis is placed on relations with the United Nations and the Organization of American States. Concerning an Andes common market, at the Cartagena conference of December 1991 it was decided to eliminate, in January 1992, all tariffs on trade within the region and adopt standardized tariffs for external trade. Colombia and the other two members of the proposed G3 Free Trade Zone (Mexico and Venezuela) have agreed to eliminate all tariffs on trilateral trade in July 1994 and promote energy development, communications, tourism and cultural exchange.

2. Economic situation

(1) General trend

- 1) Average annual economic growth in the 1980s was 3.7% in Colombia, one of the few Latin American nations to consistently maintain positive economic growth. In 1992, Colombia's GDP was \$45,267 billion and per capita GDP \$1,324 dollars. (Statistics from the National Planning Agency are in pesos and so were converted to dollars using the average rate for 1992.) In the 1992 World Bank Development Report Colombia was ranked 65th out of 125 reporting nations and classified as a lower-middle-income nation.
- 2) In 1992, the government continued its open-economy program as it adopted standardized tariffs along with Venezuela (as part of the free-trade agreement with this country and Ecuador), deregulated marine transport, and opened air routes to other carriers. In finance, Colombia opened its stock market to foreign capital and several public institutions were privatized. In terms of statistics, industry moved forward under this open-economy program and an economic growth rate of 3.6% was achieved despite problems such as crime and frequent power failures.
- 3) No major changes in the industrial structure have been observed during the past 10 years in spite of various structural-transformation policies implemented since the 1960s. According to the 1992 World Bank Development Report, agriculture, industry and services were respectively responsible for 17%, 32% and 51% of GDP — the typical industrial structure of a lower-middle-income nation.
- 4) Colombia is the world's second-largest producer of coffee (after Brazil), and although economic dependence on coffee has been traditionally high, the government's mining promotion policies of the 1980s resulted in large-scale exports of petroleum beginning in 1986 and coal in 1987. In all, five major items — the above three, ferronickel and gold — account for 12% of all Colombian exports.

(2) Trends in the major industry sectors

- 1) **Agriculture:**
Agriculture is responsible for roughly 20% of GDP, with the major product being coffee, followed by flowers, bananas, sugar and cotton. In 1992 factors such as international competition following liberalization and the economic downturn affecting major trading partners resulted in a severe market environment for agricultural products, which, combined with stagnating coffee prices on the international market, restrained real economic growth to 1.1%.
- 2) **Industry:**
The industrial sector, growing from 27% of GDP in 1965 to only 30% by 1992, has failed to grow as expected. Nevertheless, despite such negative factors as frequent power failures, the GDP growth rate has grown well (3.92% in mining, 24% in coffee-related manufacturing, 2.50% in non-coffee-related manufacturing and 9.82% in construction).
- 3) **Commerce:**
Commerce is responsible for 12% of GDP (the third-highest share after the above two sectors). Commerce and transportation grew by 3.8% and 3.04%, respectively, through the benefits of the free trade agreement with Venezuela and Ecuador.

(3) Fiscal policy**1) Fiscal issues:**

In 1992 social development was affected by a low rate of increase in expenditures due to low rate of current revenue increase. In addition, a tax reform program scheduled for implementation in 1993 was drafted to increase tax revenues in order to offset the poor finances of the National Coffee Fund following a drop in international coffee prices and a financial crisis in the electric power sector caused by frequent power failures.

2) Finance:

The continued control of foreign currency resulted in a peso devaluation rate much lower than the rate of inflation, while an easy-money policy intended to revitalize private investment increased fluidity and caused the currency supply to grow by 40%.

(4) International balance of payments

Along with the establishment of a free-trade zone with Venezuela and Ecuador, regional trade increased remarkably in the second period. Although imports increased as a result of lower tariffs (part of open-economy policies), exports were hurt by low international coffee prices and an export base reduced by such factors and the worldwide economic downturn, a low devaluation rate and international competition intensified by free trade in such non-traditional exports industries as textiles and leather goods, resulting in performance roughly equal to the previous year's (a trade surplus of roughly 1.5 billion pesos in 1992, much lower than the 3.0 billion surplus of the previous year). However, there were surpluses in both the balance of current accounts and the capital balance, and foreign currency reserves totaled \$8.0 billion. Furthermore, in 1993, increased trust on the international financial market helped Colombia qualify for investment.

(5) External debt

Colombia has repaid \$250 million in debt to the World Bank, and also roughly \$150 million in bilateral debt. The government, with the goal of reducing both external debt's share of GDP and the debt service ratio to somewhere between 30% and 40%, is expected to continue its careful, sound policy on external debt.

(6) Economic relations with Japan

Trade has been overwhelmingly in favor of Japan, and in 1992, no exception, imports from Japan totaled \$760 million and exports to Japan \$190 million. Major imports from Japan include automobiles, machinery and equipment; major exports are coffee, emeralds and coal. There have been roughly 60 cases of direct investment by Japanese corporations, and slightly less than 40 Japanese firms have begun operations in Colombia. In November 1991 the Japan-Colombia Joint Committee on Economics — formed in July 1990 with Federation of Coffee Producers chairman Cárdenas as the Colombian chairman and Federation of Economic Organizations chairman Mimura as the Japanese chairman — held its first joint conference in Tokyo, where opinions were exchanged on promoting trade investment and economic and technical cooperation in both nations' private sectors. The second joint conference is scheduled to be held in Colombia in 1993.

3. Social situation**(1) Trends in the major sectors****1) Education:**

The five years of primary education are compulsory and free of charge, and the enrollment rate in secondary education exceeds 86%. The literacy rate among those 15 and over was 88.1% in 1985 (UNESCO survey).

- 2) **Health:**
Regional disparities in sanitation and medical care are great. An outbreak of cholera occurred on the Pacific coast and in the Amazon between late 1990 and the first half of 1991.
- 3) **Urbanization:**
Over the past 10 years the ratio of rural to urban populations has gone to 3 to 7 from 7 to 3, and the sprawling slums around cities have become a major social problem.

(2) Income distribution/Regional disparities

Despite a growing middle class, the income disparity between it and a small group of wealthy Colombians remains wide, and many people continue to live in poverty. Regional disparities in income and social services are also extremely large.

(3) Social policy

Below are the four strategic goals of the long-term development plan contained in the National Development Plan (1990 to 1994) announced by President Gaviria in October 1991.

- 1) **Infrastructure improvement:**
Improvement of arterial roads, railways, waterworks and sewage systems
- 2) **Improvement of the social infrastructure:**
Higher enrollment rates in primary and secondary education, improved primary care and preventative care for the poor, and the construction of 539,000 houses
- 3) **Science and technology:**
Promotion of Colciencias (Science and Technology Promotion Fund) and technical assistance in agriculture and livestock raising
- 4) **Environmental improvement**

4. Special issues

(1) Environment

Although there is currently no ministry in charge of environmental affairs, the government plans to establish the National System of the Environment and Ministry of Environment. There is no comprehensive environmental law. Current environmental problems include improper land use and water distribution and reduced biological diversity due to destruction of the tropical rain forests.

(2) Women in development

Enrollment rates in primary education are higher among women than men, but no differences in educational levels or access to education can be seen. There are relatively large numbers of women managers and technicians in both the private and public sectors, and women play an important role in agriculture.

(3) Military expenditures, etc.

The 1991 defense budget was 749.3 billion (\$1.180 billion), roughly 2.8% of GDP. The sizes of the army, navy and air force are, respectively, 120,000, 12,000 and 7,000. Source: Maynard Publications

5. Indicators

	Land area	1,138,914 km ²
	Population	30.06 million (Population density 26.4/km ² — 1985 census)
	Country classification (DAC list)	Lower middle-income
Economic indicators	GDP (in million US\$)	40,945 (1990) → 41,845 (1991) → 45,267 (1992)
	Real GDP growth rate	4.3% (1990) → 2.4% (1991) → 3.6% (1992)
	Per capita GNP (in US\$)	1,241 (1990) → 1,248 (1991) → 1,324 (1992)
	Sectoral distribution of GDP	Agriculture, 22%; Mining/Industry, 30%; Services, 48% (1992)
	Sectoral growth rate	Agriculture, 1.1%; Mining/Industry, 5.4%; Services, 3.6% (1992)
	Sectoral distribution of employment	Agriculture, __%; Mining/Industry __%; Services, __% (1992)
	Growth rate of consumer price index	32.36% (1990) → 26.82% (1991) → 25.13% (1992)
	Unemployment rate	10.6% (1990) → 9.3% (1991) → 9.7% (1992)
	Exports (in million US\$)	7,079 (1990) → 7,507 (1991) → 7,285 (1992)
	Imports (in million US\$)	5,108 (1990) → 4,584 (1991) → 5,852 (1992)
	Balance of current accounts (in million US\$)	543.4 (1990) → 2,347.3 (1991) → 902.6 (1992)
	External debt balance (in million US\$)	17,566 (1990) → 16,975 (1991) → 16,678 (1992)
	Debt service ratio	41.0% (1990) → 39.4% (1991) → 18.9% (1992)
	Foreign currency reserve (in million US\$)	4,696.8 (1990) → 6,572.5 (1991) → 7,919.8 (1992)
	Social indicators	Population growth rate
Life expectancy at birth		Male, 66.36; female, 72.31
Infant mortality rate		39/1,000 (1989)
Per capita calorie intake		2,540 Kcal/day (1989)
Primary education enrollment ratio		Male, 112%; female, 115% (1986-1988)
Secondary education enrollment ratio		Male, 55%; female, 56% (1986-1988)
Tertiary education enrollment ratio		Total 14% (1987)
Adult illiteracy rate		Male, 18%; female, 12% (1985)
Population ratio in absolute poverty	Total, __%; Urban, 32%; Rural, 70% (1989)	

Source: Central Bank, National Statistics Agency

II. Socio-economic development situation

1. Outline of the national development plan

A national development plan is drafted upon the election of a new president every four years; President Gaviria announced its "Economic and Social Development Plan" (1990 to 1994) in October 1991.

(1) Goals

- 1) Promoting external trade
- 2) Private sector-led open-economy and liberalization measures

(2) Issues

- 1) Promoting trade
- 2) Shifting economic leadership from the state to the private sector
- 3) Enhanced social welfare
- 4) Promoting decentralization
- 5) Political reform

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
1) Priority areas in the national development plan (1) Infrastructure improvement (2) Social infrastructure (3) Science and technology (4) The environment	1) Improving ports and roads in order to increase exports (approx. \$1.5 billion) 2) Housing for low-income families 3) Land projects to promote agriculture (approx. \$1.4 billion) 1) Promoting basic education (i.e., enhancing kindergartens and primary and secondary education) 2) Better health care (promoting preventative medicine) 3) Improving waterworks and sewers (approx. \$1.6 billion) 1) Strengthening universities and research institutions 2) Promoting increased productivity and rationalization 1) Environmental conservation involving protection of forests 2) Preventing water and air pollution 3) Nexus between environmental management and disaster prevention	Because of the current fiscal predicament (the campaign against guerrillas and drug cartels consumes a large share of the government's budget, while revenues have dropped significantly in the wake of the open-economy program), completion of the development plan will be difficult without foreign assistance.
2) Macroeconomic policy	1) Stabilizing tax revenues 2) Restraining inflation (to 22% in 1992, 18% in 1993 and 14% in 1994) 3) The active participation of the private sector	Decreased revenues following rapid liberalization under the open-economy program have placed pressure on national finances.

3) Inducing foreign currency	1) Approval of 100% foreign-owned corporations 2) Tax exemptions for foreign corporations 3) Establishing free-trade zones (7 nationwide) 4) Import incentives for equipment used to manufacture export products	(The Economic Modernization Program) This plan (1990 to 1994) was announced in February 1990 towards the end of the previous administration. Essentially a market-opening program, its rapid implementation has weakened the base of domestic corporations.
4) Tax policy	1) Avoidance of double taxation (to improve corporate capital) 2) Reduced foreign remittance taxes on corporations 3) Exemption from value-added tax on exports	

3. Investment program for the development plan

Public investment plan for 1992-1995 (in millions of dollars)

Infrastructure improvement	490
Transport	334
Waterworks	156
Social infrastructure	1,016
Education	392
Health and sanitation	624
The environment	139
Science and technology	59
Total	3,210

4. National budget

Fiscal 1992 (in billions of pesos)

Current revenues	12,879.7
Central government	4,183.3
State enterprises	6,831.3
FNC	507.6
Other enterprises	1,357.5
Current expenditures	13,082.5
Central government	4,834.1
State enterprises	6,276.4
FNC subsidies	682.0
Other enterprises	1,290.0
Fiscal balance	Δ202.8

Source : Central Bank

Note : US\$1.00 = 845.54 pesos (as of late April 1993)

III. Aid flow from multilateral organizations & donor countries

1. Assistance from major donor countries

Total amount of bilateral ODA (net disbursements): \$125.9 million (1991)

	France	Italy	Germany
Aid amount	\$32.1 million	\$27.5 million	\$20.7 million
Share	25.5%	21.8%	16.4%
Type of aid	Loans, technical cooperation and grants	Technical assistance, grants and loans	Technical assistance and grants
Priority areas or sectors	Development plans Health care and sanitation Transportation and communication	Natural resources Industry Health care and sanitation	Mining and industry Development plans Health care and sanitation

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$5.2 million (1991)

	UNDP	EC	WFP
Aid amount	\$10.9 million	\$5.4 million	\$2.6 million
Share	__%	__%	__%
Type of aid	Technical cooperation	Loans	Loans
Priority areas or sectors	Development plans Relief Developing residential land Agriculture, forestry and fisheries, etc.	Agriculture, forestry and fisheries Developing residential land Development plans	Agriculture, forestry and fisheries

3. Japanese ODA

The place of Japan among bilateral donors: 6th Share: 6.6% (1991)

Aid amount (in million US\$, 1991)	Trends in assistance
Technical assistance 8.3	Efforts have been focused on improving the social infrastructure (i.e., agriculture, forestry, fisheries, waterworks, sewers and urban development), health care, developing mineral resources, and disaster prevention.
Grants 0	
Loans 0	
Total 8.3	
(net disbursements)	

4. Collaboration among aid organizations

5. Situation of NGO activities

- (1) NGOs currently active: __
- (2) Major organizations and their activities

IV. Priority areas or sectors for JICA cooperation

Assistance for Colombia shall be provided in accordance with the goals below in order to support the country's Economic and Social Development Plan. Assistance in target regions, however, shall be limited to those areas where safety can be assured.

- (1) Infrastructure improvement for national unity (i.e., social development)
- (2) Increased international competitiveness and transition to an industrial structure centered around the promotion of exports
- (3) Alleviating regional disparities (developing undeveloped areas)
- (4) Environmental conservation

Sectors	Main goals				Strategy	Purpose of projects	Target regions
	Social development	Economic development	Alleviating regional disparities	Environmental conservation			
Economic management	○	⊙			(1) Increasing international competitiveness and expanding exports (2) Inducing foreign currency	1) Improving capabilities for drafting policies such as incentives to promote domestic industry 2) Trade liberalization program 1) Improving capabilities for drafting policies such as incentives to induce foreign currency	Bogota
Agriculture, forestry and fisheries	○	○	⊙		(1) Increasing productivity in and diversifying export crops (2) Increasing the incomes of poor farmers (3) Abandonment of single-crop (i.e., coffee-only) farming to stabilize incomes (4) Developing undeveloped regions	1) Introducing selective breeding and improving production technology for raising vegetables, fruits and flowers 2) Organizations for disseminating technology 3) Improving fruit appearance in order to increase exports 1) Irrigation projects 2) The dissemination of cultivation techniques 1) The development and dissemination of substitute crops 1) Fishery-driven regional development • Disseminating fishery techniques • Improving the related infrastructure	Bogota Cali Silvania Bogota Quindio Pacific coast
Mining and industry		⊙			(1) Improving industrial productivity and quality (2) Increased domestic production	1) Strengthening business management capabilities and disseminating related techniques 2) Renovating production facilities 1) Improving, disseminating and increasing the international competitiveness of the basic fields of plating, dies, and castings	Bogota Bogota

Sectors	Main goals				Strategy	Purpose of projects	Target regions
	Social development	Economic development	Alleviating regional disparities	Environmental conservation			
Mining and industry		⊙			(3) Expanding the export of minerals	1) Improving techniques for dressing and refining gold ore	Call
		⊙			(4) Diversification of and increased production in export products	1) Better international marketing 2) Developing techniques for improving quality and productivity	Bogota
Economic infrastructure	○	⊙	○		(1) Infrastructure development for promoting the advancement and diversification of industry	1) Infrastructure improvements, including industrial parks, commercial ports and fisheries	Bogota Pacific coast
	○	⊙	⊙		(2) Infrastructure improvement for developing wide-region industry	1) Improving communications and transportation in undeveloped regions 2) Energy developed focusing on hydroelectric and thermal power	Call Pacific coast Bogota Call
Social infrastructure	⊙		⊙		(1) Improved living standards and more jobs for the poor	1) Improving and expanding waterworks, sanitation facilities and electricity 2) Improving and expanding health care facilities 3) Promoting basic education 4) Enhancing and increasing enrollment rates in secondary education	Bogota Call
	⊙	○	○		(2) Improving the people's quality of life.	1) Improving health care services 2) Gun control measures 3) Improving urban traffic conditions	(Same as above)
	⊙	⊙	○		(3) Human resource development in response to industrial diversification and advancement	1) Expanding vocational training capable of meeting the needs of industry and improving tertiary education institutions	(Same as above)
	⊙	○	○	⊙	(4) Environmental and land conservation	1) Promoting pollution countermeasures 2) Establishing a legal framework for protecting plants and wildlife 3) Increased afforestation 4) Establishing a system for preventing volcano disasters	(Same as above) (Same as above) Cardas Manizales

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

- 1) Returning guerrillas to society and eliminating the drug trade, the two most important issues facing Colombia, actually involve the recovery of international trust and increasing macroeconomic strength (i.e., developing unused resources) and are hence inextricably linked with the economic modernization and open-economy programs. Impoverished urban areas and undeveloped poor areas isolated by rugged terrain are hotbeds of guerrilla activity and drug trafficking. The development plan gives top priority to eliminating this poverty, and hence precedence is assigned to cooperation that directly or indirectly benefits these undeveloped regions and which is designed to achieve harmony between the urban poor and the rest of society.
- 2) As increased economic strength and human resource development are indispensable to the smooth implementation of these social programs, we must draft cooperation plans that contribute to increased production in various sectors, while at the same time considering cooperation in human resource development.
- 3) The long-standing trade imbalance between Japan and Colombia has worsened along with the implementation of the open-economy program. We must therefore provide the maximum amount of cooperation possible in areas that directly or indirectly assist in the promotion of exports and the inducement of foreign capital, the mainstays of the government's economic policy.

(2) Consideration for implementation capacity of counterpart-organizations

- 1) Amidst growing expectations for cooperation from Japan, the qualitative disparity between proposals received and implemented proposals has become striking. In view of the considerable policy-formation capabilities of liaison organizations, it would be efficient and effective to begin an extensive exchange of opinions in the proposal formation stage and formulate projects after screening proposals in accordance with the nation's priorities.
- 2) Colombia's most important goal is to achieve national unity by successfully returning the guerrillas to civilian life while at the same time eliminating the drug trade in order to regain international trust. As many requests for cooperation from Japan are consequently either directly or indirectly related to these objectives, it is necessary to verify, when screening proposals, that the safety of specialists can be absolutely assured in the project and at the sites in question.
- 3) Because static tax revenues have led to consistent deficiencies in state finances (in contrast to positive macroeconomic conditions), it would be unrealistic to expect counterparts to bear excessive local costs, and so adequate consideration must be given to cost reduction (such as using existing equipment whenever possible).
- 4) In view of the extreme technological and economic disparities between Colombia's undeveloped regions (such as the Pacific coast region) and industrial and agricultural centers like Bogota, Cali and Medellin, factors such as the technological levels of access infrastructure (i.e., electricity and communications) must be adequately investigated during the plan formation stages.

(3) Consideration during implementation

- 1) Being a republic, Colombia has a very decentralized government and a wide range of foundations. Hence, one prerequisite for a successful project is proper consideration for communications and coordination not only between central and local governmental institutions but also between related organizations as well.
- 2) Steps must be taken to improve specialists' proficiency in Spanish.
- 3) Because of less-than-safe conditions, the best possible safety measures are required. Specialists and other personnel, after being screened during recruitment with consideration given to marital status, age and previous experience in Central and South America, should be provided with adequate training in crime prevention and safety before actual assignment.
- 4) In November 1992 activities were discontinued in unsafe regions such as Cúcuta, Pamplona, Popayán and Medellín, and personnel were reassigned to other nations and safe regions within Colombia. A cautious response to crime has been taken by new long-term specialists, short-term specialists and cooperation personnel assigned longer than three months, and teams sent to investigate new proposals.

VI. Summary of evaluation studies

1. Level of technology possessed by counterpart organizations
Counterpart organizations generally possess a high level of technology and are greatly effective in cooperation projects.
2. Equipment provided
Although equipment provided is being utilized as effectively as possible, the difficulty in acquiring parts and consumables often results in a broken device's going unused for a prolonged period. Western nations have achieved results in such methods as referent costs and revolving funds, which are extensively employed for consumables, parts, maintenance costs and other follow-up programs.

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Dominican Republic

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional republic with Independence of the three branches of government: legislative, executive and judicial

(2) Date of independence

February 27, 1844

(3) Head of state

President Joaquin Balaguer (inaugurated on August 16, 1990 for a four-year term)

(4) Political structure

1) Legislature:

Bicameral system with an upper and lower house; members of both houses serve four-year terms.

Seats in upper house: 30 Seats in lower house: 120

2) Executive:

The president, vice-president (both of the same party) and mayors are elected directly by the people. The president appoints ministers, directors, and provincial governors. The cabinet is comprised of 16 ministers, including one minister without portfolio. Local administration consists of the capital and 29 provinces, with city councils under each of the latter. Terms of city council members are four years. Although city councils exercise local legislative and administrative authority within a fixed range, the extensive power of the central government leaves local governments with extremely weak autonomous authority.

3) Judiciary:

The court system consists of a Supreme Court, 10 Appellate Courts, 30 District Courts, and Summary Courts and Land Courts for each district. Nine judges appointed by the upper house sit on the Supreme Court; the attorney general is appointed by the president from among the government.

4) Political parties:

The ruling party: Christian Socialist Reform Party (PRSC)

Major opposition parties: Dominican Liberation Party (PLD)

Dominican Revolutionary Party (PRD)

Independent Revolutionary Party (PRI)

Seats in the legislature: Upper house PRSC, 16; PLD, 11; PRD, 2; other, 1

Lower house PRSC, 42; PLD, 33; PRD, 31; PRI, 1;

other, 13

(5) Domestic administration

The basic policies of the current government, formed in August 1990, are 1) conservation of government expenses and those of public corporations; 2) increasing the production capacity of the public and private sectors in order to increase overall economic activity; 3) price stabilization; 4) expanding public works (particularly roads, water systems and housing) to increase employment and public investment; and 5) foreign exchange stabilization through the central bank. While the government's finances remain strapped, low-level financial stability in recent years has enabled the government to focus on educational reform (through a 10-year plan on education), health care, housing, environmental health and social security. However, in spite of the nation's democratic systems, the president's decision-making authority overwhelms the intentions of the cabinet, and government policies remain ambiguous.

(6) Trends of politics

Defeating the largest opposition party by only a slim margin, the PRSC failed to attain an absolute majority in the lower house and has come to power in the midst of opposition parties' protests over election results. Criticism of government policy is hence vociferous. Targets of public dissatisfaction since the previous ruling-party president's term (1986-1990) have been the emphasis on public works at the expense of agriculture, education and other areas requirement further development, as well as skyrocketing prices due to the printing of additional currency to cover an increase in public investment. In response, the government ceased the printing of additional currency and strengthened its control of foreign currency in early fiscal 1991, resulting in decreased fluctuation in local currency in recent years. Fiscal 1991 saw no serious rioting or destruction in spite of prolonged strikes by teachers, medical workers at state hospitals and agricultural technicians demanding higher wages and improved working conditions, and frequent general strikes by labor unions demanding price restraints and improved living conditions. However, in August 1990, the government, in order to increase bilateral aid and loans from the IMF and other international financial institutions, adopted an austerity policy and began gradually implementing economic structural adjustment measures designed to hold down inflation and reduce foreign debt. And although public tempers flared at one of these measures, an across-the-board freeze in wage increases also affecting public servants, realization that demonstrations, strikes and other aggressive tactics do not lead to solutions has begun to take hold among the general populace, resulting in increased instances of resolution through constructive dialogue. A standby agreement with the IMF was signed in October 1991 and economic adjustment measures requiring public perseverance have begun to show results: inflation dropped significantly, to 4% in 1991 and 6.6% in 1992. In addition, the government has begun fulfilling its promises in tangible forms — i.e., improved electrical power and increased employment through increased public works, including the near completion of two large-scale projects, the Santo Domingo water system project and Iguelaguakate dam — while it has also revised its labor, tax and finance laws (long-standing issues) and successfully held events to mark the 500th anniversary of Columbus's discovery of the Americas, also projects of global scale, suggesting that for the time being the country's economic revitalization will continue with inflation held in check as the government awaits May 1994's general election and renews its agreement with the IMF to induce foreign capital back into the country.

(7) Diplomatic relations

The policies of successive Dominican governments have been centered on cooperation with the U.S., with emphasis also placed on relations with Western Europe. The Dominican Republic, along with the Commonwealth nations of the Caribbean, joined the Lome Convention in 1990, since which it has benefited from special aid and special tariffs on exports to the EC. In response to criticism of the U.S. and other nations that it forces many of its Haiti residents (estimated at

600,000 to 1 million in number), particularly those employed sugar cane plantations, to work as "slaves" under deplorable conditions, it began forcibly returning Haitians via overland routes in June 1991. This program, however, was discontinued following the return of a military government to Haiti after September 30's coup. Arbitration by the OAS to help restore democracy to Haiti failed, and economic sanctions against the country were implemented on October 3. However, U.N. mediation to restore democracy resulted in the official formation on September 2, 1993, of a cabinet headed by new Prime Minister Malval, named by Haitian President Aristad, who is currently in exile in the United States. The Dominican Republic is actively engaged in diplomatic negotiations with this new cabinet, while travel between this country and Taiwan is also great, the former being one of the few countries to recognize the latter.

2. Economic situation

(1) General trend

The nation's economy began heading for low growth due to factors such as a trade deficit caused by 1982's rapid drop in the international price of sugar. President Jorge Blanco, who thus assumed office in the midst of a serious economic downturn, adopted a left-of-center approach, calling for a fiscal austerity plan that included a reduction in public investment. The expected economic turnaround failed to appear, with economic difficulties resulting from austerity policies instead threatening economic and social stability. In accordance with a subsequent agreement with the IMF, the government began introducing various economic adjustment policies. The effects of these policies began appearing in 1985, and in 1987 a GNP growth rate of 7.7% was achieved. In spite of increased employment due to an emphasis on public works by President Balaguer (who took office in 1986), the government's domestic debt also increased, and currency issued to compensate for this resulted in excessive inflation (prices rose by 263.1% in the four-year period between 1986 and 1990). In fiscal 1991 the government concluded a standby agreement with the IMF (for 1991) in spite of objections from the opposition party and labor unions. The government discontinued its commodity assistance as part of the economic adjustment measures called for by the IMF, and the prices of gasoline, wheat, sugar and other goods skyrocketed as a result. The tripling of gasoline prices in 1990 brought up the prices of other goods and services, resulting in considerable public resentment. A free market for foreign exchange was re-introduced in July 1991 as part of policies whose effectiveness finally began appearing in late 1991 in the form of increased economic stability: inflation was 4% in 1991, 6.6% in 1992, and 0.8% in the first quarter of 1993. There is no fluctuation in the official exchange rate for U.S. dollars. This stimulated economic and productive activity and resulted in steady development. The improvement in national revenues from -6.0% of GDP in 1988-1990 to a surplus in 1991 and 1992 has been seen by economists and the general public as proof that the nation's economy is improving.

(2) Trends in the major sectors

1) Agriculture:

Agricultural products account for over half of all exports in this agrarian nation, where the agrarian population is responsible for roughly half of the entire work force. Although agriculture accounted for 8.0% of the GDP in 1992 (third after commerce and industry), the traditional agricultural products of coffee, cacao, tobacco and sugar comprised 34% of all exports in the same year, reflecting the continued importance of agricultural production as the economic foundation of the nation. In response to sluggish international market prices for traditional agricultural exports and the U.S.'s lowering of its import ceiling on Dominican sugar in retaliation to the latter's protection of domestic sugar producers, the Dominican government has promoted the development of replacements (i.e.,

pineapples, oranges and the construction of industrial parks) while also focusing on agricultural revitalization, including completely exempting agricultural equipment and materials from import duties under its new tax law (enacted in June of this fiscal year), doing away with price controls on most agricultural products, and increasing the amount of irrigated farmland nationwide by repairing existing systems and constructing new ones.

2) **Mining:**

The Dominican Republic is known as one of the world's largest sources of bauxite and ferronickel, which account for 32% of all exports (1992) and 36% all mineral resources, thus acting as an important source of foreign currency.

3) **Manufacturing:**

Manufacturing, as important as agriculture to the nation's economic and social development, now accounts for 16-17% of GNP as a result of the government's recent emphasis on developing free zones. However, because of unreliable electric power and the widespread use of private power generation, production costs generally follow rises in fuel costs.

4) **Tourism:**

Tourism has grown considerably since 1986, and in 1990, the year in which income from tourism began exceeding total exports for primary and secondary products, income from tourism was \$899.5 million, or 120% of all exports. This figure grew to 130% in 1991 and 190% in 1993, and as a result tourism is now the government's most valued sector as a source of foreign currency. Relatively safe conditions and beautiful scenery attract many visitors from the U.S. and Western Europe. To draw larger numbers of tourists, the government has actively implemented projects to improve tourism-related facilities (electric power, water service, roads, and domestic transportation) and has also given priority to attracting both foreign and domestic investment in tourist attractions (e.g., hotels, resorts and golf courses).

5) **Electric power:**

Domestic electric power is generated not only by the state-run power company but also with private generators in companies and homes. In the last two to three years blackouts in the Dominican Republic have become chronic as a result of the government's failure to invest the huge sums of money needed to improve the state-run power company, which, although it supplies over 60% of all electric power, is faced with problems such as the improper maintenance of power stations, fuel shortages, increased power consumption, and a faulty power distribution network (30% of all power generated is lost due to leakage). However, due to a \$148.4-million low-interest loan agreement concluded in 1991 with the World Bank and a contract with a Spanish consulting firm to begin providing, in October of that year, 18 months of technical assistance concerning the operation and maintenance of power generation facilities, a concrete program to improve the power distribution network of Santo Domingo (which has been given top priority in public investment for fiscal 1992 to 1996) began in late 1991, thus marking the beginning of the government's earnest approach to improve the nation's electric power.

(3) Fiscal policy

Although the central government ran a slight deficit between 1980 and 1983, it has had a surplus since 1984. Income tax accounts for 20% of current income and export duties roughly 30%, and the government has increased various types of taxes to remedy this imbalance; this helped change the general balance of payments to a surplus. Although public investment, which accounted for only 10% of expenditures in 1984, expanded during the Balaguer administration to roughly half by 1989, the government has also reduced subsidies to the state-run power company,

price-stabilization corporation and other public corporations; implemented austerity budgets for the government and government-related institutions; and lowered real wages for public servants and other workers.

Under U.N. technical assistance in 1990 and 1991, the current tax-collecting system was rationalized and simplified (particularly with respect to income tax, import and export duties and tariffs), while a computer system, now in use on a trial basis, was introduced. The new tax law (No. 1192) passed on May 15, 1992 (to go into effect on June 1) contained the following improvements: 1) those earning up to 5,000 pesos a month are not subject to individual income tax; 2) agricultural equipment and materials are completely exempt from import duties, while duties on industrial equipment and materials have been reduced 10-15%; and 3) general consumption tax (ITBI) has been increased to 8% (authorities claim it will not lead to overall inflation because increases in taxes will be offset by tax-reduction measures).

(4) International balance of payments

Primary products (such as coffee, cacao, tobacco and other agricultural products and minerals such as bauxite, ferronickel, and alloys of gold and silver) traditionally have been the nation's sources of foreign currency, but with the increase over the past several years in foreign currency from tourism and businesses in free-trade zones, the government has become actively involved in the promotion and development of these new industries.

International balance of payments in 1992 (figures in millions of dollars): trade balance, -1,612; invisible trade balance, 787.5; balance of transfer accounts, 431.8; capital balance, 392.7 (Banco Central Boletín Trimestral 1-3/1993).

(5) External debt.

Total external debt in fiscal 1989 was \$4.066 billion. Interest payments delayed in 1986 were \$173.1 million, a figure that grew to 1.2998 billion in 1990, of which \$709.4 million (or roughly 54.6%) was owed to Paris Club nations. The government, while giving priority to servicing external debt, strives to renegotiate with its creditors in order to service external debt without interfering with economic growth. Creditors have hence made the conclusion of agreements with the IMF as one of their conditions, thus leading to the reopening of negotiations with the IMF. A standby contract was concluded in 1991, and to initiate debt-rescheduling negotiations, the government submitted a plan for repaying its debt to Paris Club nations (roughly \$1.8 billion). This plan, approved in November of the same year, including approval of the 15-to-20-year deferment of roughly \$926.6 million of this debt. Following the success of these negotiations the U.S. and other creditor nations announced their willingness to begin rescheduling negotiations on bilateral debt, thus improving the prospects for renegotiating the nation's external debt. The agreement with the IMF has been extended to March 1994, while the movement among creditor nations to transform Dominican debt to investment in development projects in tourism, agricultural and livestock continues to gain momentum.

(6) Economic relations with Japan

Imports from Japan are roughly double exports, with the major imports being trucks, passenger cars, related parts, equipment and electrical products. Used cars also comprise a large share of these imports. The major export to Japan is ferronickel, which accounts for roughly 90% of all exports.

3. Social situation

(1) Trends in the major sectors

1) Education:

In spite of the government's stated objectives of fighting illiteracy and increasing compulsory education, factors such as poor treatment for teachers and inadequate supplies and facilities at public schools have led to an annual

deterioration of education. In May 1991, public school teachers demanding better treatment and school facilities entered an unlimited strike, effectively bringing classes to a halt. Despite an end to the strike in early August, the schools' courses are far behind schedule.

After adopting in 1992 a 10-year education plan as part of foresighted educational reform, the government, at the Conference on Support for Educational Problems (held in Paris in June 1993), solicited help from the nations and organizations present in accordance with this international plan.

2) Health:

The Dominican Republic's state-run medical facilities include the national and social insurance hospitals, which dispense medical to the poor. However, drug shortages and inadequate medical facilities prevent these hospitals from providing proper medical care, while doctors and other medical technicians at these hospitals have in recent years frequently gone on strike to demand wage increases and better hospital facilities; 1991's four-month strike was particularly devastating, especially to the poor. There are no particular developments at present. Systemic illnesses are prevalent, and the nation is also known for the large number of persons afflicted with AIDS (between twenty and thirty thousand unofficially), making the issue of AIDS countermeasures an important one. Neighboring Central and South American nations have been threatened with cholera outbreaks, but the Dominican government has not yet released its own official figures. A committee to fight cholera already exists.

(2) Income distribution/regional disparities

Roughly one-third of the country's entire population is concentrated in the capital, Santo Domingo. Growing disparities in income are contributing to social instability. Of provincial areas, Shibao, in the east, has a relatively high standard of living thanks to rich soils and prosperous agriculture. This is in contrast to low standards of living in the south and frontier areas, which are dry regions with poor soils.

(3) Other

Nothing particular.

4. Special issues

(1) Environment

One of the nation's problems is worsening water quality caused by the incomplete purification of tap water, inadequate sewage treatment facilities (e.g., a shortage of sewers), the dumping of factory waste into rivers (due to ineffective regulations) and inadequate sanitation facilities. Diarrhea and infectious diseases are generally of high incidence. The Ministry of Health and other agencies have begun a campaign against cholera in response to the threat of its entering the country from South America, where it is widespread. In poor areas, where people live lives surrounded by sewage and garbage, deaths from acute diarrhea and vomiting are numerous, and the importance of sanitation has become a public issue.

Part of efforts to improve the nation's water system was a large-scale water pipe construction project begun in Santo Domingo in 1990 and which had been nearly completed by February of this year. Although the problems of water leakage and the unstable supply of quality water remain, the project has improved urban water conditions significantly.

(2) Women in development

Being a society of sexual equality, the labor laws provide a variety of measures to protect female workers. With many women of social prominence and in the political arena, women in high-level government positions and female executives in public and private corporations are commonplace.

(3) Military expenditures, etc.

The president is commander-in-chief of the armed forces, under whom serves the Defense Minister. Military service is voluntary, and 1992's defense expenditures of roughly 750 million pesos accounted for 4.5% of all treasuries expenditures.

(4) Democratization and basic human rights

The president, vice-president and mayors are elected directly; as of the end of March 1988 there were approximately 3.06 million eligible voters.

Trujillo's 31-year dictatorship ended with his assassination in 1961, after which the country enjoyed 17 years of relative political stability under a democratically elected head of state. Although the government and military conspired to suppress opposition parties (especially the Communist Party) during this period, President Antonio Gusumán, after taking office in 1978, de-politicized the military and established a democratic government, the foundations of which have remained firm up to the present, making the country one of the safest and peaceful nations in Central or South America.

5. Indicators

	Land area	48,442 km ²
	Population	7,169,846 (estimated population 1990)
	Country classification (DAC list)	Lower Middle-Income Countries
Economic indicators	GDP (million US\$)	5,659 (1990) → 6,529 (1991) → 7,984 (1992)
	Real GDP growth rate	▲5.3% (1990) → ▲0.7% (1991) → 7.7% (1992)
	Per capita GNP ² (US\$)	790 (1990) → 894 (1991) → 1,065 (1992)
	Sectoral distribution of GDP	Agriculture, 17%; Mining/Industry, 27%; Services, 56% (1990)
	Sectoral growth rate	Agriculture, —%; Mining/Industry, —%; Services, —% (1989)
	Sectoral distribution of employment	Agriculture, 45.7%; Mining/Industry, 15.5%; Services, 38.8% (1986-1989)
	Growth rate of consumers' price index (Central Bank)	100.7% (1990) → 4.0% (1991) → 6.6% (1992)
	Unemployment rate	29.0% (1990) → 30.0% (1991) → 30.0% (1992)
	Exports (million US\$)	924.4 (1989) → 703.9 (1990) → 651.0 (1991)
	Imports (million US\$)	1,963.8 (1989) → 1,807.0 (1990) → 1,714 (1991)
	Balance of current accounts (million US\$)	▲127.2 (1989) → ▲23.3 (1990) → ▲58.4 (1991)
	External debt balance (million US\$)	4,066 (1989) → 4,499 (1990) → 4,582.3 (1991)
	External debt service ratio	10.3% (1989)
	Foreign currency reserve	\$69 million (1990)
	Social indicators	Population growth rate (UNICEF-1992)
Life expectancy at birth		Male 65.43; Female 69.85 (1990)
Infant mortality rate		61/1,000 (1990)
Per capita calorie intake		— Kcal/day (1989)
Primary education enrollment ratio		Male —%; female —% (1989); total (7-14 years old) 100.4% (1986)
Secondary education enrollment ratio		Male —%; female —% (1989); total (15-19 years old) 35.0% (1986)
Tertiary education enrollment ratio		Male —%; female —% (1989); total (20 and over) 3.8% (1986)
Adult illiteracy rate		Male —%; female —% (1989); total 23.7% (1986)
Population ratio in absolute poverty (UNICEF-1992)	—% of total population, urban areas 45%, rural areas 43% (1980-1989)	

II. Socio-economic development situation

1. Outline of the national development plan

In June 1992 a public investment plan for 1992-1996 was released, an overview of which is as follows.

(1) Goals

Effects of the economic adjustment policies implemented in 1990 began to appear in fiscal '92: Inflation was 4% in fiscal '91 while GNP went from -6.0% (1990) to 0.1%, indicating positive economic development. The government, with the objective of improving and expanding the nation's still-inadequate production base while maintaining this rhythm of economic growth, plans to strive for overall economic revitalization through improved production and supply of electric power, the expansion of arable land through irrigation projects, and increased employment through the expansion of such public works projects.

2. Significant development sectors, major policies, difficulties in promoting development

Significant sectors	Major policies	Difficulties in promoting development
(1) Economic infrastructure	To actively introduce bilateral aid and aid from international financial institutions, improve technology for overhauling and maintaining power plants, and continue power distribution improvement projects in order to wholeheartedly improve electric power, which is the energy source for the nation's production (begun in 1990).	Because of excessive project costs, roughly 70% of investment capital must come from financial institutions and through international aid.
(2) Agriculture	To improve the agricultural infrastructure by increasing arable land and improving soil arability through new irrigations projects and the renovation of existing irrigation systems.	Inadequate maintenance of irrigation facilities and low utilization rates of existing irrigation systems because of poor distribution to terminal farmland.
(3) Forest development and conservation	<ol style="list-style-type: none"> 1) Revision and strict enforcement of the current forest protection law 2) Designation of priority areas for planting and soil conservation projects and implementations of projects therein 3) Strict crackdowns on illegal logging and coal production 	
(4) Education	To improve school facilities (i.e., classrooms, desks, chairs, blackboards and the construction of new schools) and improve the treatment (including salary) of teachers in order to secure talented people; provide radio education programs for adults in the provinces; and increase the percentage of students receiving school lunches (to at least 60% of all students), all in order to improve the quality of primary education. Model schools are also to be built throughout the country and made centers of provincial education.	Because treatment of teachers is the worst among all public servants, long-term strikes for better pay are frequent, resulting in the prolonged interruption of classes. Most students are from poor families, where economic factors often lead to students' dropping out of school.

(5) Medical care	<p>1) To enhance overall medical services by refurbishing existing national hospitals and regional treatment centers, provide better equipment and adequate medicines, and improve the quality of doctors, nurses, clinical technicians and other personnel</p> <p>2) Enhancing early treatment</p> <p>3) Environmental sanitation</p> <p>4) To continue and improve the efficiency of group immunizations and make them available to a wider range of children</p>	Problems such as deteriorating facilities, faulty equipment and shortages of drugs and consumables are chronic, making it impossible to meet growing demand (particularly among the poor).
(6) Financing for small-scale projects	"Fondo de Compensacion Social," a new independent institution, provides financial assistance to welfare organizations, small groups and communities to finance activities that benefit the entire community. Priority is given to general infrastructure improvement, environmental improvement, production, welfare services and other fields, with importance placed on liaison with NGOs. About 500 cases of financing are expected to be handled each year.	Although the institution has been legally established, it is still in the preparatory stages and does not actually function yet.
(7) The promotion of talented civil servants and the improvement of government personnel	To improve government's human resources through actual application of the basic law on promoting talented civil servants ("Servicio Civil y Carrera Administrativa"), passed in September 1990.	The widespread hiring of civil servants through personal and political relationships has made the drain of talented people from the public to private sector problematic.

3. Investment program for the development plan

The public investment plan for 1992-1996 calls for a total of 20.25 billion pesos, to be invested in electric power (49%), irrigation (18%), agriculture and livestock (11%), small-scale projects (9%), education (7%), the environment (4%), and medical care (2%).

4. National budget

Fiscal 1993 (in millions of pesos)

Revenues	22,717.5
Current revenue	17,291.1
Casual revenue	195.9
Overseas revenue	5,230.5
Expenditures	22,717.5
Current expenditure	11,968.7
(Central government)	(6,617.0)
(Other institutions)	(1,948.4)
(Interest payment)	(3,403.3)
Development expenditure	10,748.8
(Real investment)	(2,956.7)
(Public works)	(5,221.8)
(Foreign debt serviced)	(2,502.7)
(Other)	(67.6)

< Breakdown of budgetary allocations >

		percentage of total budget
Ministry of Finance	8,282.0	(36.5%)
Ministry of Agriculture	3,690.4	(16.2%)
Ministry of Health	2,503.3	(11.0%)
Ministry of Education and Art	2,109.7	(9.3%)
President's Office	1,590.0	(7.0%)
Ministry of Defense	1,371.0	(6.0%)
Ministry of Public Works and Telecommunications	1,247.8	(5.5%)
Ministry of Internal Affairs and Police	1,005.0	(4.4%)
Election Administration Committee	195.0	(0.9%)
Ministry of Exercise, Sports and Recreation	127.1	(0.6%)
Ministry of Commerce	123.8	(0.6%)
Ministry of Foreign Affairs	114.4	(0.5%)
Courts	111.2	(0.5%)
Ministry of Tourism	73.5	(0.3%)
Attorney General's Office	71.0	(0.3%)
Parliament	65.3	(0.3%)
Ministry of Labor	30.5	(0.1%)
Audits	6.5	(0.0%)

Note:

Changes in official exchange rate from local currency to U.S. dollars (fiscal 1992)

End-of-month rates

	Buying	Selling		Buying	Selling
January	12.50	12.82	July	12.50	12.75
February	12.50	12.82	August	12.50	12.75
March	12.50	12.75	September	12.50	12.75
April	12.50	12.75	October	12.50	12.75
May	12.50	12.75	November	12.50	12.75
June	12.50	12.75	December	12.50	12.75

III Aid flow from multilateral organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$63.15 million (1991)

	U.S.	Italy	Germany
Aid amount	\$18.00 million	\$13.93 million	\$11.08million
Share	28.5%	22.1%	17.5%
Type of aid	<ol style="list-style-type: none"> 1) Technical assistance for education and human resource development 2) Accepting technical trainees 3) Equipment 4) Financial aid to NGOs or private nonprofit organizations 	Loans Grant aid	Technical assistance
Priority areas or sectors	<ol style="list-style-type: none"> 1) Public areas, universities and other areas of human resource development 2) Irrigation water, water management and other agricultural areas 3) Health care and sanitation 	Agriculture, overall rural development Health care and sanitation	Dispatching specialists in fields such as coastal fishery promotion, water, geological engineering, and forest protection Projects are 3 years in duration.

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$2.43 million (1991)

	EDF	UNDP	UNTA
Aid amount	\$7.63 million	\$4.96 million	\$0.94 million
Share	--%	--%	--%
Type of aid		<ol style="list-style-type: none"> 1) Technical aid projects (5 years) 2) The Dominican U.N. office directly provides and administers aid after approval of requests from Dominican governmental organizations, which are presented by the Dominican ambassador to the U.N. at the yearly conference (held in Washington). 3) The Dominican office is responsible for decisions and allocations concerning requests from the private sector. 	
Priority areas or sectors		<ol style="list-style-type: none"> 1) Increased food production 2) Promoting economic growth and increasing employment 3) Protecting and developing forests 4) Developing and utilizing energy resources 5) Improving the administrative capabilities of government institutions 	

3. Japanese ODA

The place of Japan among bilateral donors: 2nd Share: 23.0%

Aid amount (in million US\$, 1991)		Trends in assistance
Technical cooperation	8.48	Two technical assistance projects are currently being carried out: the Pepper Development Plan (the second 5-year phase of which began in July 1992) and The Research and Clinical Project on Digestive Tract Disease (began in 1989). Requests for acceptance of trainees and the dispatch of personnel are on the rise. Nine developmental surveys (primarily on agricultural, water resources, and social infrastructure) were performed up to fiscal 1991. Grant aid includes, in addition to the Digestive Tract Disease Center Construction Plan, aid for increased food production, cultural grants, grants for marine products, and assistance. Loans includes past projects concerning communications, agricultural development, and hydroelectric power.
Grant aid	5.89	
Loans	0.14	
Total	14.51	

4. Collaboration among aid organizations

- 1) Joint projects along with the U.N., International Development Bank (IDB) and World Bank
- 2) Technical assistance projects of the OEA are performed in close cooperation with its member states and involve financial assistance for projects of the IICA and OPS.
- 3) JICA cooperates with INSTRAW concerning the WID issue.

5. Situation of NGOs' activities

- (1) NGOs currently active: CEDOIS (a nonprofit private organization) is responsible for overall coordination of the country's NGOs and had 54 member organizations as of August 1991. CEDOIS, whose activities include counseling, seminars and the conferences of member organizations, is in charge of promoting and coordinating NGO activities from the standpoint of a total coordinator of its member organizations' activities.
- (2) Major organizations and their activities
 - 1) The Madre Maestra Catholic University (private). One of the country's top universities, which also plans and sponsors various academic seminars.
 - 2) Dominican Rehabilitation Association. Vocational training.
 - 3) Dominican Church Rehabilitation Welfare Service. Social welfare activities related to the Catholic Church.

IV. Priority areas of sectors for JICA cooperation

In accordance with the priority areas of development called for in the public investment plan for 1992-1996, aid is to be provided primarily in such fields as agriculture, medical care, and the social infrastructure.

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Promoting economic growth	Improving the quality of life	Correcting regional disparities			
Agriculture, forestry and fisheries	⊙	○	○	(1) Diversification and increased production of crops for export	1) Development and spread of new crops for export 2) Dissemination of economic crops to small-scale farmers 3) Improved processing technology for primary products	
	⊙	○	○	(2) Self-sufficiency in main crops	1) Expanded irrigation facilities 2) Improved production technology	
	⊙	○	○	(3) Water resource development and expanded production at fisheries	1) Adoption and implementation of fishery development plans 2) Development and dissemination of fishery technology and fish processing technology 3) Establishment of sales and distribution routes	
	○			(4) Organized development of forests	1) Training afforestation technicians 2) Increased afforestation	
Mining and industry	⊙			(1) Development of export industries	1) Improved quality control technology	
	⊙			(2) Increased development of tourism	1) Improvements in the tourism infrastructure	
	⊙		○	(3) Development of mining resources	1) Exploration and development of mining resources	
Economic infrastructure	⊙	○	○	(1) Infrastructure improvement for economic growth	1) Improvement of roads, airports and ports, etc.	
	⊙	○	○	(2) Infrastructure improvement for industrial growth	1) Improved electric power 2) Development of water resources	

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Promoting economic growth	Improving the quality of life	Correcting regional disparities			
Social infrastructure	⊙	⊙	○	(1) Improved medical care and public sanitation	1) Improved and expanded medical facilities 2) Improved medical services 3) Improved water systems and sewers	
		○	○	(2) Human resource development	1) Improved educational broadcasts 2) Enhanced and expanded vocational training	

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

The primary factor limiting the government's potency is, in addition to general elections every four years, the now-customary shuffling of ministers and high-ranking bureaucrats twice a year, which obstructs the effective formation of development plans and social policy. This results in a variety of difficulties (including management, procedural delays, varying responses among authorities, and budgetary problems) affecting projects involving aid from Japan, other nations, and international organizations.

(2) Consideration for implementation capacity of counterpart-organizations

Because of the weak authority (and inability to create and plan promising development projects) of the Planning Bureau (Technical Agency, President's Office), which should actually be in charge of the total coordination of development aid projects, other governmental organizations are expected to come up with projects but instead face the problem of talented staff members being recruited by private corporations due to the above-mentioned frequent reshufflings and bad treatment, thus making it difficult to form proper projects. Bureaucratic procedures are also time-consuming because of the extremely weak authority of the cabinet and the pervasive attitude of seeking presidential approval for everything. It is also extremely difficult to obtain local costs because of authorities' lack of authority to make final decisions. However, this also means that all difficulties could be quickly resolved by consultation on a presidential level.

VI. Summary of evaluation studies

Japanese specialists, domestic consultants and researchers returning from abroad must be utilized more effectively in the formation of aid projects. It is also necessary to exchange information with other international organizations more frequently and devise assistance plans in ways in which responsibility for the country's development assistance is shared.

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Republic of Honduras

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional republic

(2) Date of independence

September 15, 1821

(3) Head of state

President Rafael Leonardo Callejas (term: January 1990 to January 1994 with no re-election)

(4) Political structure

Independence of the three branches of government: legislative, executive and judicial

1) Legislature:

Unicameral system (128 seats, 4-year terms)

2) Executive:

Consists of the president's office, twelve ministries and one agency (the president appoints the cabinet).

3) Judiciary:

Consists of the Supreme Court, Appellate Court, and Lower Courts; Supreme Court justices and directors are selected by the national assembly.

4) Political parties:

National Party (71 seats), Liberal Party (55 seats), National Innovation and Unity Party (2 seats)

(5) Domestic administration

The current cabinet, formed in 1990, is promoting its new liberal policies with objectives that include rebuilding the economy, reducing the budget deficit, and eliminating government subsidies.

(6) Trends of politics

The end of ten years of military rule in 1982 marked a shift to a democratic government, since which the Liberal Party, one of the nation's two major parties, remained in power until the election in November 1989 of National Party President Callejas (now in the final year of his term). Intense electoral campaigns are currently being waged by the National Party (the ruling party) and the Liberal Party (the largest opposition party) with the approach of a general election scheduled for November 28 of this year (in which the President, Vice-President, members of the national assembly and all mayors are up for election).

(7) Diplomatic relations

- Although relations with the U.S. (first adopted by the military government in the 1960s) have dominated Honduran foreign relations in areas of politics, economics and the military, etc., relations with Japan and other industrialized nations have also been strengthened in recent years; the nation even established diplomatic relations with the former Soviet Union in September of 1990. Nevertheless, it has no diplomatic relations with either the People's Republic of China or Cuba.
- Relations between Honduras and Nicaragua temporarily cooled following the latter's charges at the World Court that Honduras was allowing the "Contras" (anti-Sandinista guerrillas) to remain on its soil. The issue dissipated, however, with the breakup of the Contras after the defeat of the Sandinistas in Nicaragua's 1990 presidential election and the birth of the moderate Chamorro presidency.
- The World Court's final verdict in September 1992 on a land issue between Honduras and El Salvador helped resolve a long-standing border conflict.

2. Economic situation

(1) General trend

The rate of economic growth fell in the 1980s due to rising oil costs, falling prices of bananas, lumber and other exports, decreased foreign currency reserves, and stagnating exports to neighboring countries due to strife in Central America. And although stable economic growth resulted from the recovery of export prices in 1984 and the increase in public investment along with construction of the El KAHON dam project, the economy is again worsening, as shown by increased foreign debt, falling foreign currency reserves, and growing inflation. Honduras for several years had been receiving financial aid from the World Bank under an agreement on structure adjustment, but this aid was discontinued in 1989 because of previous president's inability to implement fiscal reconstruction, after which the nation also temporarily suspended negotiations with the IMF. In 1990, however, a bridge loan was approved and repayment was deferred under the Paris Club agreement, thus opening the door to new loans. The government began redoubling efforts to reduce foreign debt (including negotiations with lenders on refinancing and the discharge of debt) after it reached \$3.335 billion at the end of 1992. Also, capital returning to the country from overseas because of a worldwide drop in bank interest rates is said to have totaled \$100 million in 1992 alone, thus resulting in increased domestic investment, primarily in construction.

(2) Trends in the major sectors

- 1) **Agriculture, forestry and fisheries:**
Average yearly growth is -0.7%; the share of GDP is 21%. Primary products include (in addition to corn, beans, rice and other basic grains) bananas, coffee and beef. Shrimp is as important an export item as lumber.
- 2) **Mining and industry:**
Average yearly growth is 1.3%; the share of GDP is 35%. Minerals mined include lead, zinc and silver. Light industry comprises most of the manufacturing industry.

(3) Fiscal policy

The nation's fiscal situation deteriorated in the 1980s when economic growth slowed, resulting in budget deficits (beginning in 1981) that have been compensated for with foreign loans, government bonds, and donations. The current government is seeking to reduce the deficit by cutting government expenditures, reducing public servants' salaries, promoting privatization, eliminating subsidies and promoting the regional distribution of power, while also seeking to increase revenues through export duties.

(4) International balance of payments

Although the trade surplus, which resulted from the recovery of exports beginning in 1984, had been shrinking, it has once again started to grow recently. Deficits in the balance of payment are covered by the capital account, and dependence on foreign countries to maintain the country's international balance of payments is high.

Currency devaluations beginning in 1990 produced almost none of the expected reductions in imports, while also failing to increase the amount of exports. There are also concerns about the effect on Honduras of the EC's policy, begun this year, to restrict bananas imports from Central and South America.

(5) External debt

External debt was \$3.335 billion at the end of fiscal 1992. The government's negotiations with Paris Club and other nations for refinancing, forgiveness of debt, and deferment of payments is reducing the nation's debt burden. And although debt is expected to decrease in fiscal 1993, the government has yet to hammer out radical measures to solve its debt problems.

(6) Economic relations with Japan

Trade with Japan accounts for 4.8% of Honduras' exports (in fiscal 1990; 5th place following the U.S. and other countries) and 9.1% of all imports (in fiscal 1990; 2nd place following the U.S.). Major imports are diesel trucks, passenger cars and ships; primary exports are tuna, bonito, coffee and zinc.

3. Social situation**(1) Trends in the major sectors****1) Education:**

Public schools are lacking in number and attendance rates are low, especially in rural areas. Because many children are forced to drop out of school to seek work, the adult illiteracy rate is high.

2) Health:

Sanitation is extremely poor and rates of contagious diseases are high. No organized health care system exists, while medical facilities are lacking, resulting in high infant mortality rates.

3) Urbanization:

Tegucigalpa, the Honduran capital, and San Pedro Sula, the largest city in the north, have undergone intense urbanization, and large numbers of poor persons migrating to the cities for work are settling in growing slums around the cities. The government is attempting to restrain excessive urbanization through re-evaluation of urban land systems and the revitalization of the provinces.

(2) Income distribution/Regional disparities

The 1990 Jini coefficient released by the World Bank was a high 0.62, reflecting a vast gap between the rich and poor. Regional disparities between cities and the provinces are also extremely large.

(3) Others

4. Special issues

(1) Environment

- 1) **Major environmental problems:**
Depletion of forest resources, the rapid destruction of tropical broadleaf trees, contamination of rivers and the seas, inadequate treatment of sewage and household and industrial waste, agrochemicals, the extinction of wild plants and animals, and soil erosion, etc.
- 2) **Organizations responsible for environmental issues**
 - Environmental Ministry (established on May 27, 1993, from the National Environmental Committee)
 - The Honduran Forest Development Company
 - The Public Water Corporation
 - Ministry of Natural Resources
 - Ministry of Health
 - Local governments
- 3) **Major environmental policies**
 - Forest development in proportion to regenerative capabilities
 - Rational utilization of natural resources and management of protected areas
 - Soil recovery plans and research on water management
 - Resource management in drainage basins
 - Rational utilization of water and energy
- 4) **Systems under environmental law**
 - In August 1991 the national assembly approved a law concerning environmental purification, the final treatment of sewage, air pollution and solid waste, also adding certain restrictions on solid wastes.
 - In April 1992 the national assembly approved a laws for the development and modernization of the agricultural sector, including references to the conservation of management of forests.
 - On World Environment Day, the government announced that it would donate 125 million Lempira of its forgiven debt to environmental protection.
 - In May 1993 the National Environmental Committee was transformed into the Environmental Ministry and the nation's environmental law (Ley General de Ambiente, Decreto No 104- 93) was adopted and implemented.

(2) Women in development

- 1) **General conditions concerning women**
As in other Latin countries, women in Honduras occupy a subservient position, and the idea that housework and child-rearing are tasks for women is firmly rooted. Machismo, a deeply-entrenched belief in male supremacy, is a factor behind irresponsibility, rape and domestic violence. Although one in five Honduran households is headed by a woman, the advancement of women in government organizations and decision-making positions is limited. While no legal basis for sexual discrimination currently exists, until recently it did in laws concerning ownership of farmland.
- 2) **Organizations responsible for women's issues**
 - Ministry of Natural Resources
 - Farmland Reform Agency
 - National Social Welfare Committee
 - Family planning
- 3) **WID policies**
Since 1972 the necessity of involving women in national development plans has been discussed. The current government views the stable supply of food as a

priority issue in production, and places great importance on the role of rural women in achieving this goal.

(3) Military expenditures, etc.

In 1993 the military budget was 262,700,000 Lempira, or 4.5% of the nation's budget. Honduras does not manufacture or export arms. The sources of imported arms are not clear, but in 1992 Honduras received approximately \$16 million dollars in military aid from the American government. This amount rapidly dropped to \$2.7 million in 1993 following resolution of the Nicaraguan Contras issue.

(4) Democratization and basic human rights

Since the granting of a sweeping pardon to left-wing political prisoners in July 1991, nearly all obstructions to democratization have disappeared. Although such basic human rights as the freedom of assembly, association, speech and religion are guaranteed under the constitution, the concept of basic human rights has yet to take root among the middle and low-income classes, who comprise a large majority of the population. Nevertheless, political assassinations of union and student activists and beatings by military personnel have been reported widely by the press, as have protests against logging concession to forest firms — in the context of democratization of the national economy and awareness of environmental conservation. Also, low levels of administrative democratization make authorities inclined to ignore the people's rights, while a political awareness of such infringements is underdeveloped among the general populace. Workers in the private sector, in spite of legal protection, receive extremely low wages and are subject to conditions so grueling that their right to existence is barely protected.

5. Indicators

	Land area	112,491.76 km ²
	Population	5,405,383
	Country classification (DAC list)	Low Income Country
Economic indicators	GDP (US\$ million)	2,986 (1990) → 3,032 (1991) → 3,364 (1992)
	Real GDP growth rate	0.1% (1990) → 3.0% (1991) → 4.5% (1992)
	Per capita GNP (US\$)	542 (1990) → 543 (1991) → 590 (1992)
	Sectoral distribution of GDP	Agriculture, 21.0%; Mining/Industry, 35.8%; Services, 43.6% (1992)
	Sectoral growth rate	Agriculture, -1.7%; Mining/Industry, 1.3%; Services, -0.6% (1992)
	Sectoral distribution of employment	Agriculture, 46.0%; Mining/Industry, 32.0%; Services, 22.0% (1992)
	Growth rate of consumers' price index	36.4% (1990) → 21.4% (1991) → 8.8% (1992)
	Unemployment rate (government figures)	5.0% (1990) → 4.6% (1991) → 4.5% (1992)
	Exports (US\$ million)	1,024 (1990) → 1,035 (1991) → 972 (1992)
	Imports (US\$ million)	1,395 (1990) → 1,443 (1991) → 1,324 (1992)
	Balance of current accounts (US\$ million)	86.3 (1990) → 213.7 (1991) → 205 (1992)
	External debt balance (US\$ million)	3,517.8 (1990) → 3,186.1 (1991) → 3,335 (1992)
	Debt service ratio	48.3% (1990) → 35.0% (1991) → 23.9% (1992)
	Foreign currency reserve (US\$ million)	56.2 (1990) → 89.5 (1991) → 172.5 (1992)

Social indicators	Population growth rate	2.9% (1992)
	Life expectancy at birth	Male 64.4, female 69.2 (1992)
	Infant mortality rate	50/1,000 (1992)
	Per capita calorie intake	— Kcal/day (1992)
	Primary education enrollment ratio	Male —%, female —% (1992) (percentage reaching final school year: 43%, 1988)
	Secondary education enrollment ratio	Male 28%, female 36% (1989)
	Tertiary education enrollment ratio	Male —%, female —% (1992) (10%, 1989)
	Adult illiteracy rate	Male 24%, female 29% (1992)
	Population ratio in absolute poverty	73% of total population, 70% of urban population, 75% of rural population (1992)

Source:

1. *Informe Anual de Banco Central de Honduras*
2. *Informe de la Encuesta de Sector Social SECPLAN*

II. Socio-economic development situation

1. Outline of the national development plan

President Callejas, who took office in January 1990, has hammered out new economic policies designed to reconstruct the nation's economy by reducing its cumulative debt and solving other difficult problems.

(1) Goals

- 1) Stable economic growth
- 2) Economic development in harmony with social fairness

(2) Issues

- 1) Fiscal recovery and the transition to a free-market economy
- 2) The promotion of exports and creation of employment
- 3) Improved production and support for small to medium-sized firms
- 4) Harmonized social development

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
(1) Reorganization of the economic order	<ol style="list-style-type: none"> 1) Tax reform 2) Elimination of exemptions and incentives 3) Lowering of tariff rates 4) Reduction of current government expenses 5) Promotion of privatization 6) Rationalization of government finances 	<ol style="list-style-type: none"> 1) Opposition from the private sector 2) Same as above 3) The inability of domestic capital to compete with foreign firms 4) 5) An inadequate legal framework for privatization 6) Tradeoffs with development plans
(2) Revitalization of the national economy	<ol style="list-style-type: none"> 1) Improving producer technology 2) Economic liberalization 3) Diversification of non-traditional export crops 4) Establishment of industrial zones 5) Improving the existing production infrastructure 6) Forest regeneration by the private sector 	<ol style="list-style-type: none"> 1) Small-scale producers' lack of initiative 2) Small to medium-size industry's lack of competitiveness 3) Inadequate technical and financial aid 4) An unsatisfactory investment environment 5) Inadequate funding 6) Lack of coordination with environmental protection policies

(3) Social policies	1) Improving education 2) Increasing school attendance in compulsory education 3) Construction of new technical schools 4) Increased vaccination to lower the infant mortality rate 5) Expanded health and medical care 6) Plans for public sanitation 7) Stable supply of food 8) Improved housing in the provinces 9) Employment plans 10) Regional and urban development	1) Inadequate technical and financial aid 2) The prevalence of child labor 3) Inadequate technical and financial aid 4) Inadequate budgetary allocations for health care and public sanitation 5) Same as above 6) Same as above 7) Low agricultural productivity 8) Lack of funding 9) The inability to implement long-term plans 10) Lack of funding
(4) Environmental conservation and rational development	1) Plans on the utilization of natural resources 2) Rational utilization of water and energy 3) Effective utilization of forests	1) Although the Environmental Ministry was established and a new environmental law was passed, programs are insufficient and coordination among related organizations is lacking. 2) Same as above 3) Same as above

3. Investment program for the development plan

Public investment represented 12% of the GNP in 1984, but this figure has since fallen and is currently 5.6%. The investment for 1990 to 1994 is as shown below.

	(in million of US\$)
1. Agriculture	290
2. Industry	0
3. Economic infrastructure	570
4. Social infrastructure	345
5. Environment	100
Total	1,305

4. National budget

Fiscal 1993		(in Lempira)	
Revenues	5,836,557,591	Expenditures	5,836,557,591
Tax revenue	3,003,353,700	Legislature	44,224,494
Corporate tax	281,657,100	Judiciary	45,649,615
Government bonds	2,258,842,618	Election committee	48,000,000
Donations	292,704,173	President's office	21,188,245
		Ministry of Justice	142,753,605
		Ministry of Foreign Affairs	53,711,665
		Ministry of Defense	262,700,000
		Ministry of Economics	24,897,704
		Ministry of Finance	70,591,492
		Procurement Agency	2,966,600
		Ministry of Education	791,660,495
		Ministry of Health	612,503,477
		Ministry of Culture	12,628,610
		Ministry of Labor	51,633,309
		Ministry of Public Works	755,858,685
		Ministry of Natural Resources	146,342,262
		Ministry of Economic Planning	25,828,500
		Service of debt	1,973,241,964
		Other	750,176,869

Fiscal balance: 0

Exchange rate:

US\$1.00 = 6.20 Lempira (official rate after July 1993)

Source: *La Gaceta* (government publication)

III. Aid flow from multilateral organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$183.0 million (1992)

	U.S.	Spain	Kuwait
Aid amount	\$61.5 million (1992)	\$55.7 million (1992)	\$24.7 million (1992)
Share	33.6%	30.4%	13.5%
Type of aid	Grant aid	Loans Technical assistance	Loans
Priority areas or sectors	Agricultural development Economic structural adjustment Health care Human resources	Infrastructure	Agricultural development

Source: *Memoria Ministerio de Hacienda 1992*

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$420 million (1992)

	IDB	IDA	CABEI
Aid amount	\$246.5 million (1992)	\$56.1 million (1992)	\$51.9 million (1992)
Share	58.7%	13.4%	12.4%
Type of aid	Loans	Loans	Loans
Priority areas or sectors	Infrastructure Social development Energy	Economic structural adjustment Social development Energy	Infrastructure Communications Energy Tourism

Source: *Memoria Ministerio de Hacienda 1992*

3. Japanese ODA

The place of Japan among bilateral donors: 3rd Share: 18.0%

Aid amount (in million US\$, 1992)	Trends in assistance
Technical cooperation 16.42	Grant aid has been provided primarily for agriculture, health care and public sanitation; technical assistance, primarily for agriculture, fisheries, mining, communications, health care, education and other fields. Loans have been provided by the World Bank in 1990 for the "Structural Adjustment Plan."
Grant aid 16.49	
Loans	
Total 32.91	

Source: *JICA Report 1992*

4. Significance of ODA in the country

Portion of national budget financed with ODA: 18.4%

5. Collaboration among aid organizations

There is no systematic or constant collaboration.

6. Situation of NGO activities

- (1) NGOs currently active: 215
- (2) Major organizations and their activities
 - 1) ACORDE (agricultural training)
 - 2) ANDI (import promotion)
 - 3) APRHU (aid to poor families)
 - 4) ASHONPLAFA (family planning in rural areas)
 - 5) AVANNCE (education in rural areas)
 - 6) COHEP (promotion of private industry)
 - 7) EDUCSA (health and nutrition education for the poor)
 - 8) FACACH (promotion of union activity)
 - 9) FUHRIL (aid for the mentally and physically disabled)
 - 10) SAVE THE CHILDREN (aid to poor children)
 - 11) CODEFAGOLF (protection of wild plants and animals)
 - 12) TELETON (aid for the mentally and physically disabled)

IV. Priority areas or sectors for JICA cooperation

Aid to Honduras shall be provided in accordance with the following objectives and the nation's economic program, which entails the balanced actualization of the following three objectives: (1) fiscal recovery, (2) economic revitalization and (3) priority for social policies.

- (1) Industrial guidance to help achieve economic revitalization and stable growth important
- (2) Improving public welfare with an emphasis on basic aspects of daily existence in a way that directly benefits low-income people
- (3) Environmental conservation to achieve sustainable development

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Stable growth	Improving public welfare	Environmental conservation			
Economic management	⊙	○		(1) Organized and suitable strategies for development	1) Training personnel in the type of specialized knowledge that is essential to drafting national development plans	
Agriculture, forestry and fisheries	⊙	○		(1) Expanding production (2) Enhanced productivity of export products	1) Improving production technology for farmers and fishermen 2) Improving irrigation systems 3) Dissemination of irrigation technology 4) Establishment of a system for increasing yields of basic grains 5) Strengthening the distribution system 6) Selective breeding of livestock 7) Organizational strengthening of small and medium-scale farming and fishing 1) Diversification of cash crops 2) Improvement and dissemination of cultivation and processing technology 3) Strengthening the distribution system	

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Stable growth	Improving public welfare	Environmental conservation			
Agriculture, forestry and fisheries		○	⊙	(3) Conservation and organized utilization of forests	<ol style="list-style-type: none"> 1) Strengthening the functions of related organizations and improving their capabilities for drafting plans 2) Management of protected areas 	
	⊙		⊙	(4) Preservation and organized utilization of plants	<ol style="list-style-type: none"> 1) Genetic recording and preservation of plants 2) Control and utilization of genetic data 	
Mining and industry	○			(1) Rational development of mining resources	<ol style="list-style-type: none"> 1) Improvement of mining technology 2) Improvement of research capabilities 3) Processing of mining waste 	
	⊙	○		(2) Supporting small and medium-scale manufacturing	<ol style="list-style-type: none"> 1) Determining the state of small and medium-scale manufacturing 2) Improving and disseminating manufacturing technology 3) Improving and disseminating quality control technology 4) Developing industrial products for export 	
	⊙		⊙	(3) Developing and conserving tourism-related resources	<ol style="list-style-type: none"> 1) The conservation and effective utilization of historical ruins 2) Conservation of island tourism resources 	
Economic infrastructure	⊙	○		(1) Improving the industrial infrastructure	<ol style="list-style-type: none"> 1) Development water resources 2) Developing electric power resources 3) Improving harbors 4) Erosion control and flood prevention for rivers 	
	⊙	○		(2) Improving the regional infrastructure	<ol style="list-style-type: none"> 1) Improving the regional road network 2) Improving the regional communications network 3) Improving regional small and medium-scale harbors 	

Sectors	Main goals			Strategy	Purpose of projects	Target region
	Stable growth	Improving public welfare	Environmental conservation			
Social infrastructure		⊙		(1) Enhancing medical care and public sanitation	1) Assessing present conditions and problems 2) Strengthening and dissemination of PHC 3) Improving the medical care system 4) Developing human resources 5) Countermeasures to contagious diseases	
	⊙	○		(2) Developing human resources	1) Training for teachers to improve the level of education 2) Increased vocational training	
		⊙	⊙	(3) Improving public services and public sanitation	1) Improving the supply of drinking water <ul style="list-style-type: none"> • Constructing waterworks in rural areas • Improving existing service water quality • Providing service water for the urban poor 2) Improved treatment of household and industrial waste <ul style="list-style-type: none"> • Improved garbage collection systems in urban areas • Improved final treatment systems 	
			⊙	(4) Protection of wild plants and animals	1) Strengthening the functions of related organizations and improving their capabilities for drafting plans	

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

- 1) Also requiring consideration in the drafting of aid plans are the various problems associated with the development process. Honduras is implementing economic structural adjustment policies, but because those hardest hit are small and medium-scale producers and the middle class and the poor (who comprise the largest part of the country's population), plans must be drafted while bearing in mind social and relief measures designed to help this segment of society. Attention must also be given to preventing overdevelopment and the environmental destruction that can result from development.

- 2) The drafting of medium to long-term aid plans in this country is obstructed by the change of administrations, which normally results in radical changes in development strategy. Therefore, to draft aid plans resistant to changes in administrations, it is necessary to properly determine what the nation's true needs in development are in order to assure a sufficient consensus in any type of future administration.

(2) Consideration for implementation capacity of counterpart-organizations

- 1) Inadequate administrative structures and sectionalism in the Honduran government complicate application procedures, decision-making, and the approval and implementation of budgets, for instance. A loose aid implementation schedule that allows for a certain amount of delays is therefore necessary.
- 2) Every four years, presidential elections are followed by a reshuffling of important officials and the transferring or dismissal of counterparts, thus preventing the smooth implementation of aid and technology transfers. Various measures to help prepare for this post-election reshuffling should be taken, such as the preparation of manuals and designing technology transfers for a wider range of recipients.
- 3) Government budgets in Honduras, one of the poorest nations of Central or South America, are extremely limited, forcing the government to rely on external aid for even personnel expenses. This lack of budgetary funding is especially severe in education, health care, sanitation and other unprofitable fields, making it extremely difficult for officials to bear local costs and resulting in such problems as the inability to secure proper counterparts or raise funds for the upkeep of provided equipment. It is hence necessary for us to consider bearing local costs and other expenses to the maximum extent.
- 4) When selecting equipment to be provided, future maintenance and repairs must also be taken into consideration (including suitability with local capabilities, repairs in the event of breakdown, and ease of obtaining parts, etc.).
- 5) Because many governmental organizations simply desire aid for the sake of receiving it, applications often lack sufficient background information or explanations as to why the aid is necessary. As the immaturity of such implementing organizations often prevents them from fulfilling their duties — and thus obstructing the overall project — after aid is approved, we must not only properly investigate each application for aid, but also ask the Honduran government to sufficiently investigate all organizations that plan to submit an application and to eliminate any unsuitable organizations beforehand.

VI. Summary of evaluation studies

Regarding long-term projects, in view of the country's fiscal conditions, there is nothing for Japan to do but discontinue aid and cease management, or to request aid of other institutions. However, it would seem acceptable to continue well-thought-out aid programs when the further development of the recipient — without strictly adhering only to initial goals and deadlines — is likely.

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

United Mexican States

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional federal republic

(2) Date of independence

February 24, 1821

(3) Head of state

President Carlos Salinas de Gortari (assumed office on December 1, 1988 for a six-year term)

(4) Political structure

1) Legislature:

A bicameral system consisting of an upper and lower house (respectively 64 seats/6-year terms and 500 seats/3-year terms).

2) Executive:

The central government is comprised of the presidency, 18 ministries and three agencies. The country is divided into one federal district (Mexico City) and 31 states, which are administered by state governors (who serve 3-year terms), state assemblies (unicameral), and state supreme courts.

3) Judiciary:

Consists of one Supreme Court and, for each state, a High Court and District Court.

4) Political parties:

The ruling PRI (Party of Revolutionary Institutions), with 61 of the upper house's 64 seats and 320 of the lower house's 500 seats, continues to hold an overwhelming majority. Opposition parties include the PAN (National Action Party) (one upper house seat, 89 lower house seats), PRD (Democratic Revolutionary Party, with two upper house seats and 41 lower house seats), and other smaller parties like the National Reconstruction Caldenes Front, People's Social Party, and the True Revolutionary Party of Mexico. (These figures reflect the results of the midterm election of August 18, 1991.)

(5) Domestic administration

The political situation is extremely stable: PRI President Carlos Salinas de Gortari was sworn in on December 1, 1988, and to date the party has been in power for 64 continuous years since its inception on March 4, 1929.

(6) Trends of politics

In the general election of August 1991, also called a vote of confidence on President Salinas, the ruling PRI received 64% of the vote, a higher share than during 1988's

presidential election. These results reflect the people's approval and support of President Salinas and the economic policies of his first three years (i.e., progress in NAFTA [North American Free Trade Agreement], the privatization of state enterprises, the suppression of inflation through the Agreement on Stable Economic Growth, and the active promotion of the People's Solidarity Plan).

(7) Diplomatic relations

Under the basic diplomatic principles of noninterference, ethnic autonomy and the peaceful resolution of conflicts, Mexico has striven to develop and maintain friendly relations with all the world's nations, regardless of type of regime. President Salinas has maintained a firm stance of keeping the door to international society open while preserving a sense of national identity, as evinced by his holding of the 1st Ibero American Summit in July 1991. Furthermore, he has strengthened cooperative relations with the EC and nations of the Pacific Rim (particularly Japan) while maintaining relations with Mexico's traditional allies in North, Central and South America and Cuba and other Caribbean nations.

2. Economic situation

(1) General trend

During the previous de la Madrid administration, a drop in oil prices at the end of 1985 brought a return of the economic crisis (including inflation exceeding 100%, increasing government deficits, and negative economic growth) that first appeared in 1982 but was temporarily averted through austerity programs. Although a serious crisis was avoided through extensive support from the IMF and other nations, President Salinas inherited an economy plagued by inflation between fifty and sixty percent, low growth (between one and two percent) and a budget deficit equal to 11% of GDP. Subsequently this administration has actively promoted the introduction of foreign capital and programs such as the privatization of state enterprises with the stated goals of (1) sustained stability in economic growth, (2) securing productive investment capital, and (3) modernizing the economy. This resulted in an economic growth rate of 4.5% in 1990 (exceeding both the rate of population growth and the previous year's economic growth rate of 3.1%); a real economic growth rate of 3.5% and 18.8% inflation in 1991; 2.6% economic growth and 11.9% inflation in 1992; and a foreign currency reserve of \$18.55 billion by the end of 1992. NAFTA negotiations, begun in June 1991, ended in agreement in August 1992, while a supplementary agreement on labor and the environment, negotiations for which had run into difficulties, was agreed upon in August 1993 and likely to go into effect in January of the following year. This increased the likelihood of Mexico's acceptance into the OECD during the first half of 1994, and signaled the steady recovery of international confidence in the Mexican economy.

(2) Trends in major sectors

- 1) In 1992 the three sectors of commerce, manufacturing and services were together responsible for roughly 80% of the nation's GDP (respectively 26.0%, 22.7% and 29.7%), with the remainder being accounted for by agriculture (7.3%), transportation and communications (7.0%), mining (3.4%) and electricity, gas and water (1.5%).
- 2) The overall GDP growth rate of 2.6% in 1992 resulted from relatively steady growth in services (3.1%) and manufacturing (2.8%), in contrast to stagnant growth in mining (1.3%) and negative growth (-1.5%) in agriculture.
- 3) The percentage of GDP accounted for by agriculture, forestry and fisheries has been declining each year in spite of the fact that this sector employs slightly less than one-fourth of all people engaged in economic activity. With production in this sector unable to keep up with population growth, dependency on imports of

wheat, corn and other staples has stayed high over the past several years. Factors cited as causes of this include inefficiency due to the subdivision of farmland (under the Ehlido system) and delays in infrastructure improvement and mechanization. Although future agricultural modernization is expected to result from revision of farmland system (through revision of the constitution and laws concerning the Ehlido system in 1992) and the partial easing of restrictions on individual farmland holdings (intended to open the door to foreign capital), the sector recorded negative growth (-1.5%) in 1992.

(3) Fiscal policy

Although austerity programs reduced budget deficits from 20% of GDP in the early 1980s to less than 10% of GDP between 1983 and 1985, this figure jumped back up to between 16% and 17% in 1987 as a result of the 1986 drop in oil prices. However, beginning in 1988 inflation reduction programs, continuing austerity programs, tax reform, the privatization of state enterprises, and other policies gradually reduced the government's deficit, and a budget surplus of 3.4% was finally achieved in 1992.

(4) International balance of payments

Mexico's previous administration achieved surpluses in the country's current balance between 1983 and 1987 (excepting 1985) through severe import restrictions designed to improve Mexico's poor international balance of payments (caused by the country's debt burden and by the increase in imports, which arose from the active industrialization policies of the 1970s). However, increased imports and stagnating oil prices resulted in deficits in both the current balance and total balance in 1988. But in spite of persistent trade deficits (\$18.8 billion in 1992) caused by continuously rising imports, policies for the active introduction of foreign capital helped create a large surplus in capital balance (\$20.2 billion in 1991) that have compensated for current balance deficits.

(5) External debt

Mexico's external debt, which already had been increasing since 1982's economic crisis, rapidly aggravated the country's fiscal condition after a massive earthquake and drop in oil prices in 1985, resulting in cumulative debt exceeding \$100 billion annually between 1986 and 1988 and making Mexico one of the world's leading debtor nations. Since 1988, however, the Salinas administration has devoted itself to debt-reduction negotiations under the Brady Initiative (designed to achieve fiscal health), and in February 1990 an agreement concerning \$48.5 billion in debt was reached with an international group of private banks, making Mexico the first country to implement the Brady Initiative. Since then the government has continued to strive to reduce external debt, and in spite of a tendency towards increased borrowing to cover growing trade deficits (due to increasing exports) and increased demand for capital as Mexico's corporations have endeavored to modernize and increase efficiency, debt totaled \$98.92 billion at the end of 1992 (of which \$75.8 billion was public debt), a slight decrease over the end of the previous year.

(6) Economic relations with Japan

Japan's share of Mexico's total exports in 1992 was 1.7%, fourth after the U.S. (81.0%), Spain (2.7%) and Canada (2.2%). In imports this figure was 4.9%, second after the U.S.'s share of 71.2%. Between 1983 and 1987 trade was overwhelmingly in favor of Mexico due to its import restrictions, but the balance shifted in favor of Japan beginning in 1988, reaching a Japanese surplus of approximately \$2.560 billion in 1992 (4.5 times the previous year's); in fact, Japan's trade surplus with Mexico grew 7.5-fold in three years. Roughly 60% of Mexico's exports to Japan are mineral fuels; 99% of Japan's exports to Mexico are industrial products. Japan's total investment in Mexico was \$1.616 billion as of the end of 1992, putting Japan in fourth place (4.6%) after the U.S. (62%), England (6.4%) and Germany (5.7%).

3. Social situation

(1) Trends in major sectors

1) Education:

Since the Mexican Revolution, the Mexican government has concentrated on making education available to a wider range of the population and to eliminate illiteracy, and the illiteracy rate among those 10 years or older has indeed dropped from 23.8% in 1970 to 15.8% in 1980 and to 7.5% in 1988. Despite the government's efforts in primary and secondary education, however, problems are numerous, including unequal opportunities for enrollment, inadequate educational facilities, and low salaries for teachers. The Ministry of Education is currently pursuing the modernization of education in earnest, and a particularly historical event in Mexican education was the decision, in 1992, to extend compulsory education through junior high school beginning with the school year starting in September 1993.

2) Health:

The government is wholeheartedly striving to achieve its policy objectives of improved health care, measures for the socially disadvantaged, and the modernization of medical and public-sanitation systems. Also being implemented with assistance from Japan and other foreign nations are programs for family planning (designed to lower the population growth rate) and maternity health care, which have been designated as national plans.

3) Environment:

The high concentration of the nation's population in Mexico City (22%, or 18 million people) has led to problems such as shortages of housing and social services, extreme air pollution and other environmental problems (involving water contamination and the treatment of waste).

(2) Income distribution, Regional disparities

1) Income distribution:

Like other Central and South American countries, the gap between rich and poor in Mexico is considerable. The upper class (7-8% of the population) is comprised of Mexicans of European descent, while so-called "Indio," estimated at 13 million, dominate the country's impoverished class. Income distribution is said to vary in proportion to skin color, while 5,000 families are said to control 60% of the nation's wealth, assuring that overt economic discrimination among classes remains a major issue.

2) Regional disparities:

About 60% of all Mexico's corporations are located in the three major cities, resulting in severe economic disparities between these metropolitan areas and the rest of the country as well as the concentration of the population in the former. The government has implemented policies for the regional distribution of economic activity as part of its current National Development Plan, along with a capital return plan (under the People's Solidarity Plan) that targets the provinces and the lower and middle classes.

3) With programs for urban and rural people in absolute poverty now an urgent issue, the government is currently providing substantial assistance in education, food, housing and other areas through the People's Solidarity Plan (PRONASOL).

4. Special issues

(1) Environment

- 1) Although countermeasures to air pollution have been an urgent issue in Mexico City, such problems as industrial smoke and waste water, household and industrial waste products, heavy metal contamination and water pollution continue to increase in severity throughout the country.
- 2) The Ministry of Urban Development and the Environment (SEDUE), which was traditionally responsible for environmental issues, was disbanded during 1992's administrative reform, since which the Environmental Agency (INE), part of the newly established Social Development Ministry (SEDESOL), has been in charge of drafting and implementing environmental policy and revising environmental law. Providing administrative guidance concerning environmental issues is the Environmental Protection Agency ("Procuraduría Federal de Protección al Ambiente").
- 3) The establishment of the INE has intensified Mexico's approach to the drafting and implementation of tougher environmental policies, while the establishment of a trilateral committee and penalty system as part of the supplementary agreement for NAFTA (passed in August 1993 in response to calls for greater control of toxic waste in the industrial region along the U.S.-Mexican border prior to NAFTA's implementation in January 1994) suggests an even tougher stance on environmental issues.
- 4) Mexico's major piece of environmental legislation is the General Law on Ecological Conservation and Environmental Protection, enacted in 1988.

(2) Women in development

With almost no cultural or religious obstacles to women's participation in development, of greater importance in Mexico than development and gender is the question of the type of policies to adopt to incorporate nonwhite minorities into development in the planning stages. From this standpoint, antipoverty measures seem more crucial.

(3) Military expenditures, etc.

The defense budget for 1993 is estimated at \$2.2 billion, or roughly 5.3% of the entire national budget. The regular army is about 150,000-strong. Recently the government has been cracking down on drugs. Mexico imports firearms and ammunition to augment what produces domestically, but does not export arms.

(4) Democratization and basic human rights

Abstract constitutional provisions on human rights have been supplemented with an article providing the establishment of organizations for the protection of human rights in the states and federal district. Articles on the people's rights were amended with provisions concerning the legal protection of the Indio. With authority that has been recently strengthened by constitutional provision, the CNDH, an existing federal committee for the protection of human rights, is exposing such past wrongdoings as illegal arrests by authorities, torture and political assassinations, and has also begun recommending the reopening of past cases to state governments.

5. Indicators

	Land area	1,967,183 km ² (Over 5 times that of Japan)		
	Population	81.25 million (according to 1990 census)		
	Country classification (DAC list)	Upper Middle-Income Country		
Economic indicators	GDP (US\$ million)	241,830 (1990) →	286,840 (1991) →	329,080 (1992)
	Real GDP growth rate	4.5% (1990) →	3.5% (1991) →	2.6% (1992)
	Per capita GNP (US\$)	2,980 (1990) →	3,470 (1991) →	3,900 (1992)
	Sectoral distribution of GDP	Agriculture, 7.3%; Manufacturing, 22.7%; Commerce 26.0% (1992)		
	Sectoral growth rate	Agriculture, -1.5%; Manufacturing, 1.8%; Commerce 3.3% (1992)		
	Sectoral distribution of employment	Primary industry, _ %; Secondary industry, _ %; Tertiary industry, _ %		
	Growth rate of consumers' price index	29.9% (1990) →	18.8% (1991) →	11.9% (1992)
	Unemployment rate (in urban areas)	2.8% (1990) →	2.7% (1991) →	2.9% (1992)
	Exports (US\$ million)	26,950 (1990) →	27,175 (1991) →	27,375 (1992)
	Imports (US\$ million)	31,090 (1990) →	38,357 (1991) →	46,205 (1992)
	Balance of current accounts (US\$ million)	-7,114 (1990) →	-13,284 (1991) →	-22,809 (1992)
	Public external debt balance (US\$ million)	77,770 (1990) →	79,988 (1991) →	75,755 (1992)
	External debt service ratio	22.4% (1990) →	25.0% (1991) →	21.8% (1992)
	Foreign currency reserve (US\$)	10,274 (1990) →	16,710 (1991) →	18,550 (1992)
	Social indicators	Population growth rate	2.1% (1990)	
Life expectancy at birth (1989)		69.6 (1990)		
Infant mortality rate		40/1,000 (1990)		
Per capita calorie intake		_ Kcal/day		
Primary education enrollment rate		86% (1990)		
Secondary education enrollment rate		43% (1990)		
Tertiary education enrollment rate		26% (1990)		
Adult illiteracy rate		8% (4,100,000)		
Population ratio in absolute poverty	Percentage of total population: _ % (urban), _ % (rural)			

II. Socio-economic development situation

1. Outline of the national development plan

(1) Goals

The four basic objectives:

- 1) The defense of Mexico's sovereignty and the protection of its external interests
- 2) Expanding democracy
- 3) Economic stability with price stability
- 4) Improving the people's living standards

The two major economic strategies:

- 1) An annual rate of economic growth of 6%
- 2) Lowering inflation to a level equivalent to that of Mexico's trading partners

Three objectives for growth:

- 1) Sustained economic stability
- 2) Increased funding for productive investment
- 3) Modernization of the economy

2. Significant development sectors/issues, major policies, difficulties in promoting development

Note: The current development plan primarily concerns economic policy and does not deal with significant development sectors, etc.

	Major policies
(1) Sustained economic stability	1) Revenue policy: Revision of the tax system (including expanding the applicability of taxation, eliminating unfair tax incentives, and adjusting corporate tax rates to international standards) and revision of utility charges (i.e., eliminating inappropriate subsidies and adjusting utility rates to international standards). 2) Expenditure policy: Effective utilization of government capital (i.e., selective allocation) with priority given to the social and economic infrastructures. 3) Financial policy: Controlling currency levels in order to achieve price stability. 4) Exchange policy: Striving for stable exchange rates.
(2) Increased funding for productive investment	1) Increased public savings 2) Financial modernization: Increased efficiency and autonomy at financial institutions and a re-evaluation of financial regulations 3) The reduction of external payments
(3) Modernizing the economy	1) Agricultural modernization and improved living standards for farmers 2) Modernization of the fishing industry: supplementation of food and support for the acquisition of foreign currency 3) The effective utilization and moderate development of natural resources (especially water, lumber, oil and minerals) 4) Modernizing the economic infrastructure and promoting the participation of private capital 5) Modernizing electrical communications and promoting technological advancement 6) Securing energy supplies 7) Increased participation in the world economy 8) Modernizing tourism and promoting it as an important source of foreign currency 9) Promoting the introduction of foreign capital: promoting employment, exports and technology transfers 10) Eliminating bureaucratism and simplifying procedures: removing barriers to market entry and revitalizing competition 11) Strengthening public corporations: increasing efficiency in strategic sectors 12) Policies for technological advancement 13) Implementation of radical education reform 14) Promoting regional dispersal and the regional decentralization of power

3. Investment program for the development plan

Foreign investment totaled \$8.335 billion in 1992, a 15.8% decrease over the previous fiscal year. Foreign investment is mainly in services (29.3%), manufacturing (27.4%), distribution (14.2%) and construction (6.0%). With public investment being reduced in order to improve the government's finances, private capital is being used in large-scale projects (e.g., power plants, railways and roads) while the spending of budgets for the investment project is being concentrated in the second halves (with priority given to education, medical care and the environment in budgets).

4. National budget

Fiscal 1993 (figures are in billions of pesos):

Revenues		Expenditures	
Tax revenues	134.1	Ministries and agencies	89.8
Social insurance	28.0	Public corporations	81.5
Use and profits	43.9	Regional payments	34.3
Public corporations	67.0	Public debt	34.4
Other	20.6	Regional education assistance	20.3
		Other	15.2
Total revenues	293.6	Total expenditures	275.5

Note: US\$1.00 = 3,0901 pesos (Feb. 15, 1993)

III. Aid flow from multinational organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$186.6 million (1991)

	France	U.S.	Spain
Aid amount	\$77.7 million	\$25.0 million	\$19.6 million
Share	41.6%	13.4%	10.5%
Type of aid	Loans, grant aid and technical cooperation	Loans and technical cooperation	
Priority areas or sectors	Human resource development, urban environment, forests and fisheries	Food assistance, population control, the environment, assistance for small companies	

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$17.5 million (1991)

	UNHCR	BEC	Other
Aid amount	\$8.9 million	\$6.2 million	\$2.4 million
Share	50.9%	35.4%	13.7%
Type of aid			
Priority areas or sectors			

3. Japanese ODA

The place of Japan among bilateral donors: 2nd Share: 24.2%

Aid amount (in million US\$, 1991)	Trends in assistance
Technical cooperation 20.8	Because of Mexico's high per capita GDP, efforts have been centered around technical cooperation, primarily in industry and the socioeconomic infrastructure (e.g., communications and transportation). However, it is necessary to increase cooperation in the fields of environmental concerns, health, education, agriculture, and antipoverity measures. Grant aid, in addition to that provided for 1989's "Earthquake Prevention Center Construction Plan," has been provided primarily in the form of cultural grants and disaster relief. Recently, loans have been provided mainly for environmental projects.
Grant aid 0.5	
Loans 23.8	
Total 45.1	

4. Collaboration among aid organizations

Mexico, without an association of donor countries, makes contact as necessary. More concrete collaboration will be necessary in the future, however, because of the expanding activities of major donor countries and multilateral organizations. Proposals for joint projects have been received by this office from the UNDP and WHO, for instance.

5. Situation of NGO activities

- (1) NGOs currently active:
- (2) Major organizations and their activities

IV. Priority areas or sectors for JICA cooperation

Priority areas or sectors agreed upon at the annual Japan-Mexico conference are 1) water, 2) the environment, 3) biotechnology, 4) electrical and data communications, 5) new materials, and 6) poverty. Concentrating on these areas and sectors, assistance shall be provided in accordance with the objectives below and in order to support economic growth with price stability and the improvement of the people's living standards, the goals of the Mexican government.

- (1) Stable economic growth through modernization of the economy
- (2) Rectification of regional disparities through assistance for regional development
- (3) Improving the people's living standards
- (4) Environmental conservation to assure sustainable development

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable economic growth	Rectification of regional disparities	Improved living standards	Environmental conservation			
Economic management							
Agriculture, forestry and fisheries	○	⊙	⊙		(1) Increased income for producers and establishment of self-sufficiency (2) Improved productivity in export crops	1) Improved production technology for traditional crops 2) Increased conversion to cash crops 3) Improvement of irrigation facilities 4) The promotion of mechanization 1) Improved production technology for relatively high-grade crops 2) More fisheries and hatcheries and better technology	
Mining and industry	⊙	○		⊙	(1) Effective utilization of natural resources (2) Support for small and medium-sized corporations (3) Prevention of industrial pollution (4) Modernization of tourism	1) Increased exploration and better exploration technology 2) Better technology for ore dressing and refining 3) Improvement of related research institutions 1) Standardization of industrial products and better inspection capabilities 2) Better systems for quality control and the dissemination of technology 1) Supporting countermeasures to industrial pollution 1) Improving the tourism infrastructure	

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable economic growth	Rectification of regional disparities	Improved living standards	Environmental conservation			
Economic infrastructure	⊙	⊙	○		(1) Infrastructure improvement for wide-region development	1) Improvement of the transportation and communications networks 2) Water resource development 3) Energy development	
	⊙	○	○		(2) Infrastructure improvement in response to industrial advancement	1) Improvement of airports, harbors and industrial roads, etc.	
Social infrastructure	⊙	○	○		(1) Training designed to support continued development	1) Increased vocational training in the provinces 2) Training personnel in advanced technology	Central-northern Mexico South-eastern Mexico
		○	⊙		(2) Improved health and medical care	1) Improvement of regional medical facilities 2) Enhanced medical service for a broader range of people	
			⊙		(3) Supporting population control measures	1) Promotion of family planning 2) Better system for population statistics	
			⊙		(4) Improved living standards	1) Improved waterworks and sewage systems 2) Improved waste treatment systems	
				⊙	(5) Land conservation	1) Countermeasures in areas that are sources of migration 2) Water contamination countermeasures 3) River and erosion countermeasures 4) Training in environmental issues	
	○			⊙	(6) Protection of forests	1) Afforestation in dry areas to increase water retention 2) Protection of tropical rain forests 3) Promoting greening in urban areas	

Note:

Although Mexico, with relatively high income levels (per capita GNP exceeds \$3,000), has been classified as an upper middle-income nation, disparity in the distribution of wealth remains prominent. Nevertheless, in view of country's extremely advanced technology and its leaderlike presence in Central and South America, the types of cooperation listed below are among those considered appropriate for Mexico. (Concerning types of aid, it is also necessary to consider logical association between Japan's technical cooperation and Mexico's technical cooperation for the nations of Central America.)

- (1) Emphasis on "3rd country research assistance," in which Japanese cooperation, based in Mexico, benefits all nations in Central and South America
- (2) Special aid for projects that benefit the entire Central American region, i.e., the flexible management of grant aid

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

Mexico, being an upper middle-income country, possesses fairly high levels of technology in certain fields. Hence, particular attention must be paid to technical skills and linguistic abilities in the selection of specialists.

(2) Consideration for implementation capacity of counterpart-organizations

- 1) As Mexico is a federal republic, state governments possess considerable authority, and it is necessary to consider selecting state governments as counterparts in future cooperation.
- 2) Generally, the percentage of counterparts who remain counterparts throughout the expected duration is low.
- 3) In recent years there have been cases in which local costs could not be properly covered.

VI. Summary of evaluation studies

1) Follow-up

In order to assure that completed projects are firmly established and developed, it is necessary not only to encourage Mexico's own efforts at self-help, but also, because of the advanced equipment and sophisticated technology involved, to devote proper attention to follow-up measures in view of the possibility of problems in the maintenance of equipment and facilities following the termination of cooperation.

2) The effectiveness of technical guidance

Because of the low salary of public servants and the vitality of the private sector, there are chances that a project counterpart will leave his or her position prior to the completion of technical guidance. As this affects the effectiveness of cooperation, the Mexican government is strongly requested to take measures to improve this situation.

3) Duration of cooperation

Even when the duration of Japanese cooperation is relatively prolonged, cases involving training and human resource development should be handled from a long-term perspective without making administrative adjustments.

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**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Republic of Panama

I: Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional republic

(2) Date of independence

Panama gained independence from Columbia on November 3, 1903.

(3) Head of state

President Guillermo Endara Galimany (installed on December 20, 1989; term lasts until August 31, 1994)

(4) Political structure

1) Legislature:

A unicameral assembly (Asamblea Legislativa) comprised of 67 seats (5-year terms).

2) Executive:

Consists of the president, two vice-presidents, ministers (justice, foreign affairs, presidency, public works, education, housing, commerce, labor, economic planning, health, agricultural development, and finance), and head of the audit board. Locally, there are nine prefectures and one special district, the governors of which are appointed by the president.

3) Judiciary:

Panama's judiciary consists of the Supreme Court and lower courts. The chief justice and justices of the Supreme Court are appointed by the president and serve for 10 years. Lower-court judges are appointed by the Supreme Court and the higher courts.

4) Political parties:

The Christian Democratic Party (an opposition party with 28 assembly seats), the Nationalist Republican Liberal Movement Party (the ruling party, with 15 seats), Democratic Revolutionary Party (opposition, 10 seats), Arnulfista Party (ruling, 7 seats), the Authentic Liberal Party (ruling, 5 seats), Liberal Party (opposition, 1 seat), and the Socialist Workers Party (opposition, 1 seat).

(5) Domestic administration

Panama's economic crisis, inherited from the previous administration and further aggravated by looting and destruction following the American invasion, combined with the external debt problem to initially frustrate the Endara administration.

Unemployment was the most pressing issue, and the government has attempted to

improve the situation by revitalizing the economy through revision of labor laws and privatizing the public sector to increase efficiency.

In April 1991 President Endara severed his alliance with the Christian Democratic Party (PDC) due to a difference in opinion over external debt. Although this raised concerns of a deadlock in governmental affairs, the ruling party soon made conciliatory gestures, and by June 1992 a constitutional amendment that included the disbanding of the National Guard was passed, along with other bills for reforming the Social Insurance Agency and tax system and the privatization of state-run corporations, all of which had become conditions for loans from the World Bank. However, the constitutional amendment was resoundingly defeated in a referendum in November of that same year. This defeat has been interpreted as the public's protest against the country's high unemployment, increasing poverty, and rising crime rate.

(6) Trends of politics

After the American invasion of December 1989, Panama's military government ended with the disbanding of the National Guard, after which the three largest parties (Arnulfista Party, Christian Democratic Party, and the Nationalist Republican Liberal Movement Party) formed a coalition government with Arnulfista Party member Endara as president. After discord, which began 1 year and 5 months later, between the Endara administration and the Christian Democratic Party (PDC, the largest party), all five PDC cabinet ministers resigned, as did First Vice-President Calderón in December 1992. From the start the Christian Democratic Party's falling to opposition-party status made support of the PRD necessary for the government to enact any legislation, and it was its conciliatory stance towards the PDC that helped it avoid a governmental bottleneck. Nevertheless, as seen in the people's rejection of the proposed constitutional amendment and more frequent strikes by teachers, employees in state-run corporations, and public transportation workers, the public's faith in its government has diminished, and political turmoil is expected as the general and presidential elections scheduled for May 1994 draw near.

(7) Diplomatic relations

In response to worsening relations with the U.S., Panama under Noriega announced the basic diplomatic policies of nonalignment and pacifism, which the current Endara administration has continued even after the recovery of relations with the U.S. Nevertheless, the indispensability of America's economic recovery assistance has prompted this administration to adopt pro-U.S. policies; in fact, the country's relation with the United States, because of the latter's direct effect on Panama's economy, security and administration of the Canal, is in many respects the foundation of Panama's diplomacy. Panama has also begun to recover from the state of isolation imposed on it when the governments of Central and South America refused to acknowledge the legitimacy of the current U.S.-installed regime. (Diplomatic relations with Mexico were normalized in November 1992, and in December of the same year Panama announced its intentions to join the Central American Alliance. Diplomatic relations with Peru, however, are still nonexistent.)

2. Economic situation

(1) General trend

Panama has developed into Latin America's largest distribution and financial center by actively utilizing its geographical position as a hub linking the North and South American continents and the Atlantic and Pacific regions, and by taking full advantage of its unique economic system, which includes the Colon Free Zone (established in 1953) and its International Finance Center, opened in 1970 following revision of its Banking Act. Consequently, Panama's commerce, financial sector and other service-industry sectors have undergone considerable growth, and today tertiary industry is responsible for 76.0% of real GDP in 1971.

Another important factor behind economic growth in Panama has been procurements by the Canal Committee and American military forces in the Canal Zone, where much employment has also been created.

Furthermore, between late January and early March 1992, the Panamanian government succeeded in repaying \$645.8 million in overdue loans from multilateral financial institutions after securing financial aid from the U.S. and other friendly nations (including \$100 million from Japan and a gift of \$130 million from the United States) as well as new loans from the IMF, World Bank, IDB and other multilateral financial institutions.

(2) Trends in the major sectors

1) Primary industry:

Agriculture, forestry and fisheries were responsible for 10.8% of real GDP in 1992. In 1991, healthy production in the shrimp and livestock sectors compensated for lower fish and banana yields and helped the country achieve a real GDP growth rate of 5.7% in the following year and overall production exceeding 1991 levels.

2) Secondary industry:

Panama's secondary industry accounted for 18.7% of real GDP in 1992, of which manufacturing was responsible for 9.2%. Real GDP accounted for by manufacturing is characterized by the high share (roughly 50%) of food, beverages and cigarettes. Construction, thanks in part to large-scale housing investment beginning in 1991, saw output increase by 61.6% over the previous year as its share of real GDP grew to 5.3%.

3) Tertiary industry:

Of the 70.5% of real GDP accounting for by tertiary industry in 1992, the public sector's share was extremely large, accounted for 12.8% of real GDP in 1987, a figure that increased to 14.7% in response to decreased economic activity and which is currently 11.8% following slight reductions through the discharging of public servants in 1992. The Canal Committee and Colon Free Zone were respectively responsible for 9.1% and 7.3% of real GDP in 1992.

(3) Fiscal policy

Government revenues for 1989 were only half those of 1987 due to an annual loss in canal and pipeline revenues between \$160 and \$170 million (after the U.S. imposed sanctions against Panama in March 1988), severe reductions in tax revenues, and the judgment by multilateral financial institutions (the IMF, World Bank and IDB) that Panama is unsuitable for loans. In spite of efforts to severely limit all government expenditures outside personnel expenses, the central government alone produced a deficit of \$302 million in 1988 and \$358 million in 1989. During this period public medical services were greatly reduced, and severe deterioration plagued the Electric Power Agency and other government utilities and public facilities such as roads and harbors. In January 1990, the new Endara administration announced measures designed to reduce the bloated government, increase government efficiency and restore fiscal soundness. In that year total expenditures were \$2.5 billion and service on Panama's debt \$650 million, but accurate estimates of income and increased revenues resulting from crackdowns on smuggling and increased efficiency in tax collecting enabled the government to avoid a fiscal deficit. The 1991 budget, passed at the end of 1990, provides for total public-sector expenditures of \$2.8 billion (an 11.5% increase over the previous year's settled expenditures) and debt payments of \$580 million. Drawing attention was the \$470 million allocation for investment, a 95.2% increase over the previous year's share of settled expenditures.

(4) International balance of payments

Panama's international balance of payments was greatly affected by the rapid economic contraction caused by the U.S.'s sanctions in 1988 and 1989. Significantly

reduced imports following the worsening of U.S.-Panamanian relations reduced the nation's trade deficit from \$798 million in 1987 to \$432 million in 1988. In 1989, imports increased as corporations replenished inventories, but this failed to stop the trade deficit from growing to \$612 million. The trade deficit in 1990 — when imports increased greatly as merchants rebuilt burned-down shops and replaced goods stolen by looters — is estimated to have swelled to approximately \$1.1 billion. The large deficit in invisible trade (thanks to income from the Panama Canal, the Colon Free Zone, the petroleum pipeline and tourism) fell to \$649 million in 1988 (a 10% reduction over the previous year) and \$465 million in 1989 (a 28% reduction over the previous year). Invisible revenues from the Colon Free Zone (e.g., wages, profits, indirect taxes) rapidly recovered from a \$251 million decrease (from the year before) caused by the closing of banks in 1988.

Worsening relations with the U.S. reduced the tourism surplus by 19% each year in 1987 and 1988, resulting in a \$27 million deficit in 1989, but recovery since 1990 has been rapid.

(5) External debt

Public debt at the end of 1992 was \$6 billion, or roughly \$2,500 for every Panamanian. The breakdown of this debt is as follows.

Central government	External debt	\$2,789.1 million
	Internal debt	\$999.6 million
	Adjusted for debt between governmental institutions	▲\$11.7 million
State-run corporations	External debt	\$1,035.2 million
	Internal debt	\$214.0 million
	Adjusted for debt between governmental institutions	▲\$100.1 million
Surprise credit		\$123.7 million
Loan from Panama's national bank		\$931.7 million
Ministry of Finance bonds		\$15.6 million
Total public debt		\$5,997.1 million

Giving top priority to re-establishing relations with multilateral financial institutions (IFIS), the new government decided to service, in the 1990 budget, only that external debt owed to said institutions, and subsequently repaid only debt due for payment in 1990 (\$228.5 million). An agreement reached at the Panama Conference of the Paris Club (November 14, 1990) calls for payments deferred through biannual equal installments over a 5-year period between January 1997 and July 2001. In the 1991 budget \$375.1 million was allocated for the payment of external debt (but none for repaying loans from private financial institutions). Between late January and early March in 1992, a total of \$645.8 million was returned to the IFIS through budgetary expenditures and donations and loans from a group of supporters. This prompted the IMF and World Bank to cancel its rating of Panama as unsuitable for loans in early February. In addition, a total of \$820.4 million was returned to the IFIS by the Panamanian government between 1990 and 1992, and an additional \$187.2 million is scheduled to be repaid in the 1993 budget.

(6) Economic relations with Japan

According to Japan's trade statistics, exports to Panama totaled \$3.9456 billion in 1991, of which shipping exports to Panama were responsible for \$3.2914 billion. However, this figure reflects not actual exports, but rather the practice of transferring ship ownership to Panamanian corporations in order to obtain the benefits of Panamanian nationality. Exports to the Colon Free Zone account for much of the remainder of \$654.2 million, but much of this represents goods subsequently exported to other Central or South American nations, not exports intended for Panama itself.

Panamanian government trade statistics indicate a huge trade imbalance in Japan's favor: imports from Japan totaled \$120.3 million (C.I.F.) in 1992 while exports to Japan only \$0.9 million (F.O.B.).

Imports from Japan in the Colon Free Zone totaled \$560.0 million (C.I.F.) in 1991,

making Japan, responsible for 15.2% of all imports there, one of the Zone's largest users. This reflects the Colon Free Zone's extremely important role as a relay station for Japanese exports to Central and South America.

3. Social situation

(1) Trends in the major sectors

1) Education:

Only the six years of elementary school are compulsory; junior high school (six years) is not. Universities include, in Panama City, the national Panama University, national Panama Institute of Technology, and Santa Maria University, a private Catholic university. Panama's tertiary education institutions are insufficient in terms of both quality and quantity, and so many young people travel to the U.S., Europe and South America to continue their education, with the many graduates who remain outside the country resulting in a serious drain of human resources.

2) Health:

Yellow fever, malaria and other tropical diseases were virtually eliminated in the 1970s, but abnormal proliferation, beginning around October 1988, of the mosquito (*Aedes aegypti*) that acts as a vector for the viruses that cause yellow fever and dengue fever, while not resulting in any cases of the disease, has prompted the government to take such measures as pest control and sanitation control in areas of incidence.

There are two public hospitals in Panama City: St. Thomas General Hospital and a social insurance hospital, the latter of which operates many clinics throughout the country. Medical facilities are inadequate at both hospitals, which, due in part to their low fees for examinations and hospitalization, seem intended for low-income Panamanians. Among private general hospitals, Paitilla and San Fernando hospitals boast superior facilities.

3) Urbanization:

Urbanization in Panama is extreme: 42% of the entire population is concentrated in the three major cities (Panama City, San Miguelito and Colon) in a region along the Panama Canal that accounts for only 6% of the country. In Colon, with its sprawling slums, the unemployment rate is said to be over 50%.

4) Others:

To keep foreign currency in the country, the government strives to limit the employment of foreign workers and has placed severe restrictions on the firing of Panamanian workers in order to increase employment for Panamanians. In addition, the constitution's detailed provisions on employment conditions give Panama a much tighter legal framework for worker protection than can be found in neighboring countries.

(2) Income distribution/Regional disparities

The government's continued concentration of public investment on Panama City and the area along the Canal has resulted in vast disparities with the rest of the country. The poorest areas are the prefectures along the Caribbean coast (Bocas del Toro and Veraguas prefectures and the San Blas autonomous region) and Darien prefecture, which borders Columbia. The difference in social infrastructures in Panama City and these regions is striking.

(3) Others

Caucasians of Spanish descent, who comprise roughly 10% of the total population, dominate the country economically, culturally, and politically. The mestizo, persons

of mixed Caucasian and Indian parentage, support the Panamanian economy as a source of labor.

The descendants of Chinese immigrants and blacks brought over from Jamaica and other parts of the West Indies as slaves to work on the Panama Canal and the trans-Isthmus railway, reside primarily in Panama City and Colon (the nation's largest cities), where the majority occupy the low-income class.

4. Special issues

(1) Environment

As a result of the long years of American occupation of the Canal Zone, tap water in Panama City can be safely consumed, and a complete sewer system is in place. Because of inadequate sewage treatment facilities, however, some sewage is released into Panama Bay, resulting in increasing contamination of the coastal region in recent years.

Roads are generally clean, and because of the area's many trees no smog problem has occurred in spite of relatively large numbers of cars. However, slash-and-burn farming has made deforestation a problem.

In order to conserve the water resources of the Panama Canal, the Agency of Regeneratable Resources (INRENARE), established in 1986, drafted the Tropical Rain Forest Action Plan in January 1991 in response to the extensive deforestation of recent years (which is proceeding at a rate of 70,000 hectares each year). The Agency has also requested cooperation from multilateral aid organizations, and is rapidly attempting to reform the nation's former indifference towards environmental issues — there is still no comprehensive environmental legislation — including environmental protection education, promoting the protection of national parks, and environmental protection measures in investigations for proposed substitutes for the Panama Canal.

Being the node of the North and South American continents, Panama contains many rare plant and animal species of both continents. Striving to protect them are NGOs (e.g., ANCON) that receive assistance from the Smithsonian Institute and other American foundations.

(2) Women in development

There are almost no cultural or religious impediments to women's participation in development. And while the same machismo (a belief in male superiority) common to all Latin American nations can be found in some rural areas, it is gradually disappearing. The advancement of women in the Ministry of Education and other public positions is prominent. About the only institution dealing with women's affairs at present is the Foundation for the Promotion of Women ("Fundación para la Promoción de la Mujer"), which was established recently and whose objective is improving the status of women in rural areas.

(3) Military expenditures, etc.

Panama's long-standing National Guard was disbanded following the American invasion of December 20, 1989. The new government has founded the National Police Force, which had a budgetary allotment of \$98.88 million in 1993 and is concerned primarily with traditional police functions; it is not considered a military organization. Also, 10,000 U.S. troops are stationed in Panama to protect the Canal.

(4) Democratization and basic human rights

Since the American invasion, parliamentary democracy with fair, direct elections has been maintained in Panama, and basic human rights are sufficiently guaranteed. However, with conflict between political parties remaining intense, the political situation cannot be called stable. The country has a multiple-party system.

5. Indicators

	Land area	77,082 km ² (slightly smaller than Hokkaido)
	Population	2.49 million (1992)
	Country classification (DAC list)	Upper Middle-Income Countries
Economic indicators	GDP (US\$ million)	4,639 (1989) → 5,009 (1990) → 5,491 (1991)
	Real GDP growth rate	4.6% (1990) → 9.3% (1991) → 8.0% (1992)
	Per capita GNP (US\$)	1,770 (1989) → 1,873 (1990) → 2,030 (1991)
	Sectoral distribution of GDP	Agriculture 10.8% Mining/Industry 18.7% Services 70.5% (1992)
	Sectoral growth rate	Agriculture 5.7% Mining/Industry 18.9% Services 5.8% (1992)
	Sectoral distribution of employment	Agriculture 26.3% Mining/Industry 16.4% Services 57.3% (1992)
	Growth rate of consumers' price index	0.8% (1990) → 1.3% (1991) → 1.8% (1992)
	Unemployment rate	(1990) → 16.1% (1991) → 13.6% (1992)
	Exports (US\$ million)*	322 (1990) → 342 (1991) → 474 (1992)
	Imports (US\$ million)*	1,495 (1990) → 1,696 (1991) → 2,019 (1992)
	Balance of current accounts (US\$ million)	▲1,173 (1990) → ▲1,354 (1991) → ▲1,545 (1992)
	External debt balance (US\$ million)	3,795 (1990) → 3,699 (1991) → 3,548 (1992)
	Debt service ratio	12.8% (1990) → 3.4% (1991) → 21.0% (1992)
	Foreign currency reserve (US\$ million)	78 (1987) → 72 (1988) → 119 (1989)
	Social indicators	Population growth rate
Life expectancy at birth		Male, 69.83; Female, 74.73 (1990)
Infant mortality rate		25/1,000 (1992)
Per capita calorie intake		2,713 Kcal/day (1990)
Primary education enrollment ratio		92.9% (1990)
Secondary education enrollment ratio		65.0% (1990)
Tertiary education enrollment ratio		22.6% (1990)
Adult illiteracy rate		10.7% (1990)
Population ratio in absolute poverty	48.0% of total population (1991)	

* Excluding the Colon Free Zone.

Source: Board of Audit and Ministry of Economic Planning

II. Socio-economic development situation

1. Outline of the national development plan

The Plan for Economic Development and Modernization (1991- 1993) is being implemented.

(1) Goals

- 1) Improving the quality of life (improvements in education, culture, sanitation, nutrition, poverty and the environment)
- 2) Further qualitative promotion of equal opportunities and the assurance of freedom for individuals

(2) Issues

- 1) Completion of a market economy
- 2) Promoting the privatization of production
- 3) Promoting imports
- 4) Modernization of state management

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
(1) State modernization	<ol style="list-style-type: none"> 1) Promoting privatization (of harbors and communications, in particular) 2) Reform in the private sector (especially the Electric Power Agency and the Waterworks and Sewers Agency) 3) Reforming state banks to restore fiscal soundness 4) Promoting public investment and modernizing public works 	<ol style="list-style-type: none"> 1) Insufficient know-how for privatization 2) Increased unemployment that would follow the rationalization of public institutions 3) Insufficient capital
(2) Implementing new economic policy	<ol style="list-style-type: none"> 1) Facilitating market systems in agriculture, forestry and fisheries 2) Introducing a clear and efficient tariff system for the industrial sector 3) Creating jobs through flexible market management 4) Lowering export duties on processed crops and industrial products 5) Tax reform to achieve the fair distribution of income 6) Creating multi-sector zones in order to promote exports 	<ol style="list-style-type: none"> 1) Insufficient distribution networks 2) Insufficient technology in agriculture, forestry, fisheries and industry
(3) Fiscal stability and reduction of external debt	<ol style="list-style-type: none"> 1) Creating public savings and rationalizing public expenditures 2) Introducing an efficient tax collection system 3) Reforming the Social Insurance Agency 4) Continuing external debt negotiations 	<ol style="list-style-type: none"> 1) The public's opposition to structural adjustments
(4) Reorganization of public expenditures	<ol style="list-style-type: none"> 1) Reducing poverty 2) Improving sanitation and nutrition 3) Improving the infrastructure for educational services 4) Constructing housing for the homeless 5) Implementing small-scale projects to create jobs related to the social infrastructure 	<ol style="list-style-type: none"> 1) Insufficient plans for regional development 2) Insufficient education budgets 3) Expanding slums in Colon
(5) Conserving the Panama Canal and the surrounding environment	<ol style="list-style-type: none"> 1) Establishing a system for managing the Panama Canal, scheduled to be returned to the Panamanian government on December 31, 1999 2) Implementing environmental conservation projects primarily involving afforestation under the Tropical Rain Forest Action Plan 	<ol style="list-style-type: none"> 1) Insufficient administrative costs 2) Insufficient administrative personnel 3) The absence of environmental protection education

3. Investment program for the development plan

Investment program in 1992 (US\$ million)

(1) Agriculture, forestry and fisheries	28.00
(2) Mining, industry and tourism	15.20
(3) Education	30.40
(4) Sanitation	65.00
(5) Housing	38.90
(6) Social infrastructure (electricity, communications and transportation)	182.00
(7) Regional development	11.40
(8) Foreign investment	17.50
(9) Other	21.40
Total	409.80

4. National budget

Fiscal 1992 (US\$ million)

Revenues	1,649	Expenditures	1,565
Tax revenues	827	Defense	91 (5.8%)
Corporate revenues	822	Agriculture, forestry and fisheries	31 (2.0%)
Treasury bonds		Mining, industry and construction Energy	2 (0.1%)
Donations, etc.		Transportation and communications	38 (2.4%)
		Education	272 (17.4%)
		Health	135 (8.6%)
		Social insurance and housing	181 (11.6%)
		Debt service	489 (31.3%)
		Other	326 (20.8%)

Fiscal balance 84

Source: *Informe del Contralor* (Panama Board of Audit, March 1, 1993.)

III. Aid flow from multilateral organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$112.5 million (1991)

	U.S.	Germany	England
Aid amount	\$96.00 million ('91)	\$1.89 million ('91)	\$1.33 million ('91)
Share	90.0%	1.8%	1.2%
Type of aid	Grant aid and technical cooperation	Technical cooperation and grant aid	
Priority areas or sectors			

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$45.82 million (1991)

	UNDP	UNTA	WFP
Aid amount	\$1.70 million ('91)	\$1.07 million ('91)	\$0.42 million ('91)
Share	-%	-%	-%
Type of aid			
Priority areas or sectors			

3. Japanese ODA

The place of Japan among bilateral donors: 2nd

Share: 5.4%

Aid amount (in million US\$, 1991)	Trends in assistance
Technical cooperation 5.75	Japanese technical cooperation has centered around the Panama Canal, particularly infrastructure (electricity, communications, harbors and roads, etc.) and human resource development (vocational training and navigational training). However, requests for aid in medicine and education, where services are lacking, have increased lately.
Grant aid 0.05	
Loans 0	
Total 5.80	

4. Significance of ODA in the country

Percentage of national budget covered with ODA: ---%

5. Collaboration among aid organizations

6. Situation of NGO activities

(1) NGOs currently active:

(2) Major institutions and their activities

- 1) Canada: Interchurch Fund, Internet. Development/Mennonite Brethren/Desarrollo Y Paz/Canada Lutheran World Relief
- 2) The Netherlands: ICCO
- 3) Switzerland: IFOR
- 4) Belgium: Broedriijk Delen

IV. Priority areas or sectors for JICA cooperation

The government is striving for stable growth and the fair distribution of income in order to rebuild the country's unstable economy and society. Japanese ODA, in addition to conforming with these policies, shall be provided in accordance with the following goals and while keeping in mind the regional disparities and harm resulting from the concentration of the population in urban areas, and the fact that Panama's economy is supported by tertiary industry centered around the Panama Canal and the Colon Free Zone.

- (1) Establishing a free-market system for maintaining stable economic growth (including privatization of public institutions)
- (2) Establishing an industrial structure for promoting exports (including the privatization of public institutions)
- (3) Alleviating regional disparities through aid to poor regions
- (4) Environmental conservation designed for sustainable development

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable growth	Promoting exports	Alleviating regional disparities	Environmental conservation			
Economic management	⊙	○	○		(1) Increased capacities for drafting and implementing effective and efficient development strategies	1) Strengthened functions for institutions responsible for drafting comprehensive development policies 2) Improved analytical capacities for drafting sectoral policies	
Agriculture, forestry and fisheries	○	⊙			(1) Improved productivity and improved quality	1) Improved production technology and selective breeding in the fields of grains, vegetables, fruits and livestock 2) Improved technology and water resource development in fisheries 3) Organizational strengthening to diffuse technology 4) Establishment of a rural financing system	
	○	⊙			(2) Strengthened collaboration between agriculture and the processing industry	1) Nurturing rural industry in accordance with the agricultural production system 2) Strengthened distribution functions from production to import	
			⊙		(3) Improved capabilities for acquiring income in poor regions	1) Improving and expanding irrigation facilities 2) Diversification of crops 3) Development and dissemination of cash crops	
	⊙			⊙	(4) The conservation and planned utilization of forests	1) Increased forest protection and afforestation	

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable growth	Promoting exports	Alleviating regional disparities	Environmental conservation			
Mining and industry	⊙ ○ ⊙	⊙ ⊙ ○			<p>(1) Drafting plans for establishing a free-market economy (industrialization and the diversification of production)</p> <p>(2) Improved industrial production and improved quality</p> <p>(3) Supporting small and medium-sized corporations</p> <p>(4) Modernizing tourism</p>	<p>1) Drafting medium- and long-term plans for investment</p> <p>2) Improved R&D capabilities and strengthened relations among industrial research institutions</p> <p>1) Nurturing and strengthening the primary product processing industry</p> <p>2) Strengthening corporations' managerial capabilities</p> <p>1) Supporting entrepreneurs in order to promote local industry</p> <p>2) Improving financial systems</p> <p>3) Strengthening the infrastructure for diffusing technology</p> <p>1) Developing tourism resources</p>	
Economic infrastructure	⊙ ⊙	○ ○	○		<p>(1) Improving the infrastructure for wide-area industrial development</p> <p>(2) Infrastructure improvement in response to industrial advancement</p>	<p>1) Improving communication and transportation networks and developing water resources in areas with underdeveloped infrastructures</p> <p>2) Energy development with emphasis on electric power</p> <p>1) Developing an advanced infrastructure, including industrial parks, harbors, airports and industrial roads</p>	
Social infrastructure	⊙		⊙	○ ⊙	<p>(1) Human resource development</p> <p>(2) Improving the quality of life in poor areas</p> <p>(3) Sanitation and land conservation</p>	<p>1) Expanding and enhancing vocational training in response to the demands of industry</p> <p>2) Increasing and enhancing secondary and tertiary educational institutions</p> <p>3) Improving and expanding educational broadcasts, etc.</p> <p>1) Improved medical services</p> <p>2) Improved medical facilities</p> <p>3) Improved waterworks</p> <p>4) Improved sanitation facilities</p> <p>1) Strengthening the legal framework for environmental conservation</p> <p>2) Improving facilities for treating industrial waste and urban waste</p> <p>3) Catchment basin conservation</p>	

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

- 1) Panama still shoulders considerable external debt and has hammered out various policies to reduce it as quickly as possible. This entails making government smaller and more efficient and revitalizing the economy in accordance with the principle of a free-market economy. Although this requires the active support of Japan, in deciding on actual details concerning cooperation, it is important to implement technology transfers and training in the field in question, and also to include cooperation for organizational and systemic improvements designed to facilitate the advancement and dissemination of the technology in question.
- 2) As stated in item 1) above, the Panamanian government is currently facing an extremely severe budgetary crisis, and governmental departments are unable to function properly under extreme austerity programs. Hence, in the fields of health and education in particular, we must actively re-examine how cooperation should be, including the flexible use of grant aid.
- 3) At the same time, an active approach to cooperation in achieving the government's goals of alleviating regional disparities, eliminating poverty and conserving the environment is also necessary.

(2) Consideration for implementation capacity of counterpart-organizations

- 1) Generally, all of Panama's institutions are well organized, and the country has in place a system for the extremely active receiving of technical cooperation, partly because of a history of extensive exchange with foreign countries, which is made possible by geographical factors.
- 2) Because of the still-inadequate capabilities for investigating and formulating aid requests of the Economic Planning Agency, which coordinates aid for Panama, advisors have been in Panama since September 1992 to provide help in this area and are playing a very important role in the efficient implementation of aid.
- 3) Nevertheless, because of the severe fiscal conditions faced by implementing counterpart organizations, the Japanese side will most likely have to pay as many expenses as possible (including local costs that would otherwise be shouldered by said counterpart organizations).

VI. Summary of evaluation studies

Although results achieved in Panama with aid have been relatively limited in the past, Panama's expectations now are high, and the qualitative and quantitative expansion of aid is now necessary.

A variety of requests in the areas of education, health, agriculture and livestock have been received to alleviate regional disparities and the unequal distribution of income — Panama's most pressing problems — but for reasons lying mainly with the Japanese side the response to such problems has been inadequate. Cooperation in these areas inevitably faces the problem of inadequate local costs (in spite of Panama's being a middle-income country), and each individual case of cooperation concerning the elimination of poverty and alleviating regional disparities should be flexibly implemented outside the target country as well (which includes the use of small-scale grants).

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Republic of Paraguay

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional republic

(2) Date of independence

May 14, 1811

(3) Head of state

President Juan Carlos Wasmosy (Began his five-year term on August 15, 1993.)

(4) Political structure

Independence of the three branches of government — legislative, executive and judicial

1) Legislature:

Bicameral system (Congreso) consists of an upper house and lower house (upper — 45 seats, five-year terms; lower — 80 seats, 5-year terms).

2) Executive:

Presidency and 10 Ministries (Interior, Foreign Affairs, Finance, Education and Worship, Industry and Trade, Agriculture and Livestock, Labor and Justice, Public Works and Communications, Defense, Public Health and Social Welfare).

3) Judiciary:

Supreme Court, high courts, and impeachment courts.

4) Political parties:

National Republican Association (ANR, known as "Red Party," 58 seats), Authentic Radical Liberal Party (PLRA, known as "Blue Party," 50 seats), and National Conference Movement (EN, 17 seats).

(5) Domestic administration

The previous administration had given top priority to democratization and socioeconomic development, achieving particularly commendable results in its democratization program. The important policies of the current president, who took office in August 1993, include the continuation of the democratization program; measures for low-income people; the improving of education, health care and sanitation; restraining inflation; and promoting exports.

(6) Trends in politics

After presidential and other elections (upper and lower houses, state governors, and state representatives) held on May 9, 1993, under the new constitution (promulgated

on June 10, 1992), Juan Carlos Wasmosy of the ANR became, on August 15, Paraguay's first civilian president in roughly 40 years. However, in the lower-house election the ANR won only 58 seats, with the opposition parties PLRA and EN winning a total of 67. In addition, the failure of the ruling ANR to win a simple majority in either the upper or lower houses, combined with division within the ANR over allegations of unfairness in the presidential candidate nomination process, has brought predictions of difficulty for the new administration.

(7) Diplomatic relations

Paraguay continues to maintain good relations with other Latin American countries politically and economically. There are doubts, however, about the complete implementation (scheduled for 1995) of MERCOSUR (the common market with Brazil, Argentina and Uruguay) because of the complex interests involved, as evinced by the agreement's conspicuous absence from the president's Inaugural address. Relations with the U.S. and Europe, on the other hand, are steadily improving thanks to the well-received democratization program begun by the previous administration and continued by President Wasmosy. Relations with Japan, Korea and Taiwan are also expected to improve, while Paraguay, having established diplomatic relations with Russia, Hungary and Rumania, is striving to improve (primarily economic) relations with Eastern Europe.

2. Economic situation

(1) General trend

The mainstays of Paraguay's economy are agriculture, livestock, timber and the processing of these products. Because Paraguay's crops (e.g., soy beans and cotton), livestock and timber account for 93% of exports, the country's economic structure is susceptible to climate changes and fluctuations in international prices. Industry consists primarily of the processing of crops, livestock and timber; textiles and other light industries; and some heavy industries like cement and steel.

Without the kind of industrialization programs for producing import substitutes as adopted by other Latin American countries, Paraguay has been unburdened by imports of capital goods and until recently has been able to manage its economy with a relatively light external debt load, and consequently has focused instead on investments in its basic social infrastructure and expanding exports of primary products. Today, however, capital goods for social and economic infrastructure improvement have been concentrated in the public sector, and an external debt problem has materialized.

Paraguay's real GNP growth rate has been relatively stable since 1981, but dropped rapidly in 1990 because of decreased investment for the Itaipu dam, delays in construction of the Yaciretá dam, and the diminished international competitiveness of Paraguayan products following currency devaluations in Argentina and Brazil, two of Paraguay's major trading partners. Combined with large drops in yields of cotton (due to unseasonable weather), these factors have resulted in extremely severe economic conditions for Paraguay. In 1991, freezes in public utility charges and other price control measures kept inflation down to 11.8% (amazingly low for a Latin American country), a figure which rose to 17.8% in 1992 due to fiscal problems. The primary economic objectives of the new administration are tax reform, increasing agricultural production, improving water utilization, and cracking down on smuggling.

(2) Trends in the major industry sectors

1) Agriculture, livestock and forestry:

This sector, the mainstay of Paraguay's economy, accounted for 38.8% of the work force and 25.6% of GDP in 1992. Major crops include cotton, soy beans, sugar cane, wheat, corn, Mandoka and tobacco, of which cotton and soy beans

have become important sources of foreign currency, while other crops are grown for the domestic market. Although yields of cotton and soy beans have been increased spectacularly, both are extremely susceptible to climate changes. Lower cotton yields in 1992 (a 38.1% drop over the previous year) and a drop in international prices resulted in lower exports (a 25.6% drop over the previous year), which affected overall economic activity. Import restrictions in EC nations have also greatly reduced exports of beef.

2) Industry and construction:

This sector, which accounted for 22.3% of the work force and 21.1% of GDP in 1992, consists mainly of light industry and the processing of primary products. And with two-thirds of the industrial sector's value-added coming from the processing of agricultural products, dependence on an abundance of raw materials is high. Agriculture-related industries include cotton products, lumber, meat, sugar processing, cement (demand for which has increased dramatically due to increased dam construction and road maintenance in recent years), alcohol, and petroleum refining. Nevertheless, because of poor overall industrial development, Paraguay is currently striving to expand aluminum refining, chemical fertilizer production and other industries capable taking advantage of the country's large electric power potential.

(3) Fiscal policy

The majority of revenues come from taxes, but as most Paraguayans fall into the low-income category, the share of direct taxes is low (there is no direct individual income tax), with most coming from external trade taxes and excise taxes. Under the tax reform of 1992, tariffs were lowered, indirect taxes abolished, and a 10% value-added tax (I.V.A.) adopted. In 1992 current expenditures accounted for 62.6% of all expenditures on a central government budget basis. Low revenue levels prevent the adequate expansion of capital expenditures for socioeconomic development, forcing the government to rely on foreign assistance for a large portion thereof.

(4) International balance of payments

Total exports in 1992 (on an FOB basis) are estimated at \$657 million and imports at \$1.237 billion, leading to a trade deficit of \$580 million. Until 1981 Paraguay recorded surpluses in its overall balance of payments by offsetting deficits in trade and its current account balance with its capital account surpluses, which, however, subsequently shrunk, leading to consecutive deficits until 1989. Despite surpluses in 1990 and 1991, a growing trade deficit, compounded with service on overdue debt, resulted in a \$368.3 million deficit. The previous administration succeeded in stimulating trade through liberalization and a fixed exchange rate, and the current administration is also considering exchange policies and fiscal measures designed to keep inflation in check and expand exports.

(5) External debt

In 1992 Paraguay succeeded in reducing its external debt 23% over the previous year — to \$1.279 billion, the lowest of any Central or Southern American nation — by servicing a total of \$669 million in overdue and other debt. This was done not under an agreement reached in Paris Club restructuring negotiations, but rather under separate bilateral agreements with France, Spain, Japan and other creditors. Foreign currency reserves in 1992 fell 37.4% over the previous year, to \$610.7 million.

(6) Economic relations with Japan

Trade with Japan is characterized by a consistent imbalance in Japan's favor. Despite a steadily increasing volume of trade, the country's economic structure remains the same: agricultural products dominate exports and industrial products imports. However, the increase in economic and technical cooperation — especially the latter,

which has increased spectacularly in terms of personnel and monetary amounts -- has been brisk, and Paraguay continues to receive grants as well. With no particular points of contention between Japan and Paraguay, friendly relations between the two countries continue.

3. Social situation

(1) Trends in the major sectors

1) Education:

Although Paraguay has maintained a primary (compulsory) education enrollment ratio of 90% over the past 10 years, secondary education enrollment is under 27%, partially due to large numbers of dropouts in rural areas. With children 14 years old and under comprising 40% of the entire population, the enhancement of primary and secondary education has become an important issue.

2) Health:

The primary causes of death over the past 10 years are, in the following order, (1) heart disease, (2) stroke, and (3) malignant tumors. Incidence of tuberculosis and venereal diseases is relatively high. The death rate among infants and children five and under is also high, the primary causes being communicable respiratory diseases and diarrhea, making countermeasures thereto an important issue.

(2) Income distribution/Regional disparities

- Great disparities in income exist between the privileged class and lower class (e.g., landless peasants and small-scale farmers), between urban and rural residents, and between those in the northern and southern parts of the country. There are also great disparities in health care, education and social services.

4. Special issues

(1) Environment

The rate of deforestation has increased rapidly over the past few years (due to reckless development by farmers and encroachment by landless peasants), becoming a serious environmental issue. Soil erosion believed to be a result of deforestation is of problematic proportions in southern Paraguay, and countermeasures to the problem are urgently required.

(2) Women in development

There are almost no cultural or religious impediments to the involvement of women in development. Roughly 38% of the work force is women, and men and women comprise nearly the same shares of the primary industry's work force. Women also provide an important source of labor in agriculture.

(3) Military expenditures, etc.

In 1992 about 8.6% of the central government budget went to defense. Details on current weapons are not known, but arms are purchased from the U.S., Argentina, Brazil and other countries.

(4) Democratization and basic human rights

The current Wasmosy administration is continuing the policies of the Rodrigues administration, whose respect for basic human rights and its proactive democratization program stood in contrast to human rights violations during General Stroessner's reign.

5. Indicators

	Land area	406,752 km ²
	Population	4,519,328 (1992 estimated)
	Country classification (DAC list)	Lower Middle-Income Country
Economic indicators	GDP (US\$ million)	5,285 (1990) → 6,254 (1991) → 6,595 (1992)
	Real GDP growth rate	3.1% (1990) → 2.5% (1991) → 1.7% (1992)
	Per capita GNP (US\$)	1,236 (1990) → 1,292 (1991) → 1,427 (1992)
	Sectoral distribution of GDP	Agriculture, 25.6%; Mining/Industry, 21.2%; Services, 53.2% (1992)
	Sectoral growth rate	Agriculture, ▲1.9%; Mining/Industry, 6.0%; Services, 6.5% (1992)
	Sectoral distribution of employment	Agriculture, 38.8%; Mining/Industry, 22.3%; Services, 38.9% (1992)
	Growth rate of consumers' price index	44.1% (1990) → 11.8% (1991) → 17.8% (1992)
	Unemployment rate	7.5% (1990) → 10.4% (1991) → 14.4% (1992)
	Exports (US\$ million)	959 (1990) → 737 (1991) → 657 (1992)
	Imports (US\$ million)	1,193 (1990) → 1,275 (1991) → 1,237 (1992)
	Balance of current accounts (US\$ million)	▲516.1 (1990) → ▲766.3 (1991) → ▲750.6 (1992)
	External debt balance (US\$ million)	1,694 (1990) → 1,665 (1991) → 1,279 (1992)
	Debt service ratio	27.5% (1988) → 11.9% (1989) → 11.0% (1990)
	Foreign currency reserve (US\$ million)	675.0 (1990) → 975.0 (1991) → 610.7 (1992)
	Social indicators	Population growth rate
Life expectancy at birth		67.1 (1991)
Infant mortality rate		32/1,000 (1992)
Per capita calorie intake		2,742 Kcal/day (1990)
Primary education enrollment ratio		93.0% (1990)
Secondary education enrollment ratio		29.0% (1990)
Tertiary education enrollment ratio		8.0% (1990)
Adult illiteracy rate		10.0% (1990) (female 12.0%)
Population ratio in absolute poverty	Nationwide 35%, Rural 50%	

II. Socio-economic development situation

1. Outline of the national development plan

Though still preparing its own national plan, President Wasmosy is continuing measures begun by the previous administration, namely (1) price control, (2) tax reform, (3) currency flotation, and (4) improving the balance of trade.

(1) Goals

(2) Issues

- 1) Promoting the public sector's participation in economic activity
- 2) Modernizing governmental system through administrative reform
- 3) Privatizing state-run enterprises

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
(1) Improving the industrial infrastructure	1) Infrastructure improvement	1) Absence of a comprehensive infrastructure improvement plan 2) Insufficient capital
(2) Diversification of the industrial structure	1) Developing small and medium-sized businesses 2) Inducing foreign capital	1) Shortages of technical personnel 2) Insufficient/lack of domestic systems 3) Undeveloped systems for receiving assistance
(3) Promoting exports	1) Diversification of export products 2) Making production more efficient 3) Mutual revitalization of agriculture and the processing industry	1) Insufficient business administration skills 2) Technical inadequacy in quality control 3) An inadequate distribution system 4) An inadequate system for disseminating new technology
(4) Human resource development	1) Improving health care 2) Improving education 3) Improving vocational training	1) Shortages of specialists 2) Insufficient system for personnel development 3) Insufficient facilities 4) Lack of regional health care services/systems
(5) Regional development	1) Improving the public infrastructure 2) Promoting small-scale industry and the processing industry 3) Promoting the stabilization and settlement of small-scale farmers and landless peasants	1) Delays in farmland reform 2) Delays in selecting and adopting appropriate crops 3) Lack of a regional development plan 4) Insufficient capital

3. Investment program for the development plan

Ministerial investment allocations in the 1993 budget (in millions of guarani --- source: Planning Agency)

Ministry of Public Works and Communications	209,825	Ministry of Justice and Labor (Ministry of Defense)	6,509 15,264
Ministry of Education and Worship	13,148		
Ministry of Agriculture and Livestock	49,893		
Ministry of Public Health and Social Welfare	1,200	Total	295,839

4. National budget

(1993, in millions of guaraní — source: Paraguayan Labor Organization, 1993)

Revenues	5,009,186 (100%)	Expenditures	4,968,372 (100%)
(1) Central government revenues	2,030,450 (40.5%)	(1) Central government expenditures	2,030,331 (40.9%)
(2) Revenues of governmental organizations, etc.	2,978,736 (59.5%)	• Legislature	11,687 (0.6%)
		• Judiciary	49,500 (2.4%)
		• Executive	1,514,187 (74.6%)
		Presidency	27,430 (1.8%)
		Ministry of the Interior	120,375 (8.0%)
		Ministry of Foreign Affairs	40,813 (2.7%)
		Ministry of Finance	103,521 (6.8%)
		Ministry of Education and Worship	346,335 (22.9%)
		Ministry of Agriculture and Livestock	179,376 (11.9%)
		Ministry of Public Works and Communications	319,543 (21.1%)
		Ministry of Defense	185,767 (12.3%)
		Ministry of Public Health and Social Welfare	148,715 (9.8%)
		Ministry of Justice and Labor	27,698 (1.8%)
		Ministry of Industry and Trade	8,852 (0.5%)
		Ministers without portfolio	198 (0.01%)
		Ministry of Unity	523 (0.03%)
		Accounting Office	5,041 (0.3%)
		• Service on debt	454,957 (22.4%)
		(2) Governmental organizations, etc.	2,938,041 (59.1%)

Fiscal balance: 40,814

Note:

Until 1992 only the central government's budget was listed. For 1993, however, the entire national budget is listed.

Note:

US\$1.00 = 1,726.58 guaraní (late April 1993)

III. Aid flow from multilateral organizations & donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements): \$126.6 million
(Source: *Japan's ODA 1993* [Ministry of Foreign Affairs])

	Italy	Germany	America
Aid amount	\$57.2 million (1991)	\$13.0 million (1991)	\$1.0 million (1991)
Share	45.2%	10.3%	0.8%
Type of aid	Loans	Dispatching specialists, receiving trainees, providing equipment	Same as left
Priority areas or sectors	Processing agricultural products (i.e., juice-processing plants)	Agriculture, education, energy, environmental protection	Democratization (farmland reform and increased judiciary functions) and health care

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements): \$17.1 million
(Source: *Japan's ODA 1993* [Ministry of Foreign Affairs])

	Inter-American Development Bank (IDB)	UN Development Plan (UNDP)	World Food Program (WFP)
Aid amount	\$11.8 million (1991)	\$4.73 million (1991)	\$2.2 million (1991)
Share	68.8%	27.6%	12.9%
Type of aid	Dispatching specialists, receiving trainees, providing equipment, loans	Dispatching specialists, receiving trainees, providing equipment	Food aid
Priority areas or sectors	Education, drafting development plans	Drafting development plans, education, agriculture, agroindustry, health care	Health care (i.e., improved nutrition for infants and children regional settlements)

3. Japanese ODA

The place of Japan among bilateral donors: 2nd Share: 39.4%
(Source: *Japan's ODA 1993* [Ministry of Foreign Affairs])

Aid amount (in million US\$, 1991)	Trends in assistance
Technical cooperation 21.20	<ul style="list-style-type: none"> • Project-centered expansion and the diversification of fields of assistance are being promoted. • No major changes in number of cases or amounts over the past few years in general assistance (i.e., general fields, health and human resource development) and 2KR, etc. • Promotion of debt servicing has made new loans possible.
Grant aid 11.15	
Loans 17.57	
Total 49.92	

4. Collaboration among aid organizations

Information is exchanged irregularly through conferences held by the UNDP and other multilateral organizations. The Paraguayan Agricultural Testing Center provided assistance for the Soil and Water Conservation Technology Seminar, held by Chile's FAO office in June 1993. In response to a request from Germany's GTZ for technical cooperation on soil conservation from the Paraguayan Agricultural Testing Center, an agreement on three years of cooperation beginning May 1993 was concluded and cooperation formally begun. Collaborative projects with multilateral organizations should be approached with caution in view of the difficulty of management.

5. Situation of NGO activities

- (1) NGOs currently active: organizations, including Fundacion Moises Bertoni and others.
- (2) Major organizations and their activities
 - 1) Fundacion Moises Bertoni: Surveys and technical cooperation for natural conservation.
 - 2) Consejo Nacional de Entidades de Beneficencia (CONEB): Charitable projects, such as relief for the poor.
 - 3) Fundacion Paraguaya de Cooperacion y Desarrollo (FUPACODE): Capital assistance.

IV. Priority areas or sectors for JICA cooperation

Assistance for Paraguay shall be provided in accordance with the following objectives in order to support the attainment of economic stability and improved standards of living.

- (1) Developing human resources and improving and expanding various infrastructures in order to attain stable growth
- (2) Strengthening the industrial structure in order to promote exports
- (3) Alleviating regional disparities through regional development
- (4) Establishing a sustainable production base in order to promote environmental conservation

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable growth	Export promotion	Alleviating regional disparities	Environmental conservation			
Economic management	⊙	○	○	○	(1) Democratization, rationalization and improvement of economic management	1) Promoting comprehensive structural adjustments 2) Re-evaluating economic development plans 3) Formulating industrial policy and drafting plans for industrial revitalization and the adoption of new technologies	
Agriculture, forestry and fisheries	⊙		⊙	○	(1) Assisting small-scale agriculture	1) Adopting suitable crops and developing and disseminating new techniques for increasing yields in small-scale agriculture 2) Developing water resources and improving and expanding irrigation facilities 3) Adopting cash crops 4) Improving techniques for managing livestock and dairy farms	Nationwide

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable growth	Export promotion	Alleviating regional disparities	Environmental conservation			
Agriculture, forestry and fisheries	⊙		○	⊙	(2) Improving agricultural productivity	1) Improving agricultural administration techniques in order to expedite ecological measures and developing techniques for soil conservation 2) Adopting better techniques to increase production of traditional crops	East
	○	⊙			(3) Diversifying and promoting the export of export crops	1) Improving capabilities for marketing new crops 2) Better production technology, selective breeding, and quality control for export crops	Nationwide
	⊙		⊙	⊙	(4) Sustainable development of forestry resource	1) Planting fast-growing varieties of trees to establish techniques for producing tree 2) Developing techniques for the rational utilization of old-growth forests 3) Establishing techniques for protecting and preserving important plant and animal species	
Mining and industry	○	⊙	○		(1) Improving productivity and quality in the processing industry	1) Improving technology for processing agricultural products and modernizing facilities	East
	⊙	○	○		(2) Assisting small and medium-sized businesses	1) Strengthening the system for supporting relatively superior industries 2) Marketing to assist local production	Midwest and south
	○	○	⊙		(3) The development and effective utilization of natural resources	1) Promoting exploration	Central and northeast

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Stable growth	Export promotion	Alleviating regional disparities	Environmental conservation			
Economic infrastructure	⊙	○	○		(1) Infrastructure improvements designed to increase the efficiency of economic activity	1) Improving telecommunications and introducing new services 2) Improving the capacities and network of transportation by enhancing rivers, roads and harbors 3) Multipurpose water resource development	Nationwide Southeast West and northwest
	⊙		○		(2) Promoting energy development	1) Developing and researching petroleum substitutes 2) Constructing a system for the proper management of energy	Nationwide
Social infrastructure	⊙		○		(1) Improving the quality of life	1) Improving health care facilities and training health care workers 2) Improving waterworks, sewers and garbage disposal 3) Promoting city planning	Nationwide
	⊙		○		(2) Human resource development for industrial development	1) Improving education 2) Improving and increasing enrollment rates for tertiary education 3) Improving vocational training	Nationwide
	○			⊙	(3) Environmental measures and soil conservation	1) Enhancing the organizational and legal framework for environmental conservation 2) Promoting afforestation projects by disseminating technology and providing training	Nationwide

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

In addition to strengthening the agricultural sector, which is unremittingly affected by climate, international markets and other factors, the major policies of the new administration (which began August 15, 1993) include priority for education, health care and industry.

As the abolishment, in 1995, of all tariffs on trade with other MERCOSUR nations draws near, human resource development and the promotion of the processing industry, for instance, have become even more important and urgent because of the lack of international competitiveness outside the agricultural sector.

Japan must therefore expand the scope of its cooperation beyond the traditional emphasis on agriculture to include other sectors.

(2) Consideration for implementation capacity of counterpart-organizations

As Paraguayan counterpart organizations generally have limited capabilities to search out and formulate proposals, assistance in accomplishing this is extremely important in the effective and efficient implementation of Japanese cooperation suited to the true needs of the country.

Fiscal difficulties often impede capabilities for implementing cooperation and bearing local costs. No changes in this situation can be expected.

Problems concerning transactions for provided equipment, organizations that cease being counterparts, and other problems affecting implementation persist as before.

VI. Summary of evaluation studies

Past cases of Japanese cooperation show the following common problems.

- 1) Inferior technology and delays in adopting new technology (particularly after project completion)
- 2) The transfer and dispersal of counterpart personnel during or after cooperation
- 3) Reduced abilities to bear local costs due to fiscal difficulties
- 4) Difficulties in maintaining equipment provided (concerns the importance of maintenance and the selection of appropriate equipment)

Many such problems arise from the country's internal circumstances and are important issues that must be faced during future cooperation.

Middle East

Egypt
Jordan
Morocco
Saudi Arabia
Syria
Tunisia

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Arab Republic of Egypt

I. Political, economic and social situation

1. Political situation

(1) Government regime

Unicameral People's Assembly Republic, executive authority held by the president February 28, 1922, became a constitutional monarchy after being a British protectorate 1952, transferred to a republic following the "Egyptian Revolution"

(2) Date of independence

February 28, 1922

(3) Head of state,

President Muhammad Hosni Mubarak
In office October 14, 1981, 6 year term
Elected to a third term in October 1993 presidential elections

(4) Political structure

- 1) **Legislature:**
Unicameral system (People's Assembly, 458 seats, 10 appointed by the president, 5 year terms)
- 2) **Executive:**
29 ministries under the president
- 3) **Judiciary:**
Laws drafted by each ministry and agency, voted upon in the people's assembly, and promulgated after decision by the president or cabinet council (depending on importance)
- 4) **Political parties:**
National Democratic party (ruling party) 387, National Progressive Unionist Grouping 5. Independents and other parties including the New Wafd Party and the Socialist Labor Party (opposition party) also exist, but these abstained in the last elections.

(5) Domestic administration

The administration during President Mubarak's second term has faced economic problems such as increasing accumulated debt, worsening inflation and decreasing employment opportunities, but domestic politics in Egypt remain relatively stable. With little to bring about social instability, the administration's attention is centered on the task of advancing economic reforms.

(6) Trend of Politics

Issues include overcoming the economic shock caused by the Persian Gulf War and coping with Islamic fundamentalists. The existence of extremist Islamic influence and general public dissatisfaction with the national economy, which shows little noticeable improvement, persist as latent sources of instability. President Mubarak is consolidating his relationship with the military and it may be thought that for the time being there is little possibility of any large-scale outbreak of violence.

(7) Diplomatic relations**1) Pro-American alignment and diplomacy on all fronts**

Former President Sadat significantly reshaped the Soviet-slanted alignment that characterized the Nasser era, taking the October 1973 Fourth Middle East War as an opportunity to revive diplomatic relations with the United States.

Inheriting this American-oriented alignment, President Mubarak has continued to build close ties with the United States, and with primarily military and economic assistance from the United States aims at security and economic development. Egypt also endeavors to tighten relations with Western European and African nations, and ties with Russia (formerly the Soviet Union) are steadily being improved as well.

2) Cooperation with Arab nations

In 1979 Egypt became the first Arab nation to conclude a formal peace treaty with Israel, occasioning strong opposition among Arab nations, but in 1989 it returned to the Arab League. As a leader in the Arab world Egypt works toward cooperation among Arab nations, actively taking diplomatic initiative, a role which was seen clearly during the Persian Gulf War and in the Middle East peace efforts which followed.

2. Economic situation**(1) General trend**

Based on a policy of openness, President Mubarak has sought the introduction of capital and technology from developed countries and promoted a partially free economy, while at the same time firmly maintaining basic commodities subsidies for those with low incomes. However, amidst continuously swelling subsidies and the vicious circle of listless economic performance, both the financial deficit and the balance of current accounts are worsening and external accumulated debts are on the increase, creating a harsh economic environment.

Egypt faces a mountain of problems including a high rate of population increase, food and housing shortages, unemployment, superannuation and inadequacy of the infrastructure, inappropriate distribution of resources, skilled labor shortages caused by workers leaving to seek work abroad, and inefficiency in the public sector.

Further, the country was seriously affected by the Persian Gulf War and it took the end of the war as an opportunity to begin implementing powerful economic restructuring measures, according to recommendations made by the IMF. (Summary of agreement with the IMF: 1) Abandonment of subsidies, 2) Alignment of energy costs with international standards, 3) Reduction of public expenditures, 4)

Introduction of sales tax, 5) Unification of exchange rate, 6) National development plans and investment activities, etc. by the private sector)

(2) Trends in the major sectors

Distribution ratios in the industrial structure in 1990-91 were agriculture 19.7%, mining and industry 17.9%, finance, securities, and commerce 23.2%, transportation & communications 9.8%, and construction 5.0%.

- 1) The agricultural share has dropped in recent years, and with only 3.5% of Egypt's land suitable for production and living, rapid population increases and urbanization have accelerated this drop. The ratio of domestically supplied food is lower than 50% and imports are on the increase.
- 2) Egypt produces mainly oil, raw cotton and products manufactured with these. Basic industries include textiles, foodstuffs and the manufacture of machinery.
- 3) In terms of energy, Egypt exports 1/3 of its oil, but its buried reserves are limited, and a move towards natural gas production is proceeding smoothly.
- 4) Suez Canal tolls and tourism are also important industries.

(3) Fiscal policy

Financial deficit continues and the redress of financial unbalance is an important objective. In 1991 a sales tax of over 10% was introduced, and a more thorough collection of duties and income tax is being taken up. However, expenditures on things like basic necessities and subsidies for state enterprise products are major sources of financial pressure. Revenue including that from increased tourism in recent years, Suez Canal tolls, and money sent back from those working abroad have all been affected by the Persian Gulf War and show little growth. Along with the gaping trade deficit this lack of growth creates pressure on the economy.

(4) International balance of payments

Exports are limited to oil, raw cotton, etc. and there is a continuing tendency towards deficit. The international balance of payments structure is such that this is made up for by revenue from Suez Canal tolls, tourism, economic subsidies, and capital borrowing. However, in 1990 there was a \$1.4 billion surplus (compared to a \$600 million deficit in 1989), but this may be attributed to the erasure of debts following the Persian Gulf War, public funds transfers and a rise in oil prices rather than to structural factors.

(5) External debt

Huge debts of \$39.885 billion in 1990 and \$40.571 billion in 1991 (Debt Tables, World Bank) show no sign of improvement. At the May 25, 1991 Paris Group it was agreed to reduce public debts by 50% in three years, and each country responded by canceling debts in accordance with conditions recommended by the IMF. This is seen as reducing external debts to around \$20 billion.

(6) Economic relations with Japan

Japan imports oil, raw cotton, etc. from Egypt (\$90 million in 1991) and exports steel, automobiles, motors, etc. (\$550 million in 1991), resulting in a trade deficit towards Japan. Despite the 1977 Japan-Egypt Investment Protection Agreement, direct investments by Japan are at a relative standstill, with a cumulative total of 29 items (\$6.6 million) up to 1989.

3. Social situation

(1) Trends in the major sectors

1) Education:

Formerly Egypt used a 6-3-3-4 education system similar to Japan's, but in 1989 this was revised to a 5-3-3-4 system (8 years compulsory education), due to a shortage of primary schools. Liberal arts universities are 4 years, others 5-6 years. Other higher education facilities include technical training high schools (1-2 years) and technical academies (4-5 years). Public schools are free.

2) Health:

Major diseases include those related to food and nutrition, endemic diseases, as well as eye-related diseases and lung disease.

3) Urbanization:

Population is concentrated conspicuously in Cairo.

(2) Income distribution/Regional disparities

Population and wealth are concentrated conspicuously in urban areas. The late President Sadat's open door policy brought a flood of American and European products into the market, creating a wealthy class and wide discrepancies between rich and poor.

4. Special issues

(1) Environment

Water pollution of the Nile River and the Mediterranean Sea around Alexandria, air pollution from cars and factories in Cairo and salination of the soil of the Nile Delta are all marked.

The competent authority handling environmental issues is the Environmental Affairs Agency. Legislation concerning the environment includes the following:

Natural Reserves and Conservation of Nature 1983

Discharge of Liquid Waste 1962

Preventing Oil Pollution of the Sea 1968

Minister of Industry's Decree No 380 1982

(2) Women in development

Participation by women in development is higher than in other Arab countries, but is still low as a general rule, due to the existence of Islamic tradition. Only about one in five women are employed. Through cooperation with international organizations such as UNFPA and ILO the government endeavors to improve the status of women through a variety of projects aiming at job creation, family planning, anti-illiteracy education and others.

(3) Military expenditures, etc.

Expenditures on national defense are approximately \$5.4 billion (1993-94). Three years compulsory military service (ages 18-30), one year for university graduates.

(4) Democratization and basic human rights

Direct election system with multiple political parties.

5. Indicators

	Land area	1,001,000 km ²	
	Population	53.153 million (July 1990)	4)
	Country classification (DAC list)	Low-income country/MSAC	
Economic indicators	GDP (in million US\$)	31,580 (1989) → 33,210 (1990) → 30,265 (1991)	1)
	GDP growth rate	5.7% (1990) → 1.1% (1991) → 4.4% (1992)	5)
	Per capita GNP (in \$US)	630 (1989) → 600 (1990) → 610 (1991)	1)
	Sectoral distribution of GDP	Agriculture 19.7%, Mining & industry 17.9%, Finance, securities, and commerce 23.2%, Transportation & communications 9.8%, Construction 0.5%, Others 24.4%	4)
	Sectoral growth rate	Agriculture 2.4%, Manufacturing 4.2%, Services 6.2% (1980-91)	1)
	Sectoral distribution of employment		
	Growth rate of consumers' price index	6.8% (1990) → 19.7% (1991) → (1992)	3)
	Unemployment rate	7.0% (1988) → 7.6% (1989) → (1992)	1)
	Exports (in million US\$)	2,985 (1990) → 3,387 (1991) → (1992)	1)
	Imports (in million US\$)	10,340 (1990) → 7,862 (1991) → (1992)	1)
	Balance of current accounts (in million US\$)	-1,425 (1990) → 2,404 (1991) → (1992)	1)
	External debt balance (in million US\$)	39,885 (1990) → 40,571 (1991) → (1992)	1)
	Debt service ratio	25.7% (1990) → 27.2% (1991) → (1992)	1)
	Foreign currency reserve (in million US\$)	3,620 (1990) → 6,185 (1991) → (1992)	1)
	Social indicators	Population growth rate	3% (1989-90)
Life expectancy at birth		male 59, female 62 (1990)	1)
Infant mortality rate		66/1,000 (1990)	1)
Per capita calorie intake		3,336 Kcal/day (1989)	1)
Primary education enrollment ratio		Overall 97%, female 89% (1989)	1)
Secondary education enrollment ratio		Overall 81%, female 71% (1989)	1)
Higher education enrollment ratio		Overall 20%, female % (1989)	1)
Adult illiteracy rate		Overall 52%, female 66% (1990)	1)
Population ratio in absolute poverty	Urban 21%, rural 25%	5)	

Source

- 1) *World Development Report 1993*, World Bank
- 2) *World Tables 1993*, World Bank
- 3) *CAPMAS, Monthly Bulletin of Consumer Price Indexes 1993*
- 4) *Japan's Financial Development Aid*
- 5) *MEED (Middle East Business Weekly)*
- 6) *Report on Aid Research Meetings by Country*

II. Socio-economic development situation

1. Outline of the national development plan

The 3rd Economic and Social Development Five-year Plan (1992/93-1996/97) is currently being implemented.

(1) Goals

- 1) Regulation of public investment and restructuring emphasizing private investment
- 2) Economic growth rate of 4.1% (5.8% under the previous five-year plan)

(2) Issues

- 1) Increased economic assistance and trade
- 2) Increased role of the private sector and the extension of cooperatives
- 3) Population policy

2. Significant development sectors/issues, major policies, difficulties in promoting development

Significant sectors/issues	Major policies	Difficulties in promoting development
(1) Enlargement of industrial production	<ol style="list-style-type: none"> 1) Emphasize agricultural production, basic necessities, housing and other social services 2) Achieve 4.0% GDP growth rate (1992/93) and extend financing/insurance and sales systems 3) Adjust public sector share to an appropriate level <ol style="list-style-type: none"> 1. Adjust prices to meet purchasing power of each income level 2. Control consumption of luxury and imported items 3. Regulate government investment while considering education, health and safety 	1) Superannuation and inadequacy of the infrastructure
(2) Increased investment to stimulate structural turnabout in the economy	<ol style="list-style-type: none"> 1) Expand production capacities to meet demand 2) Increase regional investment 3) Improve performance of the private sector 	1) Financial deficit and insufficient capital
(3) Increased economic assistance and trade	<ol style="list-style-type: none"> 1) Increase the use of financial resources through economic assistance projects 2) Measures against outflow of foreign capital 3) Increase agricultural and manufacturing exports 4) Stimulate tourism 5) Lighten dependence on Suez Canal revenue and money sent back by those working abroad 6) Decrease imports through domestic production of basic materials, protection of domestic industry, and increased production of foodstuffs 	1) Inadequacy of basic materials processing technology
(4) Increase the role of the private sector and extend cooperatives	<ol style="list-style-type: none"> 1) Increase private investment from 39% (second) to 58% of total investments 2) Financing and sales support for cooperatives 3) Increase cooperative agricultural development and the role of consumer goods production 	
(5) Population policy	<ol style="list-style-type: none"> 1) Determine regions of population concentration through visionary development planning 2) Determine areas of population concentration caused by rapid population increases accompanying economic development 3) Lower rate of population increase to 2.3% 4) Maintain current population distribution (farming villages 56.1%, urban areas 43.9%) 	<ol style="list-style-type: none"> 1) High infant mortality rate 2) Lack of hygiene consciousness

3. Investment program for the development plan

In addition to manufacturing, high growth is hoped for in tourism, housing, public facilities and electric power. A large amount of public investment in mining and industry, electric power, transportation, communications and warehousing, public facilities, etc. accounts for 69.2% of all investment. 51.6% of public investment funds are supplied by the National Investment Bank, 23.2% by internal capital, and 25.2% by overseas capital.

Sectoral distribution ratio of private investment is commercial industries 53.3%, industrial services 9.5% and social services 37.2%. Main investments include mining and agriculture in the commercial industries sector, transportation, communications and warehousing in the industrial services sector, and housing in the social services sector.

4. National budget

Fiscal 1993, LE millions (US\$ millions)

Total revenue	56,330 (16,916)	Total expenditures	65,313 (19,614)
General tax	14,937 (4,486)	Salaries	11,300 (3,393)
Sales tax	8,000 (2,402)	Pensions	3,864 (1,160)
Duties	6,070 (1,823)	Subsidies	3,600 (1,081)
		Military	5,417 (1,627)
		Principal repayments (domestic)	11,800 (3,544)
		Principal repayments (foreign)	4,850 (1,456)
		Subsidized loan	850 (255)
		Investment	30,000 (9,009)
Balance	-8,983 (-2,698)		
Overseas financing (procurement)	7,645 (2,296)		
Deficit	-1,338		

Source: MEED (MIDDLE EAST BUSINESS WEEKLY)

III. Aid flow from multilateral organizations in donor countries

1. Assistance by major donor countries

Total amount of bilateral ODA (net disbursements) \$4.1565 billion (1991)

	United States	Germany	France
Aid amount	\$2,963 million	\$185.29 million	\$163.6 million
Share	71.3%	4.5%	3.9%
Type of aid	Technical cooperation and grant aid, donations	Primarily loans, now transferring to donations	Loans (mixed with public and private export credit)
Priority areas or sectors	Scientific and technical cooperation towards greater productivity, expansion of the private sector and improved performance of government organizations, etc., reorganization of the economy, food assistance, infrastructure improvement	Expansion of agricultural and industry, infrastructure improvement, development of human resources through vocational training, encouragement of independence in impoverished areas	Loans for manufacturing and infrastructure (electric power, transportation, communications), technical cooperation for machinery and materials, science, construction, energy, and communications

Source: Japan's Official Development Assistance 1993

2. Assistance by multilateral organizations

Total amount of multilateral ODA (net disbursements) \$321.53 million (1991)

	EDF (European Development Financing)	United Nations Special Organization	Others
Aid amount	\$289.95 million	\$13.73 million	\$17.85 million
Share	90.2%	4.3%	5.5%
Type of aid			
Priority areas or sectors			

Source: *Japan's Official Development Assistance 1993*

3. Japanese ODA

Japan's place among bilateral donors: 2nd Share: 14.9% (1991)

Aid amount (in million US\$, 1991)	Trends in assistance
Technical cooperation 17.05	Technical cooperation for health & medical care, transportation, traffic and manufacturing; Grant aid for health & medical care, transportation, traffic and waterworks & sewage; Persian Gulf Crisis economic support (loan of emergency goods), etc.
Grant aid 23.99	
Loans 578.53	
Total 619.57	

Source: *Japan's Official Development Assistance 1993*

4. Significance of ODA in the country

Ratio of ODA in the national budget %

5. Collaboration among aid organizations

Donors meet monthly to exchange ideas and information, but there are times when Egypt's International Cooperation Agency regards such meetings between donors as unwelcome interference in internal affairs.

In collaboration with the World Bank, Egypt's Environmental Agency presented the "Egypt Environmental Action Plan" to each donor country to promote cooperation in the environmental sector.

6. Situation of NGO activities

(1) NGOs currently active:

According to the NGO Directory (NGO Activity Promotion Center, 1990) the 2 groups below target Egypt for their activities. However, it is thought that these activities are not so significant.

- 1) Japan Foster Plan (foundation)
- 2) Society for Cultural Projects

(2) Main organizations and contents of their activities

The United States, Germany and Northern European countries are engaged in NGO activities in Egypt, but circumstances peculiar to the country restrict activities from extending to outlying rural areas.

IV. Priority areas or sectors for JICA cooperation

Priority areas are those which follow along the lines of Egypt's own economic structural reform policies, specifically (1) areas in which immediate effects may be expected in the short term, or which will contribute to easing the shock of reforms and (2) areas which will contribute to a shift to continuous growth process over the medium and long term.

- (1) Expansion of production centering around agriculture and manufacturing
- (2) Improvement of the economic and social base
- (3) BHN, environmental preservation, etc. and improvement of welfare among the people, including the impoverished classes
- (4) Population control, medical care and development of human resources through education and vocational training

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Enlargement of production	Economic and social base	National welfare improvement	Human resource development			
Economic management	○	○	○	⊙	(1) Improve capacity to draft effective, efficient development policies (2) Privatize of public sector (3) Strengthen third power cooperation	1) Strengthen capacity for development policy and implementation 2) Strengthen administrative performance and equity	
Agriculture, forestry and fisheries	⊙			○	(1) Increase production	1) Automation of agriculture, technical research and dissemination 2) Develop fishing resources	Delta region (Kafr el Sheikh) Aswan Red Sea
	○	⊙	○	○	(2) Improve agriculture, forestry and fisheries base	1) Rehabilitate facilities	Aswan Luxor region Omomu Northwest delta
	⊙	○		○	(3) Improve quality of agricultural and marine products	1) Improve post-harvest technology 2) Improve distribution structure	Delta region
Mining and industry	⊙		○	○	(1) Improve productivity	1) Industrial standardization, quality control 2) Cultivate of skilled workers	Cairo Cairo
	⊙		○	○	(2) Cultivate medium and small-scale enterprise (3) Improve industrial technology	1) Strengthen medium and small-scale enterprise financing system 1) Transfer to metallurgical technology 2) Transfer to measuring/weighing technology 3) Prevent industrial pollution	 Cairo

Sectors	Main goals				Strategy	Purpose of projects	Target region
	Enlargement of production	Economic and social base	National welfare improvement	Human resource development			
Economic infrastructure	○	⊙	○	○	(1) Improve industrial base	1) Improve harbors, etc., economic infrastructure 2) Train engineers for electric power and communications networks 3) Improve traffic network	Alexandria, Suez Suez, Ismailiya Cairo
Social infrastructure	○	⊙	○	○	(1) Strengthen medical care system (2) Mother/child health and population family planning (3) Expand education and vocational training (4) Improve the social base (5) Environmental preservation	1) Comprehensive transfer of technology in the pediatrics field 2) Train nurses, especially chief nurses 3) Improve rural medical services 1) Family planning education in rural areas 2) Train public health nurses for mother/child health care 3) Improve outlying medical care facilities 1) Expand technical and scientific education 2) Employment measures 3) Adult/community education 1) Improve waterworks and sewage, underground water supplies, etc. and the infrastructure 2) Develop underground water supplies 1) Prevent air and water pollution 2) Waste disposal 3) Instruction in earthquake measurement and analysis	Cairo Luxor and surroundings Cairo surroundings Sinai Peninsula, Red Sea Red Sea region

V. Consideration during the implementation stage of projects

(1) Consideration during the formulation of cooperation plans

- 1) **Local cost burdens**
In addition to having been in severe financial difficulty, Egypt is also in the process of advancing structural reform policies, and in order effectively to implement projects, while pressing the advance of the country's self-help capacity, it is nevertheless necessary for Japan to shoulder a certain amount of local costs. Also, in certain areas there exist highly trustworthy local consultants, and these should actively be employed.
- 2) **Implementation of technical cooperation and grant aid with a long-term view**
Planned and continuous long-term cooperation is necessary.
- 3) **Selection of qualified specialists**
While Egypt is a recipient of technology it is at the same time a provider, and it has confidence in the high level of its technical standards. There is abundant theoretical knowledge, but on the other hand standards for skills to practically apply this knowledge are lacking. Accordingly, when selecting specialists to be dispatched it is desirable to select people based not only for their theoretical knowledge, but also for their practical technical transfer capabilities.

(2) Consideration for implementation capacity of counterpart-organizations

- 1) **Government bureaucracy**
Egypt is a highly bureaucratic country, as well as a class society with almost no authority descending to the lower echelons. In many cases to do anything requires approval from above or agreement from related organizations. Further, sectionalism is strong among government offices and departments, creating problems with cooperation. Also, there is little sense of personal responsibility. To a certain extent it is necessary select cooperation objectives with a view to those that can be implemented smoothly and efficiently.
- 2) **Lack of spirit of self-help**
Egypt receives assistance from a majority of the countries in the OECD Alliance, the Persian Gulf states and from other international organizations, but the scale of this aid is large and Egypt has become used to it in a negative sense. On the opposite side, Egypt exports technology to other African and Persian Gulf states and has pride in itself as a technological nation. For this reason although it tends to make severe demands that it only half-expects to be met, there seems little volition on Egypt's part to make its own efforts to acquire and propagate technology. Hereafter it is important to take a long-term view of cooperation and concentrate on cultivating the human resources which form the nucleus of development and improvement in the areas concerned.

VI. Summary of evaluation studies

In 1992 the Cairo Municipal Traffic Bureau Train Training Center (project type of cooperation) has been made the object of post-project evaluation. It has been 7 years since the cooperation was concluded, but results such as an increase in the number of trainees are observed. The equipment provided is being put to use but it is necessary to provide spare parts.

Post-project condition surveys are being conducted regarding projects such as the West Omurania waterworks and sewage (grant), the Cairo municipal fire fighting equipment (grant), the textile development research center (project type of cooperation), and the Alexandria University metallurgical study equipment (independent equipment).

CONFIDENTIAL

**GUIDELINES FOR THE IMPLEMENTATION
OF
COUNTRY SPECIFIC ASSISTANCE**

Hashemite Kingdom of Jordan

I. Political, economic and social situation

1. Political situation

(1) Government regime

Constitutional monarchy

(2) Date of independence

May 25, 1946

(3) Head of state

King Hussein Ibn Talal (from 1953)

The highest legislative and executive authority is held by the king, who has the power to alter or veto legislation passed through Parliament and to dissolve the Cabinet.

Laws also require the final approval of the king, and the king is the supreme military commander.

(4) Political structure

Independence of the legislative, executive and judicial branches of government

1) Legislature:

Legislative authority belongs to the king and the Parliament. The Parliament is a bicameral system with Upper and Lower Houses.

Upper House: 40 seat capacity, comprised of members selected and appointed by the King from among those having experience as ministers of state or as ambassadors, etc. 4 year terms.

Lower House: 80 seat capacity, comprised of members selected through public elections. 4 year terms.

2) Executive:

Prime minister government with 23 ministries. Executive authority belongs to the king, as head of state, and is executed by the Cabinet.

Nation divided into eight sections, with governors recommended by the Home Minister and appointed by the king. Women's suffrage is recognized in 1973.

First Lower House elections in over twenty years conducted in November 1989. General elections planned for November 1993.

3) Judiciary:

Regular courts (including courts of arbitration, courts of appeals, and high courts), Islamic courts based on Islamic law, and Arches Courts for Christians are all available, depending on the nature of the dispute. Independence is guaranteed.