

KEYNOTE SPEECH



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Born in 1930. Graduated from Tokyo University and joined the Ministry of Finance in 1953. Served as Director General of the Customs and Tariff Bureau. Appointed President of Asian Development Bank from 1989 through 1993. Assumed present post, Executive Adviser of the Tokyo Marine and Fire Insurance Co., Ltd. in 1993.

Good morning, ladies and gentlemen. This is the 1994 International Symposium in commemoration of International Cooperation Day. Thank you very much for being invited. It is a great honor to me to be a keynote speaker on this occasion. I would like to offer my gratitude to OECF, as well as JICA officials who were kind enough to invite me on this occasion. Japanese ODA was one of the largest among the developed nations in 1993, and it is receiving a high evaluation internationally. It is implemented by OECF, as well as by JICA. Those organizations contributed greatly to the past performance of Japanese ODA. As many people have been mentioning, this is the 40th anniversary of Japan's becoming a member of the Colombo plan. OECF was established 33 years ago and JICA is celebrating the 20th anniversary of its establishment. So, it is doubly or triply significant that we celebrate International Cooperation Day this year. Today's Symposium features the 40th anniversary of ODA—Japan's contribution to the future peace and prosperity of the world. Japanese ODA performance has enjoyed a high evaluation, but we should not be content with that, and we should stride forward to have even further goals attained. That is a quite important attitude.

I served at the Asian Development Bank from 1989 to 1993. I was directly involved in the developing nation's economic development in the Asia-Pacific region. It can be said in the global context as well as in the Asian-Pacific context, that developing countries have suffered from poverty, deteriorating environment, expanding population, and they have also addressed the economic and social development, through an increase in income and improvement in living standards.

In the keynote speech today, I would like to address development performance in the Asian region so far, as well as the role played by Japanese ODA and by ADB. Then I would also like to refer to the continuous problems of developing nations as well as the concerns that we should pay attention to in promoting development in those regions. I would like to share my view with you to consider the theme given today.

Ever since the 1960s, Japan and the Republic of Korea, Taiwan, Hong Kong, and Singapore—the four dragons, as well as Thailand and Malaysia: these countries showed high economic growth. The growth in these Asian countries is quite remarkable compared to the growth of the developed countries. Compared to the other developing regions like Africa or Latin America, these Asian countries showed higher growth performance. So, in this context, Asia is called the growth center of the world, as you are all aware. The Asia Development Bank was established in 1966 to address the development in Asia-Pacific countries, as well as economic and social development in those regions to enhance living standards. The very first President was Mr. Takeshi Watanabe. At the time of the establishment of the ADB, Mr. Watanabe mentioned that Asia is no longer a sleeping lion of the past, but must face the future. So, we have come very far from the statement he made in 1966. There is significance in studying regional economic development in Asia, because we can track the history of this region, which became the growth center of the world economy. Also, we expect a lot of further contribution from this region to the world economy. Secondly, we can compile the lessons of the growth in this region, and can discuss whether this is applicable to the other developing countries and regions. Postwar Japanese economic growth experience has been actively shared or tried to be shared by the Republic of Korea as well as Taiwan. Many other countries in Asia attempted to learn from the Japanese experience. So, a flying geese-like pattern of development emerged from this past experience. In Japan, Southeast Asian countries'

development has been actively studied among scholars. From the point of development theory and development strategy, new approaches have been made in this particular area of study. The World Bank published a series of studies in 1993 which is entitled "The East Asian Miracle." This is one of the studies that, from the practical aspects, the Asian economic region's development has been analyzed, especially the roles played by the government. They are trying to extract the essence of development in this region, which should be worthy of great appreciation and evaluation. These development theory and strategy points of view are quite new in researches, and we are hoping that this area of studies will be further encouraged.

Apart from these development theories for regional development, I could add my own experience and lessons I've learned, where I directly interfaced with the Asian developing countries' economic development. If I were to speak my conclusions first, the final or the ultimate resolution to these complex issues is the realization of sustainable economic growth, as well as the advancement of education which supports such results. What are the fundamental and essential elements to those? I could give the following elements.

The first element is to establish a free market. A freely functioning market is essential to economic growth. This is one of the great fundamentals, there is no doubt about that. There are limited resources for development. A free market distribution function plays a critical role in the growth process. Asian developing countries in various degree paid great efforts in order to nurture an economy dependent upon the market mechanism. The countries with great growth in this region really show the fruitful result of their efforts in this direction.

Secondly, we have to have an institutional framework for development. There is an appropriate combination of private sector and public sectors. Developing countries' economic development must incorporate strong initiative taken by the private sector. In the past, national or public enterprises were encouraged, but they showed relatively poor performance, which resulted in the governments' financial deficit, and which led to mis-allocation of precious resources. In many developing countries we observe the direction of privatization and rationalization of public enterprises: such moves should be encouraged and welcomed. I'm not saying that all public enterprises are fading. Some are successful. But the division of roles between private and public sectors must be determined based upon efficiency. Whether it is the public sector or the private sector, free competition must be maintained. Efficiency must be quite important.

The third element is the development of human resources for sustainable economic growth and its realization. Efficiency and its importance has been highlighted. This drives the development of human resources. Economic growth cannot be established by itself; that means the people participating in it must take part, and they must enjoy the profit from this work. In the majority of developing nations, the quality of life has been improving. For example, accessibility to food, housing conditions, and longevity or the life expectancy: all those elements have been improved. So has the standard of education. But there remains much more to be done. If healthy and educated human resources are not available, that country's economic development will not progress. If the development is not giving positive impact directly and efficiently to the people, it does not have any resonance at all. That means income improvement will lead to better living conditions, and a healthy and educated labor force will be provided from those environments, which will lead to better productivity and a higher level of income will be achieved. This is a virtuous cycle which we must establish. In order to enable such sustainable economic growth, education plays a great role in the rapid growth observed in the Asian region. This region shares common elements, such as a high literacy rate, as well as high primary school enrollment. These are the accelerating factors for their growth, as has already been proven.

The fourth element is an active role by the government. Although I mentioned that the private sector plays an important role in economic growth, from the current conditions, government also has an important role to play, especially in the developing countries where the market is immature, or where the institutional framework is immature: Government must initiate various functions. For example, where various infrastructures are necessary for the development process, government must play an important role. When the private sector's role is expanded to a certain extent, there is still a role that the government must initiate including social infrastructure. Having those roles being referred to, limited resources must be prioritized and oriented in a very careful manner, which will be appropriate in that country's social, cultural and financial environment which is important. For example, medical service: in the field of medical care, trained medical professionals must be provided in great number, and not only in cities but also in rural areas, service must be provided. Many initiatives could be taken to improve the situation. In the primary education field, for example, traditional schools run by religious organizations could be utilized further. Having those

elements mentioned, these are the lessons I have learned from direct experience in development activities.

If I could add, about sustainable economic development: the developing country's government must face the issue directly; and secondly, popularity-winning policies are not proper. You have to have a determined mind to take decisions in the long term. Also, in order to realize political will, you have to have a good and dedicated technocrat to implement those works. The Asian NIEs, like the Republic of Korea, Taiwan, Singapore and some ASEAN countries fulfilled those needs, especially in the government sector.

In these Asian developments, the role fulfilled by the Japanese ODA and the Asian Development Bank's contribution should be reminded. Japanese bilateral ODA, if you overview the regional share, 60% or over goes to the Asian region. In the field component of ODA, 60% of the total goes to infrastructure. Infrastructure includes not only transportation, power generation, telecommunications, or those economic infrastructures, but also social infrastructures: tap water, sewerage, medical care, as well as human resources development, the importance needless to mention. Developing Asian countries which have remarked growth have a priority for education, especially primary and secondary education, and these educational fields have a lot of public assistance, as well as Japanese ODA. At the beginning our contribution was only 1% to 2% of the total, but in the 1980s it expanded to 6% to 8%.

Japanese ODA, as a part of multilateral ODA, goes to Asian developing countries as well. Japanese ODA positions ADB as a core of financing the Asian region. Japan contributes to a Japan Fund founded for supporting technical assistance, as well as to cooperate with scholarship programs. Japan has been the greatest contributor to the Asian Development Bank's concessionary based on the ADF loan fund. Japan's share reached about 37%.

ADB, needless to mention, dedicates its activities to the Asia-Pacific region. Since its establishment in 1966, until the end of 1993, the ADB organized 1,200 projects, with a total financial assistance of US\$48 billion, and technology assistance of US\$3.7 billion, as well as the co-financing of US\$17.4 billion to the developing countries in the region.

At the time of ADB establishment, Asian countries faced an emergency issue—that was famine, hunger—therefore, food production was the major target. Another target back then was that primary commodity was a major resource of the member countries' economies, and industrialization has been encouraged. By the end

of 1993, ADB dedicated about one-third of its operational fund to infrastructure, including transportation, communication, and social infrastructure. So, Japanese ODA played an important role and contributed greatly to the Asian economic development.

Today in Asian economic development, development processes are showing more and more complexity. It means that development needs are diversifying. At the time of ADB establishment, major projects were in agricultural development and production enhancement, as well as infrastructure support. But, in the 1970s, because of the oil shock and oil crisis, energy prices rocketed, and also plummeted commodity prices. That meant the countries' economic conditions deteriorated. In the late 1980s, poverty, environment, health and education are the major targets of the programs and efforts. Also, the need for economic restructuring in developing nations are being pointed out.

Today's ADB also has a traditional or conventional development project, but in order to respond to the changing development needs, the ADB is going to address traditional economic development and new social development based on needs in a half-and-half manner. Japanese ODA is centering around the infrastructure, but we are responding more to the diversifying development needs. Since the late 1970s, agriculture, forestry, fisheries, education, social infrastructure, welfare, and health—basic human needs are getting more priority it seems. In the 1980s, economic sector's adjustment support has been taken up, which is worthy of our appreciation. Also, the adjustments for the grant, technology assistance, and yen loan combinations based upon the income levels of the countries are well done. Also, Japan is reducing the ratio of tied loans, and increasing the untied loans. In bilateral ODA, the majority of the aid in terms of loans is 100% untied. Therefore it is much easier for those countries to use Japanese ODA. Such Japanese effort is worthy of appreciation.

Now I would like to focus the thrust of my presentation to the future issues in regard to development. The world economy, especially in developed nations, has been stagnant, and brighter prospects as we go through 1994, but it is still not as energetic to say that we have recovered the economy. In light of this world situation, the developing nations of Asia are anticipated to reach 7.5% economic growth. Especially the Asian NIEs are estimated to achieve 6% to 7% growth, and there has been a very rapid growth observed since the end of the Cold War in China and India. Their respective growth rates are anticipated to be 10% and 4.8% each. Meanwhile, for Indonesia and Malaysia, their growth

rates are respectively anticipated to be 6.2% and 8%. In this manner, in the Asian region as a whole, the position of the top growth center of the world is going to be maintained. However, while we do see some bright prospects, we also see poverty, worsening environmental conditions, and increased population. So, there are many policy issues that must be faced. In order to solve these issues, and in order to achieve sustainable economic development, it is necessary to promote further efforts in the area of cooperation. As far as I can see, with the end of the Cold War and recent international events, we see that there is a new world disorder. I think that the current situation can be mentioned in that manner.

In this current situation the important point is that we should not make this a period of long-term division but an age of transition to the next period. Therefore we must creatively accommodate the various situations. I would like to think about the major problems that are facing the developing nations in the Asian region.

First it is necessary to alleviate poverty. According to the latest research carried out by the United Nations, it is anticipated that the population of Asia—which means that half of the world populations is contained in the Asian region—of this number, it is said that over 800 million are suffering from poverty. Especially in South Asia, which represents 30% of the world population, 560 million persons are suffering from poverty, which means it represents approximately half of the 1.1 billion persons who are impoverished throughout the world. According to the World Bank, the most impoverished areas are Sub-Saharan Africa and the South Asian countries, India, Pakistan, Bangladesh and Sri Lanka in Asia. It is said that in each of the countries of South Asia, half of the population are suffering from poverty. We can imagine easily that the fact that more than 90% of the population growth in developing countries causes the serious problem of poverty. Among impoverished countries it can no longer be said that increased population will lead to increased labor force. With inadequate investment, if there is a sudden growth in the population, this means that the pie per capita will decrease.

Another serious issue among the developing countries of Asia is the over-concentration of population into the cities. The urban population growth rate of Asian countries are twice as high as that of the entire region. The urban population of Asian cities will increase from 1 billion to 3 billion in 2025, and it is said of the 5.5 billion persons estimated to live in the cities throughout the world, over half will be in Asia. As a result of the concentration, there are slums, hygienic problems and pollution problems. The developing nations must make their own

efforts to alleviate poverty. But needless to say, international society must provide aid.

The second problem is in regard to the environment. In Asia, there is a deteriorating environment because of the economic growth. In Asia, there are environmental problems that are faced in the cities, as well as the serious problem of deforestation taking place. According to the research of the Asian Development Bank, in Thailand the economy from 1979 to 1988 increased by double.

However, when we look at pollution, especially sulfuric acid gases and nitrogen dioxide, the atmospheric pollution in Bangkok has increased by eight to ten times during this same period. Furthermore in the Philippines' economy, until the early 1990s, there had hardly been any growth at all, but, when looking at the situation of air pollution in Manila, it has increased by eight times during this same period. Among the seven worst cities for atmospheric pollution, we see that five of the cities are located in Asia. Furthermore, with a sudden increase of urban population, domestic waste water is being disposed into the rivers. With the development of chemical and electronic industries which cause much pollution, factory waste water which is harmful and has bad effects on people's health, is flowing to the rivers.

There is the problem, also, of the deforestation of Asian forests. In the Amazon area and the African countries there's a gradual decline in the speed of deforestation. But it is said that in Asia the deforestation is taking place at a more accelerated pace compared to the other areas. According to the investigation of the World Bank, there is serious depletion of forest resources taking place in Asia, especially in Southeast Asia during the 1980s, the rate of deforestation is 1.5 times quicker than the 1970s. This decrease of forest resources is said to be due to the conversion of forest land to farm land, mobile harvesting, and deforestation for the purpose of collection fuel or as a method of commerce. In particular, the consumption of fuel is said to make up nearly 80% of regional forest resource use, and in the case of Cambodia and Laos, the figure reaches 90%. Because of the pressure of increased population, the forest resources can no longer sustain itself. Therefore it is necessary to carry out forestation activities for fuel purposes, and a sustainable development must be considered, which will take advantage of the forest resources. This is a very urgent matter.

The third problem is how to solve the population issue. As already mentioned, in September of this year in Cairo the International Conference on Population and Development was held, and worldwide attention and awareness was achieved in regard to population issues.

According to recent research there is population growth taking place throughout the world at an unprecedented pace. In 1993, the world population is estimated to be 5.6 billion. According to the long-term statistics of the U.N., with declining birth rates as a precondition, it is still estimated that in the year 2000 the world population will be 6.3 billion; in 2025, 8.5 billion; and it is said that in the year 2050 the world population will be 10 billion. Just looking at the 1990s, it is estimated that the population growth will be 16%, and 90% of this growth will take place in the developing nations, and over half of this will be among the impoverished nations of Africa and South Asia. It has already been mentioned that in Asia, 3.2 billion persons are concentrated here, and the population growth rate is 1.8%. That is the average figure per year, from 1990 to 1995. China and India, which have especially large populations, are anticipated to be respectively 1.4% and 1.9%. Among developing nations this is a relatively low figure. However, what we must not neglect is that the absolute number increase is remarkably high.

Rapid population growth of developing nations has negative effects on the policies to fight poverty, as well as for the protection of the environment, economic development and human rights. The resources that can be applied are limited. It is, of course, necessary to carry out technical advances and improve productivity, but an uncontrolled increase of the population will add pressure to the utilizable resources, and make it more difficult to achieve sustainable and rapid growth. The solving of the population problems is a priority matter that should be dealt with in formulating policies of developing nations.

Rapid population growth must be controlled, but how can this be stopped? Family planning is one approach that must be made. Results have already been achieved in China and Indonesia. Furthermore, by implementing family planning, there is the view that is also necessary to improve the status of women, and for this access to education, especially for women should be expanded, and the increase of literacy rates is a priority issue that must be dealt with. The countries that are about to grow in Asia have been successful in inhibiting population growth, but this is due to the investment that has been made in the education area.

Fourth I must touch upon the subject of the role of women in development. The process of development requires that all resources usable in a society should be employed. I think that it is necessary to consider seriously what role women can play in the development process. Half of society is made up of women, and so, their talent and potential must be taken into consideration. But during the process of development, their talents and

potential ability have not yet been adequately used, and this is a basic problem. Because of social, religious, and economic factors, the opportunities provided to women in developing nations are not equal to those of men. There is the access limited to education and the mortality rate among mothers during pregnancy and birth are unacceptable, thereby limiting economic activities and employment opportunities.

Of course, social conditions are not things which I believe can be changed in a short period of time dramatically; however, by following the principle of equal opportunities, we should recognize this as an essential thing from the beginning. To solve this very difficult problem the most effective approach would be to provide equal educational opportunities. Recently, in Cairo, there was the International Conference on Population and Development, and there was a diversity of religions, cultures and traditions throughout the world, and many different sense of values. But, in accommodating population issues it's necessary to respect these sense of values. However, it has been confirmed that the population issue is a common problem that all of humankind faces. By integrating the economic and social development as well as environmental protection issues, with that of the population issues, it will be possible to come up with a solution for sustainable economic growth and to establish a foundation for this. We consider it great progress to recognize that in light of solving population problems and the improvement of the status of women in achieving more education, health and economic development is indispensable.

Now I would like to talk about some of the problems that need to be taken into consideration when moving forward with the development of the Asian region.

First, the transition to a market-oriented economy. Former socialist countries are now in a transition process to a market economy, and on a global perspective it has become clear that it is not going to be a simple thing to achieve. However, looking at countries in East Asia, such as China, Viet Nam and Laos, those economies in transition, compared to the former socialist countries in Eastern Europe, are facing brighter prospects. Between East Asia and East Europe I think the differences are as follows: Asian nations have been under a relatively shorter period of time under the influence of planned economies; economic reforms took place quicker in China and the Indochina nations; Asian nations have given higher priority to economic reform separately from political reforms; and the stimulation of the market economies has been different between the East Asian countries and the East European countries.

Although China has had overheated growth, it continues to maintain double digit growth. In Viet Nam international organizations and Japan started aid, and there are many private sector investments taking place because America has stopped sanctions against Viet Nam, and investors in the private sector are greatly interested in this country.

Second, I would like to talk about the Central Asian nations. Specifically, I am referring to Kazakhstan, Kyrgyzstan and Uzbekistan. During my duty in the Asian Development Bank they have indicated their desire to join. Kazakhstan and Kyrgyzstan have already become members this year of the Asian Development Bank. There are differences in the degree of development between these three republics, but their economic foundations are fragile. They have established themselves independently from Russia, and they have a very strong awareness that they are part of Asia. According to my view, for these countries, as they join the Asian Development Bank, they will be able to benefit from the lessons learned by the East Asian nations that have made a transition from a planned economy to a market-oriented economy. Furthermore, in Asia the modernization experiences by the Islamic nations will also be beneficial. At any rate, there is inadequate infrastructure among these three republics, therefore in order to make up for this inadequacy, assistance from the ADB and Japan will be effective and thus necessary. In Central Asia, these countries are going to play an important geopolitical role in maintaining world peace, and they have much rich natural resources. Furthermore, they are very diligent people who are living there, and have high standard of education. Consequently, it is necessary for Asian nations to establish close ties on a positive basis with them.

Third, I would now like to talk about regional cooperation. There are still limited assistance resources available. Therefore Asian nations that are still receiving aid should try to graduate and to move to the position of a donor nation as quickly as possible. It is necessary to provide assistance and technical aid to the developing nations that are appropriate to their circumstances. The most dynamic world growth center is the Asia-Pacific region, and intra-regional cooperation will provide brighter prospects for this region. Within the Asian Development Bank, countries such as the Republic of Korea, Taiwan, Singapore, Malaysia, India and Pakistan, although limited, are beginning either to increase the soft credit contributions to ADF, or to provide technical cooperation as well. Recently, when Prime Minister Murayama visited the ASEAN nations and in Singapore

and Malaysia, he mentioned about the importance of South-South cooperation. He said that Japan should support such efforts, and there was an agreement in regard to this. I believe that this is a very timely and significant thing.

It can be said that the Asian experience has provided a model for other developing nations of the world. I do not think there is one uniform development scenario that can be applied to all developing nations, but World Bank research has been carried out of the East Asian experience and there are discussions taking place as to how this can be utilized in other regions. I think this is a trend that needs to be focused upon. There are unique Asian factors in the development of Asia but there are also factors that are not unique to Asia.

The appropriate management of the macroeconomy, the development of the financial and capital markets, and the guidance made by governments as to development can be of benefit to other developing nations. There are still other underdeveloped nations in Asia. There are developing nations in other areas as well, and I think that various options are being presented in regard to the development policies. What I would like to emphasize is that in all countries the fostering of human resources needs to be a priority; therefore, at a basic level, efforts must be made in the area of elementary and/or primary education. Further efforts in this area are required by the developing nations.

In conclusion I would like to mention that in this Symposium we are looking back at the 40 years' history that Japan has in ODA, and we are looking at the Asian experience. We are looking at the problems of economies in transition, and furthermore the modern development aid subjects such as population, environment and sustainable development are going to be taken up here.

We have 40 years of history in ODA and the ODA Charter was published, which will indicate the future directions of ODA in Japan. It will be necessary to take a humanitarian approach, we must look at the interdependence of the international society, the necessity of protecting the environment and the necessity of implementing Japan's role. Other issues such as "global issues" are taken up.

Japan has, from an early stage, stated that self-help efforts are important in the process of development. Within the ODA Charter as well, this self-help effort is described as an important factor in fostering human resources. Higher education and professional education were the areas that Japanese ODA focused on in the past. But it is necessary to take into consideration the

development experiences that Japan has, and considering the economic development of Asian developing nations, I do hope that further efforts will be made in the area of primary education, and further assistance will be provided in this area. Asian NIEs have been making efforts to catch up in a shorter period of time than Japan, and in regard to the other developing nations they are hoping to carry out development in even a shorter and compressed period of time.

In this regard, how the lessons learned by Japan and

the developing nations of Asia can be reflected in development aid in the future is an important issue which we must look at. More positive discussions and researches should be carried out on this subject, and I look forward to efforts in this area.

Finally, I would like to express once again my gratitude for being given the opportunity to give this presentation in the International Symposium in commemoration of International Cooperation Day. Thank you very much.



Mr. D. Joseph Wood
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Born in 1941. Awarded master's degree in economics from Oxford University and joined the World Bank in 1967. Served successively as Vice President, Financial Policy Planning and Budget; Vice-President, Financial Policy and Risk Management. Appointed Vice President in charge of South Asia Region in 1991. (Mr. Wood participated in the panel discussion held in the afternoon.)

Good morning. It is a great privilege to be here in Tokyo to participate in this Symposium. I am deeply honored to have been invited by OECF and JICA to help commemorate International Cooperation Day.

It is especially gratifying to be here in this year of anniversaries of international cooperation for development. As you all know, it is the 40th anniversary of Japan's participation in the Colombo Plan. It also happens to be the 50th anniversary of the creation of the World Bank and the International Monetary Fund. It is thus fitting that we use this occasion to reflect on development experience—to consider where international cooperation for development has succeeded, and to consider where we go from here.

I want to focus my remarks this morning on five inter-related challenges that face the developing countries. In discussing each of these challenges I will comment briefly on the lessons from the East Asian development experience—and here I may say Mr. Tarumizu has already done a good part of my work for me—but then I will go on to try to relate this experience to the efforts being made in South Asia to apply best practice of development experience. Finally, I want to underline the critical importance of continuing with official development assistance in the low income countries as a crucial complement to the enhanced role we see for both international trade and private capital flows.

The Bank's fundamental objective is to help its borrowing countries reduce poverty and improve living standards by promoting sustainable growth and investments in people. To this end—and as a guide to operational work—we have identified five major development

challenges: first, the challenge of pursuing economic reforms to enhance growth and reduce poverty; second, the challenge of investing in people through expanded, more effective programs in education, health, nutrition, family planning—investments that are critical if the poor are to take full advantage of the opportunities that growth creates; the third challenge, protecting the environment so that growth and poverty reduction can be lasting and benefit tomorrow's generations as well as today's; fourth, the challenge of stimulating the private sector so that countries can become both more productive and create jobs; and fifth, the challenge of reorienting government, so that the public sector can complement private sector activity and efficiently undertake essential tasks such as human resource development, environmental protection, provision of social safety nets and the development of appropriate legal and regulatory frameworks.

In helping developing countries to meet these challenges, the World Bank has the important advantage of being able to draw on 50 years of experience in working with developing countries across the globe. Today, in line with the theme of this Symposium, I want to emphasize one very important part of that global experience; namely, the lessons that can be drawn from the successful development experience of East Asian countries. I can assure you that these lessons are very much on the minds of the countries that I deal with in South Asia. They see the results of East Asia's success, and want to know how to replicate the "East Asian Miracle" in their own countries.

As everyone knows, East Asia has had a remarkable growth record. Most of the achievement has been due to eight countries: Japan, Hong Kong, Korea, Singapore, Taiwan, Indonesia, Malaysia and Thailand. More recently, China's phenomenal economic performance has set new records. These countries grew very fast, and they also rapidly reduced inequality. The social indicators of the people living in these countries have improved dramatically.

What caused this success? The combination of

sound economic policies, a strong institutional framework, and a clear focus on human resource development characterized the development strategies pursued by these countries. These are now widely accepted elements of the new development consensus, essential components of the common ground shared by virtually all students and practitioners of development. I should add that our understanding of the East Asian experience by the efforts that Japan itself has made to call attention to the record of these countries. I would especially note the key role that Japan played in supporting the effort made in the World Bank to carry out a detailed study of the East Asian experience, the study that Mr. Tarumizu has already referred to, commonly known as "The East Asian Miracle" study.

What has been the experience of other regions? And why have they found it so difficult to match the successes of East Asia? I will address this critical question of replicability in the context of the region I know best, namely South Asia.

First, the challenge of pursuing economic reforms. The East Asian countries, as a group, managed their economies exceptionally well. Macroeconomic performance was unusually stable, and it provided the essential framework for the market economy and private investment. Agricultural policies stressed productivity and, compared to the rest of the developing world, did not tax the rural economy excessively. East Asian countries all kept price distortions within reasonable bounds.

But perhaps the most distinguishing characteristic has been the outward orientation of the East Asian approach. The economies were open to foreign ideas and technology. While almost all began with a period of import substitution and a strong bias against exports, they moved quickly to establish a pro-export regime. Many of the policies that fostered economic stability also facilitated rapid export growth, including in particular active exchange rate policy. The strong export orientation exposed East Asian firms to the competitive discipline of international markets. They had to be low-cost producers in order to survive.

Domestic competition also played a key role in maintaining market discipline. In Korea, for example, leading firms engaged in intensive internal competition. To be sure, some price controls were in place, but firms competed for foreign technology licenses and the best graduates. In the automobile industry, for instance—since prices were set by the Government—competition centered on gas mileage, appearance, safety record, and resale value. The Korean chaebol competed to maximize exports of consumer electronics, machine

tools, and even construction services.

East Asian governments showed remarkable flexibility in abandoning policies that proved to be costlier than anticipated. This flexibility owes much to the institutional processes through which policies were formulated and implemented. In a number of countries, firms had to compete with other firms to "win" access to subsidies, investment funds, or other benefits. Economic contests of this kind and target setting were monitored by senior leaders of government; incentive packages were reevaluated periodically to ensure that program objectives were being achieved. Programs that were not working were dropped.

South Asian countries, like their East Asian counterparts, largely avoided the extreme macroeconomic imbalances that plagued Latin American and African countries during the 1980s. Like East Asia, South Asia was spared the worst of the debt crisis of those years. But in sharp contrast to their East Asian neighbors, the South Asian countries pursued generally inward oriented strategies. This approach deprived them of the competitive discipline of foreign trade.

Recently, South Asian countries have begun to adopt more outward-oriented policies. They are reforming their investment and trade policies. Bangladesh, India, Nepal, Pakistan and Sri Lanka have initiated reforms that are dismantling restrictions on domestic and foreign private investment, removing quantitative trade restrictions, and reducing the level and dispersion of tariffs.

The improved climate for reform doubtless owes something to the positive experiences of the East Asian countries, as well as to the negative ones in the states of the former Soviet Union and Eastern Europe. Whatever the origin, there is now consensus on the broad directions of change.

But South Asian economies are still far from the point reached by the East Asian countries, where in some areas, the reform process has been underway for almost 30 years. Much remains to be done in South Asia to lower the transaction costs of doing business and to improve the performance of public enterprises. Tax reform is still in an early phase except in Bangladesh, which has successfully adopted a value added tax. Financial sector reform remains incomplete although some important steps have been taken. Relatively little progress has been made in reforming land and labor markets.

Even so, the response to the reforms so far has been very encouraging. Foreign direct investment, an important market test, has doubled in Pakistan and Sri Lanka in recent years. In India, it tripled between 1990 and 1993, and portfolio investment rose even more

sharply. These flows represent a major opportunity for the countries to increase investment performance and hence to raise sustainable growth rates. However, making effective use of private capital flows is contingent on continued momentum in domestic policy reforms—both at the macroeconomic and sectoral level. Without such reforms, there would be increasing risks of rising consumption levels, higher inflation, and declining export growth rates, all of which could undermine sustained growth.

Turning now to the second dimension of the East Asian experience—investing in people—East Asian countries have, as is well known, invested heavily in human capital. Public spending on basic education as a share of GNP was higher than in other regions. East Asian countries focused first on providing universal primary education, and later they increased the availability of secondary education. Demand for tertiary education was largely left to a self-financed private system. Education policies also focused on primary and secondary schools, and generated rapid increases in labor force skills. These investments have paid off handsomely, as Mr. Tarumizu has explained. East Asian countries also narrowed the gender gap in education much more quickly than other developing countries. This was in spite of cultural norms that in some places put greater value on the education of sons and actively discouraged the education of daughters. In general, the reduction of gender gaps resulted from a successful push for universal education rather than deliberate attention to the education of females. Nonetheless, the specific benefits of educating girls were substantial, in terms of overall productivity gains and accelerating the demographic transition, which came earlier to East Asia than to other developing regions. This sets in process a virtuous cycle, since declining fertility and rapid economic growth meant that even when education expenditures as a share of GDP stabilized, more resources per child were available; in turn, this meant further improvements in the social indicators, including fertility.

The experience of East Asia lends strong support to the view that broad-based growth and investments in people are critical for poverty reduction. The incidence of absolute poverty in East Asia declined successfully during the 1970s and 1980s—from a third of the population in 1970, to a fifth in 1980, to a tenth in 1990. Between 1970 and 1990, the number of poor people in East Asia declined from 400 million to an estimate of 180 million. The success of China, Indonesia, Malaysia, and Thailand in reducing poverty is particularly notable. In 1970, more than half of the population of Indonesia was

poor; but in 1990, the incidence of poverty was down to 15%. This lesson has not been lost on the neighbors in South Asia.

Reducing poverty is unquestionably the fundamental challenge facing South Asia. Assisting with this effort is the key objective of the our own assistance programs in the region. When South Asia's growth increased in the 1980s, the proportion of the poor declined. This suggests that in the South as in East Asia accelerated growth holds the key to lasting reductions in the number of absolute poor.

For most countries in the region (that is, with the exception of Sri Lanka where the social indicators are the most advanced) greater investment in human resource development—and particularly in education—will require a shift in public resources to the social sectors, and within the social sectors to the provision of basic services. Pakistan, for example, has adopted a Social Action Program, which seeks to refocus and accelerate public spending in key sectors—primary education, basic health care, family planning, and rural water supply and sanitation. India has also launched a new, national primary school development program that gives highest priority to districts with low rates of female literacy, and central government funding has been increased for endemic disease-control programs.

A critical issue in South Asia is female education. The problem has been most acute in the northern part of the subcontinent, where cultural barriers and low incomes combine to deter parents from sending their daughters to school. Several donor-supported projects are helping to overcome the identified obstacles, including support for the hiring of more female teachers. In an innovative program in Bangladesh, satellite schools are being built in outlying areas to facilitate young girls' attending classes, and girls from poor families are being offered scholarships, uniforms, and meals. These measures have already contributed to increases in girls' enrollments.

Rapid population growth in the region is making the job of reducing poverty more difficult. As highlighted by the recent Cairo Conference, population policies and programs—including broadening women's access to education, employment opportunities and family planning services—are essential components of successful poverty reduction strategies. As I mentioned before, progress in reducing fertility has tended to be greater in the southern parts of the region, where the gender gaps also tend to be smaller. But in a noteworthy development, Bangladesh has also had a substantial decline in fertility over the past 10 years. Under its program,

thousands of female workers brought contraceptive advice directly to villagers' doorsteps. The experience demonstrates that strong Government commitment to addressing the population growth issue—when supported by a carefully disciplined program that relies on face-to-face delivery—can succeed in curbing population growth at a faster rate than the economic and demographic fundamentals would predict. Replicating the East Asian experience in terms of investing in people is not something which can be accomplished in just a few years. Nevertheless the process of change in this area is now well launched. It represents, I would argue, the number one priority for external concessional assistance. It fits very well with the overall goals which Japan for its own concessional assistance program.

Thirdly, protecting the environment. The rapid growth in East Asia was not and has not been without environmental costs. If not addressed, these cost will ultimately handicap the region's growth momentum. This is one aspect of development experience where South Asia can learn this time from East Asia's mistakes. Among developing regions, East Asia has the highest rate of deforestation, the highest rate of energy use and carbon dioxide emissions per unit of GDP. It faces serious sanitation problems in urban areas and soil degradation in rural areas. Continuing urbanization heightens the urgency of addressing already very costly urban air and water pollution problems. Water problems are expected to intensify throughout East Asia as competition among users increases.

South Asia faces many of these same problems. Poverty and population pressures are perhaps the worst polluter. If actions to address emerging problems are not taken soon, accelerated growth in the region will be undermined. National environmental action plans have been completed and publicly debated in Sri Lanka, India, Nepal and Pakistan. But putting in place the required institutions and policies and ensuring the adoption of the best technology for addressing these problems will be a slow and difficult process. In Pakistan, new ordinances mandate higher environmental quality standards, decentralized responsibility for pollution control, and expansion of environmental staff. Similarly, in India new national policies have been adopted to combat industrial pollution through increased regulations and fiscal incentives. Regulations governing environmental assessments require broad consultation and public participation. Many Indian states have adopted participatory approaches that utilize economic incentives to protect forests and preserve biodiversity. The key challenge for the donor community is to assist the authorities to build the

institutions needed to implement these laudable objectives. Japan is seen as an especially important potential donor in this connection, both because of its own experience and because of the important technological advances which it has pioneered. Fundamentally, the leaders in these countries are anxious to prevent the pollution by making wise investments rather than by incurring the greater costs that come the necessity of retrofitting already made investments.

Fourth, stimulating the private sector through partnerships. A key lesson from the East Asian experience is the importance of partnership between the public and private sectors. Throughout East Asia, Governments have facilitated the exchange of information among businesses, and between businesses and the government. In Malaysia, periodic meetings between government officials and corporations identified obstacles to growth, which Government officials then addressed. Similar processes existed in Korea. However, in considering the replicability of these successful experiences for other countries in different parts of the world, we should not forget that Singapore, Korea, Malaysia and Taiwan went through long gestation periods (in some cases lasting more than two decades) during which market institutions were strengthened, regulatory capacity was built, and the credibility of government policies was established through solid and consistent performance.

East Asian countries have shown that infrastructure, traditionally regarded as the exclusive domain of the public sector, is a promising area for launching partnerships with the private sector. Concessions to build and operate facilities have included toll roads in China and Malaysia; water and sanitation facilities in Malaysia; telephone facilities in Indonesia and Thailand. In each case, the private sector partners have brought knowhow and financing to support new investments; in each case, performance in the sector has improved.

In South Asia, unsatisfactory delivery of infrastructure services by monopoly public enterprises has been a major problem. Typically the root cause has been political interference in economic and financial decisions. Often the pricing of services is not allowed to reflect costs, leading to waste in usage by consumers, even as the public enterprise charged with producing the services is starved of funds essential for maintenance. Prices and tariffs then become more difficult to increase, because service levels are so low—and so on in a vicious circle.

But recent technological breakthroughs in telecommunications and power generation have created conditions conducive to competition in service delivery.

Previous approaches, whether to regulation or to actual production and delivery of services, no longer make sense under the current market realities. With an expanded private sector presence in infrastructure, the public sector will need to change its own role—in some cases, from direct production to providing the enabling environment and the regulatory framework; in other cases, from one regulatory approach to another. Making the change will depend on the development of administrative capacity to design and support an adequate regulatory framework consistent with country legislative, executive and judicial systems.

Here I would like to mention a recent innovation in World Bank financial instruments, which I believe can help to promote partnerships between the public and private sectors. Increasingly, our clients are looking to the private sector to meet their growing financing needs for infrastructure. As highlighted by the World Development Report this year, traditional government financing of infrastructure is proving vastly inadequate to meet the huge demand. To help meet the new demands, the World Bank's Executive Directors recently approved the expansion of the scope of the Bank's guarantee program. The new features are designed to give comfort to investors regarding government regulatory and performance risks, while leaving the commercial risks entirely with the private investors. I'm pleased to say that the pioneering work on this type of operation in the World Bank has been done in Pakistan, and has been done in very close collaboration with the Japanese authorities. It has been a long and sometimes frustrating bit of pioneering experience, but we now believe it will come to a close in just the next few weeks.

Fifth and finally, a word about reorienting government. The consideration of partnerships brings me to the final aspect of East Asian experience that I want to mention today. That is the critical importance of a strong institutional framework, which assigns responsibilities to the private and public sectors in accord with country conditions. There is not correct solution for all countries and for all times. It is decidedly not a case of one size fits all. Nor is it an ideological issue. Rather it is a pragmatic issue, dependent on what works and what does not work on the ground in given country circumstances. Indeed, the East Asian experience clearly demonstrates that government interventions into the marketplace can play a role—if wisely designed and effectively implemented.

Market interventions that have systematically failed in many other developing countries succeeded in East Asia. They took many forms: targeting and subsidizing credit to specific industries, protecting domestic import

substituting industries, establishing and supporting government-owned financial institutions, and setting firm-specific export targets. What distinguishes the East Asian interventions from those undertaken elsewhere, is that in East Asia they were framed within an institutional context that facilitated performance monitoring and accountability. Many countries, for example, have used directed credits to guide the allocation of resources; political pressures, corruption, and simple mismanagement have prevented such programs from achieving their objectives, in many cases. The East Asian countries managed to avoid these problems by emphasizing commercial criteria in credit evaluations and loan collections that promoted a performance mentality among borrowers, rather than the often-politicized entitlement mentality that has characterized borrowers in such programs in other parts of the world.

How did the East Asian countries avoid the pitfalls that typically bedevil public sector interventions in other countries? I would refer particularly to the professionalization of the technocratic bureaucracy—which was often realistically remunerated, held accountable for its decisions, shielded from political interference, and accorded status in their communities. This point is well illustrated in a recent study comparing the operation of the irrigation systems in India and Korea. This study showed in some detail the sensitivity of the delivery of services and performance in general to the incentives facing the bureaucrats, including such issues as delegation of authority, rewards for performance and cooperation, and the degree of autonomy and accountability accorded to different bureaucratic layers.

Like their East Asian counterparts, South Asian countries relied heavily on government interventions to determine economic outcomes—but without the commitment to accountability, competition, and performance monitoring in implementation that characterized East Asian programs. Nor were South Asian bureaucrats insulated from political interference and corruption. There is now general agreement in South Asia about the direction of needed reforms to increase the public sector's agility and to improve its market-friendliness. However, the respective roles of the government and the private sectors have not yet been fully defined; nor are the regulatory frameworks in place.

As the reform process in South Asia deepens, there will be a need for a systematic reevaluation of the role of the public sector. In some areas, the government will have to do more to regulate private sector activities, for example when competition is not adequate, or where externalities would cause the market solution to have

undesirable social or environmental consequences. In other areas government will have to do less—by withdrawing from the actual production and delivery of services—through privatizing enterprises or contracting out certain functions. All South Asian countries have adopted privatization programs in one form or another, although progress has generally been slow.

The process of redrawing the line between the public and private sectors will be constrained by the fact that South Asia lacks robust institutions at the local level, which is where ultimately most decisions on investments and, most importantly, implementation are made. It will take time to develop the institutional infrastructure—both public and private—needed to effectively support the modernization of these economies. Non-Governmental Organizations (NGOs) clearly have an important role to play here—especially for poverty reduction and environmental objectives. Several NGO-supported and community-based programs in the region have been successful at reaching the poorest of the poor.

Now let me turn for a moment to the implications of all this for future levels of official development assistance. With the recent dramatic revival of private capital flows to the more credit-worthy developing countries, it has become fashionable to question whether there is any longer real need for official development assistance—except perhaps for the poorest countries in Sub-Saharan Africa and South Asia. In my view, this is a serious misreading of the lessons of economic development, including especially the lessons derived from East Asia's experience. Greater reliance on market forces and the private sector is needed, and it is indeed a powerful engine of growth, but it needs a guidance, it needs a road to motor on. Strengthened public sector institutions and management are, in my view, essential for shaping sound macroeconomic policy, for establishing the rules for efficient markets, and enforcing them, and for designing and implementing economic reforms, and for promoting human resource development and environmental protection. Without them, the private sector runs a great risk of lurching forward—but in the wrong direction.

To be sure, the East Asian countries did not do equally well in each of these areas—I've already made mention of the problems encountered with respect to the environment—but they did excel in putting in place and maintaining consistently high quality public sector management systems—even at the early stages of the development process. In my view, we still do not fully understand how this was achieved or how it can be extended to other countries. This is an area where

further research is warranted. But we certainly understand enough to know that high-quality public sector management is essential for the growth process and that key ingredients in achieving high-quality management are remuneration levels that attract high-quality staff and incentives that motivate technocrats to do the right thing. I believe that this is a central area for continued support—both financial and intellectual—from bilateral and multilateral donors alike.

The challenge for official development assistance needs to be set in the context of much enlarged market-based trade and capital flows. Developing countries are becoming increasingly integrated into the world economy. The globalization of trade and financial flows poses new challenges and offers new opportunities for these countries. But it also presents new dangers for some countries and regions—the dangers of being left behind, of being marginalized—if effective policies, investment programs, and institutional mechanisms are not put in place.

Worldwide liberalization following the Uruguay Round is expected to accelerate growth in world trade, and in turn in world incomes. One third of the projected gains is expected to accrue to developing countries. Those developing countries that put in place policies and enabling environments in which businesses can respond quickly to new market opportunities will benefit the most. Indeed, for those countries, the dynamic gains from trade liberalization—greater efficiency and faster technological progress—will yield additional benefits. The lessons of East Asia are especially germane here; exports grew by some 10% per year during both the 1970s and 1980s. Export growth led the growth in incomes in general.

Between 1990 and 1993, private capital flows to developing countries trebled. They exceeded the equivalent of US\$100 billion in 1993. In the 1980s, bank lending was a major source of financing. In the 1990s, foreign direct investment and bonds have emerged as the major source. These flows have been concentrated in selected countries, mainly the middle income countries in Latin America and East Asia, including China. Private capital is thus flowing to the countries that are recognized as having improved their economic management and credit-worthiness. The message for developing countries is clear: the world economy is open; the stakes are big; and large benefits accrue to well-managed economies.

But many countries will remain untouched by the awakening of interest to foreign investors. The poorest will have to depend on ODA for the foreseeable future. Even for the newly emerging economies, private sector

funding will be both too expensive and insufficient to meet the vast needs of poverty reduction, environmental capacity building, and institutional strengthening. Meanwhile, ODA resources are being divided amongst a larger number of countries, including Eastern Europe and the former Soviet republics, and other newly-eligible aid countries.

Clearly, in this more competitive environment the *quid pro quo* for continued access to ODA will have to be improved aid effectiveness. Just as international markets reward good policy performance, official resources will, in my view, increasingly reward countries which are pursuing attractive private sector, social, and environmental policies.

But good policies are not enough; in many countries implementation capacity is the binding development constraint. To be sure, improving implementation capacity is inherently slow—but it is at the heart of the development process. In the past, external donors (including the World Bank) too often have relied on technical assistance programs, which in many cases funded expatriate consultants and by-passed local institutional bottlenecks, rather than building genuine domestic capacity. In too many cases, we have been part of the problem rather than part of the solution.

Looking to the future, we need to change that. We need to work together to help countries to formulate policies and strengthen the institutions needed for maximizing the development impact of the aid resources we jointly provide. Nor should this process be separate from the process of improving the effectiveness of overall resource use. Quite the contrary. In my view, the key challenge for donors is to help aid recipients to build the sort of public sector capacity, which complements, encourages and

provides clear rules of the game for the private sector.

Finally, a word about Japan's special contribution. Japan has been a leader in the donor community—both financially and substantively. Between 1982 and 1992, Japan contributed some 30% of the increase in total ODA from the DAC countries. In the early 1980s, Japan had provided 14% of this total. By 1991 to 92, its share had risen to 18%. Japan's ODA during this period grew by 6% per year, exceeding the growth in GDP and signaling a rising share of GDP devoted to ODA.

Meanwhile, the focus of Japan's aid program has been changing. Women in development, population, environment, and poverty reduction are now key areas for Japanese support. Japan has been a demonstrated leader on governance issues. Japan has also been a leader among donors in supporting the integrated sector approach to donor-supported programs. This approach promises to build capacity rather than enclave projects and to foster genuine development. We in the World Bank hope to work closely with Japan on this approach, in the context of helping South Asian countries to address some of their remaining development problems.

Last year, the Japanese Government announced its Fifth Medium-Term Target, under which ODA is targeted to increase to between US\$70 billion to 75 billion over the next five years. This is truly a commendable and ambitious undertaking. Today's Symposium is yet another demonstration of Japan's abiding commitment to worldwide cooperation. As we move into the next century, I look forward to the continuation of Japanese leadership in development cooperation and of the fruitful collaboration between Japan and the World Bank in addressing the challenges of development. Thank you very much.

PANEL DISCUSSION

1. Theme

The 40th Anniversary of ODA—Japan's Contribution to Future Peace and Prosperity of the World

2. Background

After the conclusion of the Cold War, the world is in a period of dramatic change. We have seen countries where central economic planning once reigned now engaged in transition to market economies and also frequent regional conflicts. Donors are confronted with the challenge of how to respond to the great number of issues in international cooperation that these changes have generated, including assistance to promote transition to market economies and peacemaking efforts in the Middle East, Indochina and other regions. Donor countries and organizations are in the process of reviewing their policies on development and assistance in the Cold War period and are looking for new policy orientations. And they have to take into account common global issues confronting all mankind, and awareness reflected in the 1992 Earth Summit held in Brazil and the International Conference on Population and Development held in Egypt in this September. This year, 1994 is a milestone in Japan's Official Development Assistance, marking the 40th anniversary of Japan's ODA, which began in 1954 when Japan joined the Colombo Plan. Over the past forty years, Japan has provided assistance for developing countries' efforts to promote social and economic development in order to achieve self-reliance. The fruits of this assistance are seen in remarkable growth, which has been especially pronounced in East Asia. Amidst the new global conditions we now face, as we stand on the verge of the 21st century, it is a matter of considerable significance for us to reconsider our development strategies. In particular, it is deemed very important to reexamine the questions of how to best stimulate the yearning toward development among developing countries and how to best support this development, while ensuring that it is sustainable.

3. Main discussion points

At this year's symposium, representatives of a wide range of fields who have been addressing issues on development and assistance for many years will draw on their vast experience in the discussion of the following topics:

- 1) What can be learned from the Japan and Asian experience in the process of the past forty years of Japan's ODA, and what means are there for putting these lessons into practice in future development assistance?
- 2) What current progress is being made, and what directions should be taken, in the transition to market economies?
- 3) By focusing on global issues, such as population and the environment, and taking into account the result of the International Conference on Population and Development held in Cairo this September, what vision of future sustainable development can we conceive?

Chairman

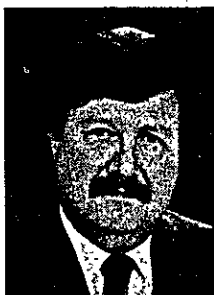
Mr. Yutaka Kosai

President of the Japan Center for Economic Research

Born in 1933. Graduated from Tokyo University and joined the Economic Planning Agency in 1958. Awarded master's degree in economics from Stanford University. Served as General Senior Research Officer at the Economic Research Institute of Economic Planning Agency. Made Professor at Tokyo Institute of Technology in 1981. Assumed present post in 1987.



Panelists



Mr. Umut Arik

President of the Turkish International Cooperation Agency

Born in 1938. Awarded master's degree from the London School of Economics. Joined Ministry of Foreign Affairs in 1960. Served as Assistant Secretary General of OECD on International Finance and Energy Matters, Director General of Economic Affairs of Turkish Ministry of Foreign Affairs, the Ambassador, Extraordinary and Plenipotentiary of Turkey to the Kingdom of Saudi Arabia, and to Japan. Assumed present post in 1992.



Ms. Margaret Catley-Carlson

President of the Population Council

Born in 1942. Graduated from the University of British Columbia and joined Department of External Affairs, Canada, in 1966. Served as Deputy Executive Director of UNICEF, President of the Canadian International Development Agency, and Deputy Minister of Health and Welfare. Assumed present post in 1993.



Mr. Hiroshi Hirabayashi

Director-General of the Economic Cooperation Bureau, Ministry of Foreign Affairs

Born in 1940. Graduated from Tokyo University and joined Ministry of Foreign Affairs in 1963. Conducted research as a fellow of the Center for International Affairs at Harvard University. Served as Economic Minister, envoy Extraordinary and Minister Plenipotentiary of the Embassy of Japan in the U.S. Assumed present post in 1993.



Mr. Isoroku Sawada

Director General of the Economic Research Institute, Economic Planning Agency

Born in 1943. Graduated from Tokyo University and joined Economic Planning Agency in 1965. Served as Adviser of the National Economic and Social Development Board (NESDB), Thai Government, Deputy Director-General of the Research Bureau and the Policy Coordination Bureau. Assumed present post in 1993.



Dr. Sulaiman bin Mahbob

Executive Director of Malaysian Institute of Economic Research

Born in 1948. Awarded doctorate in Economics from Syracuse University. Served in Economic Planning Unit, and Federal Treasury as Deputy Secretary and as Secretary of the Economic Division. Assumed present post in 1994.

Mr. Yutaka Kosai: Now I would like to begin the panel discussions. Since I have been appointed Chairman I would like to mention a few points. In regard to today's International Symposium, we are commemorating the 40th anniversary of participation by Japan in ODA efforts. As already mentioned this morning, Japan 40 years ago participated in the Colombo Plan. However, at that time Japan was still recovering from World War II. Per capita income was still quite low. There was hardly any difference between the income levels of Japan as opposed to other Asian countries. And yet, Japan decided at that point to become a part of the international development assistance process. We must remind ourselves, with respect of the dedication of our predecessors in being involved in international aid at that point. One of the organizers, OECF, was established 33 years ago. JICA was established 20 years ago, but its forerunner, the Overseas Technical Cooperation Agency was established 32 years ago. On the other hand, 30 years ago was the time when the Tokyo Olympics took place. We now have the Asian Games taking place in Hiroshima this year. With the opening of the Tokyo Olympics, the Tokaido bullet train was opened between Kansai and Tokyo, and Japan was the largest debtor nation borrowing from the World Bank in the world. As I recall, it was due to loans made by the World Bank that allowed Japan to complete Tokaido. We must still continue to pay our respects and express our gratitude to such people as Mr. Wood from the World Bank. We would like to think about what has transpired in the past.

We started off with economic assistance in this manner and focused efforts on Asian countries, as already mentioned. Much success has been achieved through our efforts, but at the same time there are new issues. In regard to development by developing nations there are the population and environmental issues, there is also the transition that must be taking place between former socialist nations towards a market economy.

We must look at our past experiences and see how we can learn from them as we head towards the future and as we deal with new issues facing us. Mr. Tarumizu and Mr. Wood have given us presentations this morning, but we would also like to hear from other specialists this afternoon. After 3 o'clock we have scheduled a coffee break; but before that we have five panelists who are newly participating on the stage, and we would like to ask each of them to give us a 15 minute presentation. After the coffee break we would like to carry out panel discussions on this subject. If possible, we would like to entertain comments in the second half from the audience. There are microphones positioned throughout this

hall, so we would appreciate your participation as well, later. I'm sure all of the specialists have many things they would like to touch upon, but we would appreciate it if you could cooperate with us and limit your presentations to 15 minutes each on the first time around. We would like to start with Mr. Hirabayashi.

Mr. Hiroshi Hirabayashi: I would like to make my comments within the 15 minutes given to me. What we can learn from the successes of Asia—for this matter we have received the keynote speeches in the morning hours. I want to share some of my personal observations with you on this point. Then, as one of the policy makers I would like to explain the future direction of Japan's foreign assistance policy.

First, I would now like to touch upon the so-called East Asian miracle. What are we to learn from the miracle? The most important among others has to do with "human resources".

"Human resources" is the key word—for Asian successes in three layers. First of all, the quality and the motivation and the morale of the leadership was very impressive. In many Asian countries, particularly in East Asian countries, their leaders have played quite important roles in implementing economic policies based upon solid and sound blueprints for nation-building, including economic development policies. There have been changes in the administrations in certain countries but there was rarely basic change in development policies.

Now the second point. Here I would like to talk about the technocrat. You would find many capable technocrats in those East Asian countries. Those technocrats are working really hard in meeting with the expectations of the leadership and the nation. This is observed in Indonesia as well as Thailand, let alone Singapore and Malaysia. In China recently, you find technocrats at the top level of the leadership. But again, the quality and the motivation of technocrats have contributed to the great success in the East Asian countries.

In addition, those technocrats did not escape from their own countries. In other words they have brought back what they have learned abroad, and they have contributed whatever they have learned to the development of their countries. Unfortunately, in some countries in South Asia, those capable people just stay in foreign countries, enjoying the rich lifestyle, instead of going back to their mother countries where they are expected to make contributions.

Thirdly, I would like to give credit to entrepreneurship in the private sector, particularly in East Asian nations.¹ Leaders, technocrats as well as entrepreneurs, those

three human factors are behind the great success of the East Asian nations. At the core is human resources development, through education as well as vocational training programs. The East Asian countries have been emphasizing the significance of education in nation-building. For example, if you see the situation in the USA, you will fully understand what I am talking about. Among many immigrants in the USA, people originally from the East Asian countries are said to be the most active in providing education for their children.

Of course people alone would not be enough for development; we need money as well as technology. Constant flows of funds and technology into East Asia is one of the causes of the success of their development. I think those two factors were quite important behind the success. In this sense, the ODA and other financial and technical cooperation have made great contributions, and they have well worked complementarily to self-help efforts exerted by the recipient peoples.

Also, we have to look at the contributions of private investment. Just like here in Japan it is the private sector's investment, or the private sector's power in the end which will make the difference.

There are some requirements to facilitate and encourage private investment though. You need to have a really good investment climate, which is, I believe, there are two important factors. The first factor is infrastructure—social as well as industrial. The second is good human resources. I believe economic and technical cooperation and assistance by donor countries, including Japan, have played important roles. I think we cannot emphasize these factors too much. Japan should have its pride and confidence in that, because it has contributed very much to the East Asian success.

Now Japan has become the largest donor country among the donor community. From the largest donor to the leading donor—this is the direction that Japan's ODA should target for. In order for us to become the leading donor, we have to have our own philosophy and principles for assistance, and to challenge new issues and problems for the world community.

We now have new policies which cover three major areas. The first has to do with global issues such as environmental issues and problems. Japan wants to deal with these new challenges; environmental problems, the fight against population growth and AIDS, and immunization of children against contagious diseases. For the past five years, Japan, I believe, has been working on these new challenges and issues in the world. This continues to be indispensable for Japan to be a leading donor.

Second, we have to support such nations that are trying to move toward democracy and a market-oriented economy. Third, we have to support strongly so-called "South-South cooperation," or the triangular cooperation in which developing countries help less developed countries. "Reverse triangular cooperation" is also important. It means that Japan promotes collaboration with another developed country to help developing countries. If you draw two triangular cooperations in design, they would make mirror images naturally. This is a quite important point. Because the final objective of assistance is to eliminate the necessity for assistance, we have to make aid receiving countries become donor countries.

Lastly, I would like to refer to the three "approaches" of Japan's ODA. We are now challenging new areas in our ODA policy. First of all I think we have to have a good sense of balance. New areas will be quite important, but traditional areas such as infrastructure building and human resources development continue to be quite important. Recently people are increasingly talking about the importance of social sectors. We still need to continue to work, though, on infrastructure facilities for agricultural and industrial activities. Secondly, we need to have a good balance between grassroots assistance and support to NGO activities and large projects activities. To achieve overall development, large scale projects to construct electricity generating plants, telecommunications systems and transportation systems are indispensable.

Thirdly, we have to strike a balance between hardware facilities, such as dams and hospitals, and software facilities, such as technical cooperation and intellectual support. We have to keep good balances in these three areas.

The second approach is a comprehensive approach. Foreign aid, investment and trade—these three factors need to be covered in this comprehensive approach to bring about the best approach to development.

The third approach, which we call a differentiated approach, is a method for applying various aid schemes in varied combinations in accordance with the level of development and other factors in each country. Not only Japan, but also the other donor countries need to pay attention to these three approaches in their development strategy. It is also important for Japan to exercise leadership also in this regard, if it wants to become the genuine leading donor country. Thank you.

Mr. Yutaka Kosai: Dr. Sulaiman, please.

Dr. Sulaiman bin Mahbob: Thank you, Mr. Chairman. Firstly I'd like to congratulate OECF and JICA for the

40th year of ODA anniversary. Secondly I would like to take the opportunity to thank OECF and JICA for this invitation to speak at this panel conference.

Well, for the past three decades Japan has been doing very well, and because of that you have been closely watched by various countries, to make sure that you share the wealth that you have gained the past three decades or so. But I think a spot has emerged within Asia, particularly in South Asia, that I think will result in increasing monitoring by the developing countries, that is, ASEAN countries. In fact I should say I'm not surprised that ASEAN countries should be increasingly monitored and watched by many countries, to make sure that they have opened more the market of their countries.

With that remark, Mr. Chairman, we have heard this morning very good presentations by distinguished speakers. I would like to just focus on Malaysia. For your information, ladies and gentlemen, Malaysia is a country with a multi-racial population, it is a classic example of what sociologists would call a plural society. We consist of three major races: Malays, Chinese, and Indians. Therefore, given this situation, it is definitely possible to have a situation by which these three races differ in their economic position, in their educational attainment, and in terms of the overall sharing of economic growth. Because of this position, the political economy of a plural society is a major impetus for the development in Malaysia.

To us in Malaysia, the long-term objective is to attain national unity. We won't compromise on national unity and national integration. In fact, I think this is the very fundamental basis with which our leaders constantly and consistently strive to achieve economic growth, because to us, without economic growth, there wouldn't be political stability, and without political stability, we cannot attain national unity. So, economic growth is very important to us. But in the context of Malaysian society it is not just economic growth we pursue, but it is growth which has a strong equity element, or growth with distribution. So, we mention this in various plans since 1971, that Malaysia must attain growth with distributive justice—this is very important. Particularly for Malaysia there are two social issues of concern to us: one is the eradication of poverty, and the other one is the reduction of economic disparity between major ethnic groups. This was mentioned also earlier just now by Mr. Joseph Wood, that Malaysia has been successful in reducing poverty. Indeed, for your information, when we did the Second Major Plan 1971 to 1975, the incidence of poverty then was about 50% of the population. But because of the

heavy thrust to reduce poverty throughout the 1970 to 1990 period, we have been able to reduce the poverty level to below 20%. That is indeed an achievement, and I think that it is very important.

The other thing that we have been able to reduce is inter-ethnic disparity. The Gini coefficient was once about 50%, 0.5 or so; now it is a little above 0.4. Again, this is a very important point, that economic growth can be consistent with distribution. Indeed, if I'm not mistaken, we have really crystallized, made into a practical and successful framework the suggestions made by the World Bank, in the '70s business book *Growth with Distribution*. But because of this policy there was a strong thrust towards public sector involvement; there was heavy regulation; and there was considerable creation of institutions, such as statutory bodies, throughout the 1970s and '80s, which I think in the long term were not very sustainable. That brings me to the situation of the position in mid-1985 that I elaborated in the paper that has been distributed among the members gathering here today, that in 1985 we had economic recession, unprecedented recession of -1% in 1985, and just a little above 1% in 1986.

We never experienced this economic recession before, and we had never had minimal growth of even 1% before that—we have been able to obtain 5% to 6%. And, because of this the nation underwent what I should call a soul-searching exercise. We couldn't afford to have a recession. We couldn't afford to have slow growth, because we need the growth to provide the opportunities to be distributed. It is very, very important to us, it is almost saying that the fundamental basis for all our social policies is growth and distribution. So this is very important to us. In 1985, when the world faced recession, when Malaysia had -1% growth and 1% growth in 1986, unemployment grew from about 5% in 1980, to close to 10% in 1985. That is definitely not sustainable. We had contraction in our national income per capita in 1985 and 1986. There was considerable presence of the government in the economy, and a lot of NFPEs (Non-Financial Public Enterprises) were created, and they were inefficient.

So basically, the position in 1985, when we analyze the economy, it is characterized by the following features. One, we had a non-competitive economy. Our investment climate was not attractive—a lot of adversities. If I may say, private investment declined 0.9% in 1982, 19% in 1984, and 30% in 1985. Given that scenario—because the private sector was not sure—the moment you invest in something, the government may come in next, therefore it crowds you out—crowds out

the private sector. So we had a less competitive economy and we had overregulation. We had the Industrial Coordination Act in 1975, by which for every manufacturing investment you need a license. And we had a high public sector presence, to which I alluded earlier, and we had a very rigid labor force, especially on employment terms for say, working during holidays and working during the weekend, and you had to pay about three times—very, very expensive—and we had high foreign debt. Because of the high government deficit that we had, the public sector deficit from 1980 was about 17% of GNP, in 1981 it was 22% of GNP, and in 1983 was 17% of GNP. We kept on borrowing, borrowing both domestically and abroad. So, in the end we had to repay this loan, our debt-service ratio rose from about 7% in 1981 of gross export receipts to about 19%—definitely not sustainable. Something was wrong with the economy then.

And this brings me to a second point. Again, a feature of the economy I forgot to mention—our corporate tax regime was again very uncompetitive. We have about 40% corporate tax, 5% development tax, and 3% excess profit tax. So 48% of the corporate profit is taxable. This is again from 1985. This got the Government to reassess the economy, reassess its macroeconomic management policy, and that led to another stage of macroeconomic management, that what we often used to call the computation of structural adjustment measures. What we did was: we let the currency depreciate, and we let market forces determine the currency. Automatically the currency declined from about 2.3 ringgit per US dollar, to about 2.6 ringgit per dollar. And then, what we did was we deregulated the economy. All manufacturing investments of below 2.5 million ringgit are not required to have any licensing at all. You just form your company, get a business permit, look for land and establish yourself. We liberalized the economy, we allowed foreign investments to come in, to own up to 100% of the equity if you export more than 50%. Before that you must always take a local joint venture, otherwise you wouldn't be able to operate your firm. What else did we do? We cut the corporate tax from about 48%, as mentioned, to now only 32%. We did away with the excess profit tax first, then we did away with the development tax, then we started reducing from 40% to about 32% last year, and this year it is going to be reduced to 30%.

We else did we do? We started cutting the public deficit, we started cutting government expenses. The Fifth Malaysia Plan allocation of about 78 billion was cut to only about 55 billion. We started monitoring grossly

the performance of the NFPEs and we cut our debt. We borrowed domestically, but we could pay all our debt, particularly the yen, because of the rising of the yen after the Plaza Accord in 1985.

What did we get out of that? This is something I wanted to comment on at this stage. The result of deregulation, liberalization of the economy and adjustments on the public sector side, adjustments on our labor laws, adjustments of our fiscal policy—now we have a privatization policy as part of the structural adjustment measures—we had a GDP growth of up to 9% for seven consecutive years. In fact, in 1990, we attained 9.7%, which is very, very high—never have we attained that rate before. Our foreign investment rapidly picked up, from just about 6-7 billion, rising to about 13-16 billion ringgit, between 1989 and 1990. Of course, this was facilitated by the industrial relocation exercise. We cut the public sector expenses. It was reduced tremendously—this is shown in the table that I mentioned, in the paper that is distributed around—for example, public sector deficit in 1990 fell to only 0.8% of GNP. In 1992, it was only 2.6%. Again, as a result of these structural adjustment measures, our economy became very competitive. Our manufacturing exports, because of the position of the currency, picked up, and last year was about 71% of total export earnings as opposed to 50% in 1982. Our unemployment has declined impressively from close to 10% in 1985 to 1986, to now below 3%. In fact we are in a full employment economy. So you can see a classic case of success in structural adjustment measures in the case of Malaysia.

Of course, with all this rapid economic growth there are a couple of issues. There are many within the economy, but I would like to focus on a few; one is, we are now facing a labor shortage. Malaysia now has recruited easily close to one million workers in the neighboring countries—Indonesia, Philippines, Thailand, and also some from Bangladesh, India, and Pakistan. Of course, because of the rapid flow of foreign investment, and deepening process that the industries are going to experience in the next few years, is a shortage of skill. We have labor shortage, we have skill shortage, and thirdly, inflation is becoming a nagging issue—it's at about 4% to 5%, and 4% to 5% by Malaysian standards is very high. Because of the rapid industrialization, rapid economic modernization and rapid reorganization, the environment is increasingly becoming a concern. Malaysia is being subjected to criticisms by countries for cutting our tropical forests. Finally, another important concern is infrastructure bottlenecks. You see the traffic jams in Kuala Lumpur. So we have focused on these issues.

On labor shortage there is nothing much we could do except, as a short-term measure we have allowed imports of foreign labor—but this is a interim measure—but what more we have got to do is in the area of labor market adjustments. For skills shortages we have the human resource development fund. We are encouraging allocation for technical training, but this is something that we have got to take up with foreign technical assistance later. On inflation we are managing our aggregate demand, controlling the private sector and private consumption growth, and monitoring the excess liquidity within the economy. On environment—I think this has been done, this has been enforced—a requirement for environmental assessment report by all industries. But we have a lot of small scale industries which are not registered, and they are contributing to pollution. On infrastructural bottlenecks we are now building our new airport and we are building light rail transit in Kuala Lumpur. We have just completed a north-south highway, easily something like 2,500 kilometers, north to south.

I'd like to single out one major infrastructure project, the question of power supply. This is where ODA, the OECF has been so helpful that we have been able to finance about eight of our power projects—five hydro-electric power projects and three thermal projects. This has contributed largely to our enhanced power supply, now about 51% of our power supply. We have a lot of comments from foreign investors on a shortage of power, so this is something we are going to focus upon.

With this rapid economic growth there is talk that we may be "graduated out" from the ODA. This is our concern in Malaysia, and we think that this should not be the way, because we shouldn't be penalized for managing our resources properly to attain economic growth. We think there are certain structural issues within the economy that ODA could help address. One is definitely the area of technical training—I think this is still very important. We still need ODA support, soft-term loans in the area of technical training or human resource development. We think this is very important because it will facilitate industrial deepening in the future. This can facilitate the transfer of technology, particularly the DFI (direct foreign investments) from Japan. The second area I should say is soft-term loans for infrastructure. This is very important, because this again is needed for the movement of goods and services, particularly for trade as a result of the rapid growth of foreign investment. This has spillover benefits, infrastructure to help modernize the economy, modernize the countryside. So it is very important for infrastructure that we continue to get soft-term loans. The third area for me is the area of the

environment technology. This was alluded to this morning by Mr. Wood. I think soft-term assistance loans for the purpose of environmental technology transfer to Malaysia should be continued.

So, that's what I need to say, Mr. Chairman. I hope I have been able to bring you in a nutshell the evolution of the national economic management policy of the country. The determinants of the political economy of a plural society, the need for rapid adjustment, pragmatism, and willpower for the country to undertake structural adjustments, although they may be politically not conducive—it can be a gamble for the government to follow them—but yet they did. In terms, for example, of differing the attainment of a quantitative wealth for a specific group that is politically in power: very powerful, but the Government did allay the attainment of the quantitative target, that is the 50% of the national wealth to be acquired by the Bumiputras. Yet the Government did for it, and it is a long-term target with no specific time limit that they did. Finally, as a result of adjustments we had rapid economic growth, but with rapid economic growth there are problems. Malaysia is now facing a problem of managing success, so we need soft-term assistance in this regard. Thank you very much.

Mr. Yutaka Kosai: Thank you very much. We would now like to request Mr. Sawada.

Mr. Isoroku Sawada: The theme of my presentation is what kind of contribution, through knowhow which it has achieved from its experiences of economic development, Japan can make for the development of developing countries.

First of all, let us look at the factors that brought about the economic development of Japan, and consider them with a view to how they can be applied by other countries. I think that the following six points can be cited.

The first is that in the early period of the Meiji Era and after World War II, Japan had accumulated a significant amount of the right fundamental conditions in terms of manpower, technology, capital and existing technologies. I believe it was this that allowed economic development to take place under the initiative of the private sector.

The second factor is that we saw, as a principle of activities for the people, self-help efforts and emphasis on increasing supply. Both the government and the people of Japan were looking at how to develop the economy and increase supply as major objectives. There was a national consensus that these were the goals that had

to be achieved, and voluntary efforts were made to develop these policies and goals. I think it was important that, based on these policies and goals, there were creative efforts made by all layers of Japanese society. Those are the points that were important, and I believe that Japan has been able to fulfill these conditions.

The third factor is in regard to the development of infrastructure, carried out with an emphasis on manufacturing activities, or at the same time as efforts to develop social activities. More specifically, from the very beginning, the so-called flexible-promotion infrastructure, such as roads and communications, was emphasized as the top priority in infrastructure development. As a result, dynamic development of the market became possible. Secondly, through the vitality of the private sector, it was possible to overcome financial shortages and, at an early point, to achieve the goals of infrastructure creation. Furthermore, as systemic infrastructure facilities were established, and through the establishment of a tax collection system, the fiscal basis was made firm, and through the introduction of a system for private corporations, private-sector activities were invigorated. There were also banks and postal savings which were implemented on a widespread basis, thereby establishing a basis for financial infrastructure. I think these are the three major characteristics of the infrastructure.

The fourth factor is in regard to the fact that the economic activities of the government, corporations and individuals become patterned in a type of mutual participation and response paradigm, and I think this increased the economic vitality of Japan. This paradigm had the government, corporations and individuals as the primary body, and they helped in nation-building without hindering each other, and since they were not in a unilaterally managed or hierarchical relationship, they were able to influence each other and create an integrated network. This allowed a market-friendly government policy, which was not only limited to that, but the government policies themselves became a catalyst, and including the negative reaction of the private sector, there was an unexpected external effect created. To be more specific, between the government and the corporations there were the two fora of councils and business associations that were established, with actual needs and information being provided by the corporations, and the government conveying to the corporation the social needs and directions of the policies, and, based on the common goal of economic development, cooperation was established between the two parties so that more effective policies could be implemented. In the administration of the policies, it was not a matter of choosing a national

champion, but rather, the directions pursued were promoting participation, transferring technology and upgrading skills. And, by carrying this out, competition within Japan was promoted. This method was especially helpful in the proliferation of technology and its development, as well as the cultivation of small- and medium-sized enterprises and the establishment of networks among them. In regard to the relationships between corporations, through the two fora of business associations as well as long-term, continuous transactions, information was exchanged on common issues, joint technical development efforts were carried out, and educational and training efforts were made, and a cooperative and competitive relationship was fostered, with the goal of increasing quality. Lastly, in the relationship between individuals and the corporations, long-term employment, which secured the stability of the individual, as well as autonomy in the work site played important roles in this. What this means is that, as a result, the participation of on-site workers was promoted, and creative voluntary efforts were carried out, with the voluntary participation of the workers in quality control activities. A commitment to realizing the goal of improving productivity was fostered.

The fifth development factor is one that has been repeatedly mentioned since this morning. This is the development of human resources, as well as attempts to promote social flexibility; this has allowed for increases in the capacity of all economic bodies and in the realization of more equal distribution of income, and this has created the basis for the paradigm which I described earlier. Specifically, since the Meiji Restoration, the broad dissemination of primary education was pursued, and emphasis was placed on primary education and basic education as the systematic forms of education for the Japanese people as a whole. Meanwhile, in intermediate to higher education, aside from the training for national leaders and experts, there was a tendency for the situation to be characterized as occurring in pursuit of demands. The investments made in the field of education resulted in the abolition of the feudalistic systems that had existed before the Meiji Restoration, and by incorporating the merit system, and so on, it was possible to increase efficiency, through the promotion of social flexibility.

The sixth development factor that must be touched upon as development strategy is gradual adaptation, and I believe that the initial conditions as well as the external factors were taken into full consideration as economic development was promoted. What this means is that the accumulation of past achievements or traditions or existing orders were utilized as much as

possible, while dynamically responding to the external and internal factors. Although this may have been lacking in the capacity to establish a truly innovative framework, in regard to economic development and the social and political costs that were necessary for this, the costs were minimized and I believe that this approach was beneficial in moving forward. In this kind of method, for example in the industrial area, we can see tea, coal or silk that were existing industries at the beginning of the Meiji Era, and which took advantage of the situation of the domestic resources, and exports of these products were increased, especially to advanced nations, while at the same time when it came to labor intensive fields such as cotton production or cotton textiles, there was the phenomenon of expansion in exports to Asian countries. So, existing industries as well as modern industries were developed in parallel to each other. When we look at the technical aspects, catching up with the advanced nations was attempted through technological improvements, so the emphasis was on process innovation rather than product innovation. When we look at the industrial policies we can see that there was a precondition established of fierce intercorporate competition. Worldwide predictions for the future were made, and in light of the foundation and conditions which Japanese industry had inherited, an effort was made to find a new approach in the form of giving priority to a dynamic comparison as a principle.

Looking comprehensively at these six development factors, the Japanese economic development involved resource allocation by market forces, and created conditions that made Japan catch up with other nations, so that to positively compensate for market failures, through the creation of infrastructure, information and technology, various external aspects were developed.

Next we must look at whether these factors of economic development in Japan can be introduced to other developing nations. First we must look at what kinds of differences there are between the development processes of those countries and Japan, and in their domestic elements, such as economic resource endowment, market scale and other initial conditions, as well as due to social and cultural factors, there are several situations that may not be transferable to other countries. Furthermore, if we look at the aspect of needs, it is necessary for developing nations now to try and seek for a high speed of growth faster than that which Japan experienced. On an international basis, it is possible to take advantage to direct investment from abroad as well as ODA. There are also urgent issues such as negative environmental changes and the population explosion.

Furthermore, with expanded world trade there is the tendency of regional economic integration. In particular, in the East Asian region, there is the flying geese pattern of development, which creates a supply of both natural and production resources, and there are differences in levels of technology transfers and geographic merits and demerits.

We must take into consideration the fact that the situations for economic development are different among various countries, so that it is not possible simply to apply the growth system of one country to another country. As a result, from the perspective of developing countries, there are areas in which the factors for development in Japan can be applied to all nations, as well as areas that cannot be applied that easily. There is the element of human resource training, focusing on priority development of infrastructure and basic education, which can be universally applied to developing countries in their development. But we must look at the external factors, such as initial conditions, external environment, social factors and cultural factors as well; and with other factors for development, or with a code for behavior, such as self-help efforts, or the capacity to place emphasis on expanding supply, we see that there is the paradigm described earlier as well as the development strategy of gradual adaptation as development factors, which can be selectively applied from the Japanese model to other nations.

Therefore, the developing nations must look at the various elements that led to the Japanese development, and consider their own circumstances, as well as external circumstances surrounding them, and look at the stage of development that they are in, to see what is acceptable and applicable in their individual cases. The policies and elements should be used for their reference and should be adapted so that they can be incorporated into the current circumstances of those respective developing countries. It may well be that some developing countries will take a completely different development pattern from that which is followed by Japan.

The issue that Japan must deal with is, first of all, to look at the current situation of developing countries, and strive to give advice that is appropriate for the current situation of that country.

Secondly, based on the Japanese experience, it is necessary to create a menu of assistance that can correspond to different needs in different countries, depending upon those countries' phases of development.

Furthermore, we must look at the development experiences of advanced countries other than Japan, and see how we can broaden the menu that can be

provided to the currently developing nations.

Thank you for your attention.

Mr. Yutaka Kosai: Thank you. Next, Mr. Arik, could you please start your presentation.

Mr. Umut Arik: Thank you very much, Mr. Chairman. Mr. Chairman, I will take the cue of previous speakers and I will address myself to a region and to the topic I know best. It is the region of Eurasia. In fact, the ex-COMECON and the ex-Soviet Union, some six million square kilometers, with some 600 million people living in it. Up until now, in our Symposium, which aims at developing the themes for Japan's contribution to future peace and prosperity of the world, the references made to this part of the world are as follows. In the background note it says "after the conclusion of the Cold War, the world is in a period of dramatic change. We have seen countries where central economic planning once reigned, now engaged in transition to market economies." And then, within the context of the topics of discussion, item No. 2 states that we should "discuss what current progress is being made, and what direction should be taken in the transition to market economies." The introductory speakers referred to that part of the world in the following way. Mr. Nishigaki, in his greeting, said that we should discuss assistance for economies in transition. Mr. Fujita, in his greetings he said the end of the Cold War also has generated an increase in the number of countries needing assistance, and the diversification of development needs. Mr. Tarumizu referred to the entry of the Kazakhstan, and Uzbekistan to the Asian Development Bank. And the only reference that was made by the representative of the World Bank, Mr. Wood, can be observed in the following statement: "it is decidedly not a case of one fits all."

Yes, Mr. Chairman, the post second World War period ended when the Soviet Union collapsed because of its economic and technological deficiencies. The disintegration started at the periphery, first the Warsaw Pact/COMECON system falling apart and the Central and Eastern European countries regaining their real independence. Later on national values and ideals in the Soviet Republics came to the fore as "re-structuring" and "transparency" became the passwords for reform, better known in their Russian versions, perestroika and glasnost. The Union could not continue because the core in Moscow could no longer satisfy the needs of the Peoples in the so-called Soviet Republics, neither could it hide its deficiency as these societies became more and more transparent. Re-structuring could not be

achieved when popular discontent was generalized. In fact, Peoples of the Soviet Union tended to understand the reform as an opportunity for asserting their long suppressed national identities.

Eventually the first phase of transformation was completed when 15 new republics emerged as the inheritors of the Soviet Union without any previous experience of modern democratic statecraft, liberal, market oriented economic entrepreneurial and managerial knowhow and skills, and any direct connection with the real outside world as apart from the artificial universe they lived in, that was the Soviet Union.

The Newly Independent States, were, however, maimed at the outset with inherent deficiencies.

First and foremost, barring the local Communist Party organization there were no local institutions. There was no real municipal democracy, no representative administration, no system of national statistics and accounts, no National Banks, no sectoral investing departments, even no diplomacy. Everything was dictated by the Moscow Center. The local activity was based on obedience to the central norm and achievement in accordance with the centrally dictated targets. This scheme of events was natural in centrally planned economies. The spirit of enterprise, sense of personal private ownership, national achievement, evaluation of comparative advantages based on a consciousness of the national patrimonium were all yet to be acquired. The only mature administrative qualities were to be found in the local party elite. Indeed, not surprisingly, independence and sovereignty came under their control, when they turned into reforming liberal democrats overnight. This was also a reflection of the reality that the local leaders were able, popular administrators rather than devout Communists.

All the inherent deficiencies above may be remedied in the course of the next few decades as experience increases in utilizing sovereignty and profiting from real independence. In fact we already observe some improvement in many of the areas where there were initially innate structural problems. From a political point of view, some basic elements of democracy have been developed in the Newly Independent States such as relatively free press, political parties and comparatively free elections.

Economically, price controls and subsidies are gradually being eliminated, some degree of privatization is taking place and a small entrepreneurial class is emerging. Contrary to what the IMF has preached at the beginning, local currencies and central banks are emerging and a semblance of a banking system is being

observed, be it in rudimentary form.

The next phase should be full deregulation; privatization, but not a radical one. Here I would refer to something that was mentioned by Mr. Karimov, the Uzbek President, who said that they have had enough from radical Communists, they did not want to have radical religious people, neither did they want radical privatization, which could turn into nepotization rather than privatization. And then, integration into the interdependent world, abiding by the rules of openness, free enterprise and competition, based on rational utilization of their factor endowment, levels of technology and comparative advantages will really bring them into our world at large.

This is not a mirage in the steps of Central Asia. Such circumstances can be achieved within the next 10 to 20 years. There are, nevertheless, some basic preconditions and here comes the relevance of Turkey and its triangular cooperation with the rest of the world, including the Newly Independent States of Eurasia, and the industrialized countries.

At this point I wish to go back to my initial remarks and recall that the collapse of the Soviet Union and the COMECON is a direct result of inability to support military might with economic success and popular contentment. Some attribute this turn of events to the then-prevailing Communist ideology. No doubt a system based on the Communist premises rather than competition is fatally ill-conceived. One, however, should not forget that this ideological deficiency had resulted also in a physical straitjacket. Indeed the first and foremost cause of the demise of the Soviet and COMECON system was this straitjacket which was the supply and demand networks that were centrally planned and based on a cobweb of infrastructure that reflected Moscow's political and strategic concerns rather than the rationale of economic efficiency, real comparative advantages, factor endowment and popular needs and needs of prosperity. This networking, in fact, was not solely the result of Communist ideology as it was inherited from Russian czarist policies. It is difficult to understand how Russian, and later, Communist policy makers, first in St. Petersburg and later in Moscow, could imagine that such demand and supply systems which were based on producing raw materials in Siberia and Central Asia to be processed to the west of the Urals and transported for consumption in as vast an area as the one which stretches from the Baltic to the Pacific could have been viable, particularly when they also used a similar networking for energy which, for instance, resulted in the inability of eastern Kazakhstan to use the oil produced in the west of the country. A funnier example is wheat

produced in Kazakhstan, sent to the mills in Moscow, flour obtained there, sent to Latvia, turned into biscuits, and sent back to Kazakhstan for consumption.

Today, the main impediment confronting the Newly Independent States is this same network and cobweb of supply and demand relationships. If this state of affairs is not changed and new national networks based on comparative advantage and economic efficiency are not built then there will be real danger for further collapse and dismantling. Failure to replace the existing inefficient supply-demand relationships and networks would first result in a revival of the Moscow based centralization, and we shall witness further impoverishment and even pauperization coming together with their social and political corollaries.

Emergency aid and credits, technical and managerial assistance, trade preferences, small scale foreign investment, privatization, etc. will have little real influence in preventing the inevitable and fatal results of the continuation of this inefficient underlying system.

This specter should be of primary concern for Turkey and the world, because the region within which such a disaster will take place is in fact "the near abroad" for Turkey and the core for the world, and nobody would want to have a forest fire in one's own backyard.

It is, therefore, true that Turkish cooperation may serve as a key element in regaining this potentially immensely wealthy region for the world economy by making it prosperous, if Turkey and the world can, as their basic endeavor, start cooperating for the replacement of the single track inefficiencies of the existing centrally planned networks that result in the straitjacket standing in the way of transition and real economic growth.

Indeed, if new telecommunications and transport networks, pipelines, banking systems are not established soon, the burden of further collapses in the region will be on our shoulders. This needs a special consciousness and infrastructural credits, to be supplemented by foreign private investment, trade preferences, technical and managerial assistance and the like.

It would be redundant to speak of the cultural affinity of Turkey, its geographical proximity and economic complementarity with the region. These special relations and advantages of Turkey have already resulted in its comprehensive and deep-rooted involvement in the region. With US\$6.5 billion of volume of activity, more than 6,000 entrepreneurs active in the ex-COMECON area and with US\$2 billion of export credits, US\$350 million of technical and humanitarian assistance extended to the same region, receiving 600 administrative level trainees,

12,000 undergraduate students in 22 universities serving for this purpose per year, Turkey is the first ranking partner of the region at the moment. It is also the fourth OECD country, in terms of the investment in these countries, within the context of per capita GNP.

It is, nevertheless, obvious that, particularly the infrastructural rebuilding needs more cooperation than competition in the global context and Turkey is not alone able to provide for such huge needs. However, Turkey is ready to act as the key partner for such cooperation in the context of its important connection with the Newly Independent States.

When one looks at the evolution of the world, one also observes that the Eurasian connection is unavoidable. Already a united Germany gave the first taste of things to come in Europe. Leaving aside the expansion of the European Union within the EFTA context and the gradual extension towards Central and Eastern Europe, the huge markets and resources of the region that is Eurasia where Turkey has a privileged position should not be negligible elements projecting new policies for Europe, particularly when a certain degree of compartmentalization within NAFTA and APEC seems to be the order of the day in the new formulation of interdependence and globalization, which we hope to keep as they are, but not as watertight compartments of the world.

Turkey is ready to cooperate with the world, and indeed one already observes the evidence of demands on Turkey coming from International Organizations, G-7 Governments and companies for sharing its privileged position. I should here perhaps refer a little bit to the activities of my organization, the Turkish International Cooperation Agency, which I have the honor to chair. We have already opened a Tax Training Institute in Ankara, a Private Sector Development Center in Istanbul, together with the OECD; we have connections with France, with Italy, with Canada, with the United States, with Germany, as bilateral connections; we are hoping to open up cooperation with JICA very soon, when JICA opens its offices in Ankara; we have connections with the UN system, within the context of a UNDP-TICA volunteer system; we have connections with the Multilateral Investment Guarantee Agency; and we have a UNIDO Investment Improvement Center.

I think at this point I should conclude by saying that these few joint ventures that I have mentioned should be complemented by more joint ventures in infrastructural investments that will hopefully change the total structures in Eurasia. We have been discussing that Southeast Asia, China and the Communist countries therein, were more successful than the other Communist

countries in the world. It was mentioned that they were so because they had a relatively shorter time of Communism. This might be one reason, but the main reason is that there was no underlying demonic infrastructure that really misused the natural resources of East Asia and the Asia-Pacific region. I hope that Japan will cooperate in Central Asia, as it did in Asia-Pacific, and I hope that Turkey will be one of the partners for Japan in her future activities. Thank you, Mr. Chairman.

Mr. Yutaka Kosai: Thank you very much. Now, last but not the least, Ms. Carlson, please.

Ms. Margaret Catley-Carlson: I would like at the beginning to say how very honored I am to be included in this panel also. Since the time that I was President of CIDA, one of the things that I was most proud of was establishing a collaboration with Japanese development assistance authorities.

One of the very welcome announcements in the recent past from the Japanese Government has been the announcement that there would be new aid to population and HIV/AIDS in the amount of some US\$3 billion over the next seven years. This is an enormously welcome announcement, and I think it will establish high levels of Japanese leadership in this field, and it is a field of enormous importance. Mr. Tarumizu this morning and Vice-President Joseph Wood both spoke at length about the relationships between population and development, and between population and poverty alleviation. So I thought what I would do this afternoon is to take you through some of the "Why of population." Because, when we start talking about population, it is always a question of just numbers and bigger numbers and bigger numbers. Sometimes it is useful, particularly when we are looking at where investment should go, to understand the dynamics inside population growth.

This slide will be familiar to anybody who looks at population issues (slide 1, page 99). This shows the increase in population by decade. The extraordinary increase that is taking place in the time that we are alive. Everybody knows a little bit about Dr. Malthus, and the fact that he started saying a long time ago that food production would not keep up with population. In fact when he was writing, if you look at the date 1850, when he was saying that we could not possibly keep up with population growth, the major growth had not started. What this chart means is that we are now increasing, instead of taking a million years to achieve a billion people, we are now increasing by a billion every decade. And therefore the whole dynamics of population have enormously changed.

Now, the former slide is designed and does give people a lot of shock, and then the first answer is "My goodness, what can be done about this?" Of course a very good deal has been done about this. The first item that people usually think about is what is happening with family planning, what is happening with contraceptive use. Here is a slide that shows one of the miracles of the 20th century (slide 2, page 99). Modern contraceptives were only invented in the last 40 or 50 years. In that time their use in the industrialized western world rose from about 0% to up to 74%, or 74-75-80%. That is perhaps not astonishing, but I would point out that those customers are paying for this themselves. What is astonishing is that in the developing world the contraceptive use has moved from under 10% in 1950 to over 50% today. In three short decades the majority of the growth has taken place. So we are not talking about something that is just getting started. We are talking about something that is well under way. Now, any time you include China, you pull the line in the direction of China. Therefore, I wanted you to know we were being honest with our statistics, and the fact that 50% of the developing world is using contraceptives is of course pulled upwards by the fact of China, and when we look at Africa we find that contraceptive prevalence is still under 20%. There are great differences around the world.

Now the degree of contraceptive use has made an enormous difference. It's been one of the factors that's made an enormous difference in the family size. When you look at population, what you are looking at is individual decision making, and the family size decisions around the world have changed radically as a result. Here you have a chart that shows that whereas families have almost always had six children per family since the beginning of time, that the developing world has moved down to under four children (slide 3, page 99). Again, China pulls that line downward, and we have the case of China that is just above two children, with the effect of the one child family, but with Africa we still have six or seven children. But this is the direct result of development and of contraceptive use and the number of births per woman around the world has fallen dramatically in the last three decades.

So there are two ways of looking at it. We can look upon this as something which is halfway done, or we can look at this as something which is halfway to go. And in fact it really depends on whether you include China in or out, because the work is either halfway done or halfway incomplete depending on whether we include China (slide 4, page 99).

This is another way of looking at the first chart I

showed you, which shows where we are now, and where we will be in the year 2000, which is about half way to the likely growth in the developing world (slide 5, page 99). The population of the developing world is just over four billion, and this will increase by the year 2100 to between eight and ten billion. Now this line is important because it's same line you saw earlier in terms of population growth, but the reason it's important is when we start to look at the "why of population growth," and when we're looking at where we spend development assistance money, to realize what the forces are that we are dealing with.

Now here is the same line broken down into the reason for the population growth that the world will experience over the next hundred years (slide 6, page 99).

The Population Council is a research organization. We're two years older than Japan's development assistance effort. We had our 40th birthday two years ago. So we have been analyzing population trends for some 42 years. This is the result of the research that we have done. And what we have found is that there are three principle causes of the population growth that is going to take place in the next hundred years, and that we must direct the investment that we make through official development assistance and through other forces to three causes. The first one is unwanted fertility, the second one is high desired family size, and the third one is population momentum. I'm going to explain each of these very briefly, but I'd like you to remember that curve, and remember it in your mind, because that is the basis curve that I will suggest ought to determine our investment over the next few years.

The first one is the causes of population growth, and here it is in writing: unwanted and unplanned fertility, high desired family size, and the momentum of population growth (slide 7, page 100). "Can we change these?" is the question. It is useful to invest in these areas. Let's look at the first one (slide 8, page 100), which is eliminating unplanned and unwanted pregnancies—that's the first part of the growth in population that will take place. And the solutions are written down there: expand the coverage and the quality of family planning programs; encourage cooperation, because there are 100 million women in the world today who say they would like to be using family planning, that are not using these methods, so we must find how we can reach these women and how we can meet their needs which will improve their health.

The way that we get to these is, for example, through bilateral programming. Japan has assisted bilateral programs around the world and I think that they continue to

do this. Japan should also continue to make the investments that they have in UNFPA and IPPF that are helping to take on the three tasks that are written here. There is a new thrust: Mr. Hirabayashi talked about South-to-South collaboration, and it is in this particular area of expanding coverage that South-to-South collaboration offers the most promise. Why is this? Because the expertise in family planning programs is in the South. No Northern, no industrialized, no Western country has ever had an official family planning program. Therefore the real knowledge in how to do this is found in Mexico, in Bangladesh, in Indonesia, in other countries of the South. And there is a very real opportunity for the kind of triangular collaboration which has been talked about, in helping to expand coverage. With Japan's intellectual leadership in the South-to-South movement there is a very real opportunity in this area. So that is the first cause of population growth, and some suggestions on what can be done there.

The second cause of population growth is the desired family size—how many children do people wish to have (slide 9, page 100). I think most of the people in this room would know that it is when family size moves down to two children per family that one achieves population stability. If desired family size is above two, then the population will still be growing. Whereas in the industrialized world, the Western world, the world of which Japan is a part, family size desires are around two or below, look at the situation in the developing world. The desired family size is still up around six or seven in Sub-Saharan Africa, and in no country of the developing world is it yet at two children. Desired family size is still a very real factor. What are the policy implications of this? And what are the investment implications? (slide 10, page 100) Well, first of all, family size is part of our cultures and it's a very desirable thing that people wish to have families. But we also find, as we do research, that some of the high desired family size is in response to perceived risks within families. In other words people have more children than the norm because they are trying to avoid the risks of some children dying, of not having security in their old age, of not having stature within the community. Therefore if we wish to address this element of high population growth, what we must do is look at the number of girls in school; how women make their livelihood. Is their total stature and view and role within a community seen only by the number of children they have, or do they have other prospects also? We need to look at women's rights in marriage, and men's responsibilities for children.

The Japanese official development assistance role here could certainly include more support for primary school. This morning it was very interesting hearing that in the Asia development miracles the priority was given first place to primary school, then to secondary, and then to tertiary—it would be a very good thing to have that replicated around the world. Japan can also continue to put emphasis on women's roles, and also of course on child health. Some of these areas are very sensitive for bilateral donors, and there I would recommend that working with NGOs continues to be the main feature.

The most important factor in looking at family size is the educational one that I just mentioned. Here is a very simple chart (slide 11, page 100). It is made up of surveys that have been made of 37 countries, and it shows that women that have had no education on average wish to have five children or above, and women with secondary education wish to have closer to three children. And that holds across countries in all continents; it holds for the both urban and rural, it holds for a great number of variables. We don't want to educate women simply because it has an impact on population; of course not. We want to educate women for the impact on themselves, but we should be aware that it has a very important aspect on population.

The third and final factor in our population analysis—the first one was meeting the unmet demand for family planning and contraception, the second one was looking at high family size—the third one is something that demographers call momentum. It derives from the fact that one third of the global population today is under 15 years of age. That number is closer to one half in some parts of Africa. So this means that even if the whole world moved to using family planning, and even if the whole world moved to wanting only two children, that because the world is still young, there would still be a great movement, just because of demographic momentum. This fact is more powerful than the unmet need for family planning.

Clearly, if we are interested in addressing the population issues of the world, we have to look at the momentum issue. Now you'll say to me "What can be done here?" There are some steps that can be taken to delay the onset and change the pace of childbearing (slide 12, page 100). One of them is to increase the age of marriage, and that can be done through legal measures. But mostly we have to reverse the neglect of young women through social, economic and reproductive health and education programs. Vice President Wood this morning spent a lot of time talking about poverty alleviation programs. These should not be gender neutral. These need

to be focused in such a way that their major impact will be on young girls, and their major impact will be on women if we wish to have an effect on population.

This is a dramatic statement (slide 13, page 101). It says there are 45 million 12-year-old girls in the South. What happens to them in the next 10 years will determine the quality and dignity of their lives, and could reconfigure fertility and ultimately world population. So when we start thinking about population, we should be thinking of those 45 million 12-year-old girls, and what is in their lives. Are they going to finish school? Are they going to be valued by their communities? Will they think of themselves as entrepreneurs? Will they think of themselves as people, as women that have to have five or six children in order to have respect in their families and communities? These are the factors that will make the difference in the size of the overall global population.

Once again if there's a magic factor, it is education. The age of marriage of girls that have had some secondary education moves all the way up to 23 years of age (slide 14, page 101). The age at marriage of those that have had no education is around 17. And again this is 37 countries, all religions, all areas, urban and rural. Education for girls is the most compelling and the most powerful of impacts on their lives and on world population.

So, Mr. Chairman, what do we come to in looking at population policy? I thought everybody has had such a long time concentration, I would put a simple diagram up, and rather than putting charts and graphs I would put in an umbrella (slide 15, page 101). This is what the Cairo Conference document said. This is the same thing that was said at the Tokyo seminar of development and population experts. It says that population policy is not just about family planning. Population policy is much more than contraceptives. It must include healthy fertility regulation, but it must also include social and economic opportunities for women; more schooling, child health, and a family rights framework. Japanese ODA should address itself to these issues. I think that if Japanese ODA were addressed to the policy framework for these issues, there would really start to be a tremendous impact on both the population and on the social implication of that.

Here are the key elements of a broadened population policy (slide 16, page 101). This slide is now a year old. I'm very pleased to say that it hasn't changed one word after the Cairo Conference, because the Cairo Conference in effect reaffirmed this agenda. We cannot look simply at contraception; and we must look at these issues and these areas if we want to have a meaningful impact on population. It is for these reasons that I'm very

pleased to hear more and more discussion of an improved grant element in Japanese ODA, and more and more untied aid, because it is with these elements that we can move more convincingly into elements of population policy that will really emphasize the school training, family policy, etc.

Our second-to-last slide, Mr. Chairman (slide 17, page 101). People say, "Can you evaluate such a broad scope of policies? Isn't it simpler to evaluate programs simply by the change in demographic movements?" And I would say to you, yes, we have worked through evaluation criteria, because populations demand that programs be evaluated. These are some of the evaluative criteria that can be used to say whether these programs are actually working, in the sense that they are benefiting communities, and that they will have a positive impact on population.

So, Mr. Chairman, what does a population policy look like? It looks like this. Those are the areas of impact (slide 18, page 101). We set out which ones would address themselves to eliminating unwanted pregnancies, which ones would address themselves to smaller family size, and which ones would address themselves to the momentum issue. You can see that there is only one that addresses itself to all three, and that is the education of girls. But if countries around the world were ready to follow this particular chart, then we wouldn't be talking about doubling the world's population in the next hundred years, and we'd be talking about creating a population dynamic which allowed countries to develop in a more sane, more rational fashion. Because population policy, prosperity and poverty work synergistically, and it's only when you start to get the equations right that you get the right result. Domo arigato.

Mr. Yutaka Kosal: Thank you very much for making a very nice presentation, rich in content within a short period of time. With that we have closed off the first round of presentations, and we would like to take a coffee break here, after which we will take part in the second half of the discussions.

[Coffee Break]

Mr. Yutaka Kosal: We have approximately one hour remaining, and we would like to move on to the final portion of the panel discussions. In the first half, we have looked more deeply involved by the five speakers. From Mr. Hirabayashi, the successes of Asia were touched upon, and what kind of aid policies Japan should implement was also discussed. From Dr. Sulaiman bin

Mahbob, the experience of the Malaysian development was talked about, in regard to the economic structural changes that brought about investments into the country. Southeast Asia and its current situation was described. Mr. Sawada talked about the Japanese experience, and how that experience could apply to economic assistance and developing nations. Meanwhile, Mr. Arik talked about the situation in Central Asia, where the economic structure is going through changes. And there was a call for the cooperation of Japan with Turkey. Meanwhile, Ms. Catley-Carlson talked about the situation of population explosion in developing countries, its forecast, and the policy directions. And, it was mentioned that this new population policy outlook should be incorporated into the Japanese aid policy.

We have looked at each region and each issue, and we have looked deeply into the issues. At the same time, there are many diverse subjects that have come up. What we would like to do for this session is to follow the next procedure. First, we would like to Mr. Wood to share his overall impression of the presentations of the five panelists, as well as what issues he views, and then, after that, if there are any other comments or opposing views you would like to indicate, we would like to ask the five panelists to describe such views. If you wish to counter-argue with any of the other panelists you may do so.

After that we will open questions to the floor. Anyone who will ask questions is asked to raise their hands and come to the nearest microphone and ask the question. In order for one person not to dominate the microphone, we would like to make very quick questions and comments, with the exception of Mr. Wood, who will be giving his overall impressions. We would like to have a very short interaction with as many people as possible participating. Please, Mr. Wood.

Mr. D. Joseph Wood: Thank you very much, Mr. Chairman. Although you've given me license, I will try to keep my remarks brief. You've been a very patient audience today. I think we should move quickly to give you the chance to have your say. I've been asked to give some general overall comments, and perhaps identify one or two areas for further discussion. I think the predominant overall impression I have is how much common ground there is amongst the speakers about the critical importance of certain central themes. We've heard about the human resource development issue from virtually every speaker that's been talking today. It's clear that human resource development is central to development effectiveness, and will be quite important to

the future of Japanese ODA. More particularly, we heard this afternoon extended and interesting discussions about population, about environment.

There is one aspect I would like to flag for possible further discussion. Mr. Hirabayashi mentioned as important issues for the future of Japanese assistance the need to maintain a balance as he put it between traditional uses of Japanese assistance—in which infrastructure looms very large—and the newer themes, environment, population and so on. The question that I would be interested in having reflections on is whether both of these kinds of assistance are equally demanding of concessional support. I tried to mention this morning that infrastructure in some cases can be effectively supported by the private sector with only guarantee backing, without the need for concessional financing. Perhaps not in the poorest countries of the world, but we're talking about a country like Malaysia, the countries in transition. I think it's a question that should be addressed, whether indeed this requires concessional assistance or can be supported in some other way. Mr. Hirabayashi also mentioned the need to maintain a balance between grassroots activities and large-scale interventions. As someone who has attended this kind of session in other countries, I was struck at the very limited mention of grassroots activities, and of participation. In most other similar sessions there's a great deal of talk about the importance of participation, and the need to make use of grassroots organizations in order to get effective results. I would relate that both to what we've heard this afternoon about population and about the environment. In the developing countries, often getting to the poorest of the poor is greatly facilitated through partnership with grassroots organizations and NGOs. I would be interested in the comments of the audience about whether they see that as a growing aspect of future Japanese development assistance.

Finally, there was the point made about the need to maintain a balance between hardware and software. Now those are terms of art. Another way of expressing it is between assistance that goes into building buildings and constructing facilities, and assistance which focuses on the efficient use of those facilities. I would suggest as a basis for discussion that many of the themes suggested today are critically dependent on what is called the software side of development assistance, and perhaps this is where JICA may turn out to be as important as OECF. Indeed, I have had some experience where efforts to provide too much money can lead to a bias in the assistance towards the construction of facilities, the construction of infrastructure,

which then is not as effectively managed or maintained as it should be. Again, it would be interesting to hear comments or questions from the audience about how they see that balance being struck in the future for Japanese ODA. Thank you sir.

Mr. Yutaka Kosai: Thank you very much. Would any of the panelists care to comment on what has just been mentioned now? Mr. Arik, you would like to speak first on the points Mr. Hirabayashi put forward? Please, Mr. Arik.

Mr. Umut Arik: Thank you very much, Mr. Chairman. I'm afraid I would like to have the emphasis on something else. Both in terms of the software/hardware balance and the context of environment, population, privatization and human resource promotion. If you are constrained with the wrong type of infrastructure, whatever you do in terms of population, in terms of environment, in terms of knowhow, you just can't get out of that straightjacket. No software can teach you, for instance, to develop a pipeline from the western part of Kazakhstan to feed the eastern part of Kazakhstan. No real environmental improvement can be obtained around the Aral Lake if you are bound to produce cotton by linking the Seyhan and Jayhun rivers and misusing the waters over there. You cannot really achieve efficient privatization if your demand and supply lines are idiosyncratic and linked to only one center. You already have, in certain parts of the world very skilled and developed human resources, the best, pure mathematicians, pure physicians of the world, inclusive of some of the Central Asian Presidents. And they just can't do a thing, because they are bound with wrongly conceived, centrally planned infrastructures, and for that, private enterprise can do very little, unless there is international intergovernmental interest and concessional assistance.

Mr. Yutaka Kosai: Thank you very much. Are there any other points that anyone would like to bring up? Dr. Sulaiman, please.

Dr. Sulaiman bin Mahbob: I would like to comment on the question of environment that was raised by Mr. Wood a few minutes ago, and the situation with grassroots participation. I mentioned in my presentation that with the rapid economic growth and urbanization we have lots of problems related to contamination of the rivers, for example, pollution within Kuala Lumpur. So certainly I think environment is one area that could be targeted for ODA soft-term aid. Particularly now,

because environmental effects tend to be cross-border in nature. Particularly what we have had in the past few weeks: the whole of Southeast Asian cities in Singapore, Malaysia and many parts of Indonesia are covered with haze because, we discovered, of some burning of tropical forests in that part of the world. So we see that a lot of intergovernmental cooperation to stem this complaint, and so if we can have assistance in the form of technology, forestry management, and that sort of thing between the various governments, then a soft-term loan would be beneficial.

But in relation to the question of grassroots participation, this could be something that we have got to think of in greater depth. There is the question of form and the question of how. For example, how can we control the people in the rural areas or in small backyard factories discharging effluents into the rivers? So the question of enforcement, that is a domestic issue, a public institution issue, not a technical assistance issue. What we have got to look at in greater depth is the issue of what sort of project or what sort of programs we can assist. Research, environmental education at the university level, for example, sending professors in universities in Malaysia or Jakarta or Thailand for example for environmental training. I think this is one area. But specifically for the NGOs again education encourages some discussion forum among the NGOs to go into the areas of environmental control. This is my initial response. Thank you, Mr. Kosai.

Mr. Yutaka Kosai: Thank you very much. We will hear comments from Mr. Hirabayashi, but in regard to the issues that have been presented, does any of the participants here wish to comment? We have heard about whether development assistance is necessary for infrastructure, what the involvement of NGOs should be, what should be the selection between the software and the hardware, and in regard to how project management should take place, there are various views that have been expressed. Are there any persons who wish to comment? Please state your name and affiliation if necessary, when you ask a question.

Mr. Amano (Adviser to the Chairman, Tokyo University of Agriculture): My name is Amano of the Tokyo University of Agriculture. I would like to ask Mr. Wood the following question. In the case of the World Bank, it seems that infrastructure should be carried out by private funding, according to the view of the World Bank. But in the course of the next 10 years, how much potential demand does there exist for infrastructure and how

much of this can be covered by private funds is my first question. And, my second question is that, in regard to the World Bank, investments towards infrastructure is not being carried out positively because in the World Bank there is no appropriate facility to carry it out. I may be exaggerating, but there is the IBRD and the IDA; it's like the relationship between the Japan Export and Import Bank and JICA. But there is no corresponding agency within the World Bank that corresponds to the function of OECF that covers infrastructure, and that may be why the World Bank is not so positive about infrastructure. I would like your comments on this.

Mr. Yutaka Kosai: Are there any other comments that the audience would like to make in regard to the issues presented?

Dr. Rana (Counsellor, Embassy of the Republic of Kenya in Japan): Dr. Rana, Kenyan Embassy. I would like to comment on the issue of NGOs and regarding diversion. My fear is that recently we are hearing a lot of talk about change, moving towards NGOs, and countries like Kenya have carried out structural adjustment programs and, as Dr. Mahbob mentioned, in the case of Malaysia, it has been a success story, and we in Kenya also are beginning to see signs of economic regeneration and success. Our currency is appreciating very fast; we are beginning to attract a lot of investment and all that, and part of the structural adjustment was also to try to reform management and technical expertise at the top level. And we have succeeded in improving that level of management, and some of the people who were displaced went out and set up NGOs. Now my fear is that these very people who were a problem in the past are now setting up NGOs. To what extent will they be accountable for economic growth? Thank you.

Mr. Yutaka Kosai: Thank you. I would like to ask Mr. Hirabayashi first, then Dr. Wood to make comments, please.

Mr. Hiroshi Hirabayashi: Thank you. I would now like to make my personal comments concerning the comments raised by Mr. Wood. Earlier I talked about the balance of three factors. Traditionally we have put emphasis upon infrastructure building, and I said that we need to strike a good balance between that and the new areas of assistance. The question is whether or not we continue to need the concessional aid in traditional areas of assistance. My answer is that in the traditional areas there are sectors or nations which actually do need

concessional assistance. For example, when we attack power generating plant projects, we should pay attention to environmental implications. For example, desulfurization facilities may be necessary. I have a strong opinion for that. However, if they are not commercially viable, concessional assistance may be unwanted. Earlier I emphasized the importance of a differentiated approach. Probably, when it comes to Malaysia, an ODA loan may not be warranted in such projects. It all depends on the actual stage of development of the countries concerned. To what extent we are going to concede ODA varies from one country to another. For example, for Viet Nam lower interest rates on the yen loans may be applicable compared to other countries.

Recently we made a yen loan agreement with Hungary, and in this case the interest rate was set up at 5%, higher than that applied to Viet Nam. The concessional level of assistance should vary from one country to another. Before jumping into a discussion of private capital, I would say that in some cases it would be possible to combine yen loans and non-ODA funds of Japan's Export-Import Bank. I think we have to have ingenuity to create the best combinations for each circumstance. This is my first comment.

Concerning the issue of grassroots assistance, Japanese aid will continue to put emphasis on NGO activities in addition to big-scale projects.

Thirdly, I believe that we need to balance hardware-type assistance and software-type assistance. Generally speaking, OECF probably is more responsible for hardware assistance, and JICA is more responsible for software aspects, and I think we need to capitalize on these two organizations at the same time. It is because, seen from the perspective of world requests, I firmly believe that there are needs for both to have good combinations. Earlier I talked about the importance of human resources development, but we should not forget the importance of hardware-type assistance, too.

Mr. Yutaka Kosai: Mr. Wood, please.

Mr. D. Joseph Wood: Thank you very much, Mr. Chairman. I was encouraged in my opening remarks to be as provocative as I could be. That was in my mind when I mentioned the question of what terms are appropriate for infrastructure. Let me show my own position, which is very much in line with what Mr. Hirabayashi had mentioned, which is necessary to make a differentiated approach, both by country, the state of the country's overall finances, and by kind of infrastructural subsector.

In terms of subsector, the area of infrastructure that is most amenable to private finance is telecommunications. It tends to be a very profitable kind of activity, and the main need for external assistance, official assistance, is to help countries put in place an appropriate regulatory framework. If an appropriate regulatory framework is in place, then private capital can be expected to provide much of the financing, even, I should say, in quite poor countries. Electric power and surface transportation are somewhere in the middle, in that some aspects of this can be handled in some countries by the private sector, but not uniformly so. It is clearly less attractive to private capital to provide these services to remote populations, rural populations; it's more attractive to do it in concentrated areas, the urban populations. And from a national point of view it's important to keep a balance between these two. Also, it tends to be more attractive for the private sector to go in for thermal power generation than for hydro power generation. So it's important to make distinctions. It's easier to finance bridges and urban toll roads with private money than it is to finance rural feeder roads.

The burden of my presentation this morning was that there needs to be a partnership struck between the public sector and the private sector. To expect either one to do it all seems to me to miss out on an important possibility for collaboration. One of the questioners asked if the World Bank really had any means of financing infrastructure in very poor countries. The answer is yes it does. We have our IDA assistance, which is funded from contributions from around the world. In fact, Japan is one of the major contributors to that facility. We are able to use that money for infrastructure financing. But increasingly I may say the donors that supply that funding are asking hard questions as to whether all other means of financing have been appropriately explored, because for political reasons, essentially, it's much more attractive for them to see those funds go into activities which seem to directly impact the lives of the poor, since that is the underlying political rationale for supplying these funds. I happen to believe quite strongly that this can easily be overdone, and that it is very important to retain the possibility of providing infrastructure finance on concessional terms for the very poorest countries. Otherwise it is very difficult to see how these very poor countries are going to finance their infrastructure, because they are not attractive to the private sector.

Finally, if I may say, I started to describe the spectrum of infrastructure, I think water supply is at the other end, and that it requires a high level of governmental intervention. There can be aspects of it that can be

contracted out, but it is much more intensive in terms of public sector involvement than the other forms of infrastructure.

If I may, Mr. Chairman, I'd also like to say a word about the NGOs, and the possibility that the NGO label can be abused, and can be exploited in a way which lacks accountability. I think both those points are very well taken. One of the things which has become very clear to us in our own workings with NGOs is that again distinctions have to be made. There are major NGOs in developing countries that are engaged in grassroots activity and delivery of services, particularly in the rural areas to the very poor, who are wonderful partners in development assistance. There are also NGOs in Third World countries and outside that don't have a track record of delivering assistance effectively, and which in fact may be simply individuals masquerading in order to capture the enthusiasm of NGOs. It is very important that this differentiation be kept in mind, and that we as donors try to extend our collaboration with the first kind of NGOs, and not allow ourselves to get distracted by the second kind, even though they are often more noisy than the first kind.

Mr. Yutaka Kosai: Thank you. Ms. Catley-Carlson, please.

Ms. Margaret Catley-Carlson: Thank you. I'd like to just add comment on the NGOs, because it is a very relevant comment. In one way we shouldn't push this too hard. Just as we are now saying there should be more of a balance between the private sector and the public sector, and that in a sane, sensible development program the private sector will be taking over that it was thought in the first two decades of development ought to be part of the public sector, we should look on NGOs as somewhat the same development in the social area—i.e., there are groups of activities that people, working together either at the grassroots or as part of a contract for supply, can do better through Non-Governmental Organizations. It's one of the cases in which these peculiarly named instruments really work well, in the sense that a number of governments are either overextended, or for reasons that were set out in the keynote speeches this morning, the government structures don't work well, the politicization of services delivered by the government delivery service may conspire against an overall effective delivery.

There are a number of reasons why NGOs become more effective deliverers of some social services just as the private sector becomes a more efficient deliverer of

some economic investments. But I want to underline exactly what Joseph Wood has just said. If NGOs are taking on these tasks, they have to be financed because they are taking on these tasks. They shouldn't be financed because they are NGOs, any more than you would go out and buy stock in a company just because it was a company. They need to have annual reports, they need to be evaluated, they need to be treated as functioning social and economic entities. The only real difference is the pipeline through which money comes into them. The other advantage of NGOs is that they are much more hooked into sustainability, usually, in terms of extracting financial payment for the services rendered than governments find it politically expedient to be, and that's another one of their advantages. But again that's part of the balance sheet on the basis of which they should be assessed.

So just as we look back on the first few decades of development and say "Oh dear, some of that really should have been done by the private sector," and look at the successful examples of development, they were outward looking, they were in touch with the world economy, and that they trusted the private sector, I think that we should now start saying the same thing on the social delivery side where it makes sense to do so. Because the deficiencies in social delivery systems need to be met and need to be met urgently if we're going to get around the environmental, population, status of women questions which exist in the world. But I would come back and say these must be accountable organizations, and any donor that gives money without insisting that they be accountable for doing what they say they are going to do is being seduced by a label rather than by the actuality of what is happening. By the way, we are an NGO, so I can speak with some fervor—I keep forgetting that. I was in government for so long I forget that we are one, but—we must treat these and demand accountability from NGOs just as we do from the public and private sectors.

Mr. Yutaka Kosal: Mr. Arik, please.

Mr. Umut Arik: Thank you very much, Mr. Chairman. At the expense of sounding a bit like a devil's advocate, I would like to refer to the NGO situation from a reverse angle, particularly in terms of the regions that I am familiar with. The present systemic problems require at first the development of participatory democracy in terms of local administrations, municipalities, the democratic processes, the creation of trade unions, the creation of businessmen's associations, etc. And I believe only after

arriving at a certain acceptable stage in those quarters then the NGOs can become meaningful partners for international assistance—development assistance, technical assistance, or private enterprise investments. This is one thing I wanted to mention.

I would perhaps like to elaborate a bit further in terms of infrastructural investments. Now I quite agree that a differentiation should be made between sectors, between countries. But here I would also like to refer to regions. Now we are talking about the demise of a system in the region I'm familiar with. Apart from being a socially-democratically deficient system, it was also a system that was deficient from the point of view of comparative economic analysis and infrastructure to be built on it. Over here, I would think that, apart from the IDA assistance and the World Bank backing in national terms, there is something that is lacking in our present scheme of events, and it is that transnational, trans-boundary investment projects are not easily catered for, because we don't have that sort of approach in our major financial institutions. These are the few comments that I wanted to make. Thank you, Mr. Chairman.

Mr. Yutaka Kosal: Thank you. Any time the audience would like to raise a point or question, fine, you are always welcome. Anyone else? If not, I would like to interject some impressions of the comments so far. In regard to economic assistance, Japan has its Fifth Five Year Plan which is going to expand the past one, but with the end of the Cold War, as well as the deteriorating fiscal conditions of the developed nations, the total aid supply in terms of funds are showing its limit. There is a prospect that we are going to hit the ceiling of the growing size of aid and assistance. But, as it has been raised by Ms. Catley-Carlson, that the population is going to explode—and of course we need population policies—but even if we are going to implement some population policies, we cannot totally stop the growth of population. With this, increased labor supply and shortage of capital goods and savings are expected in the future, and as for capital supply, which is one aspect of economic cooperation, the governments of the advanced nations are extremely restrained in their fiscal capacity. In spite of that, the population is going to increase, so that the resources cannot be provided in an abundant manner. That means we have to have a comprehensive approach for the emerging situations. First is the software-oriented approach, like this morning Mr. Wood mentioned the cellular telephone, new forms of resources are emerging. Perhaps a new software

approach could resolve the situation, or allocation of resources, for example allocating resources to key infrastructure may resolve part of the problem. Would anyone like to speak up on this particular point? I'd appreciate your comments.

Ms. Margaret Catley-Carlson: Why don't I start while others are thinking over their responses to that. Let me take us back to the keynote speeches this morning, and also to what Dr. Sawada said this afternoon. When we were talking about the examination of those countries, including Japan, that had been very successful economically and socially, the retrospective examination of those countries put non-physical infrastructure factors in the primary places in accounting for the success of those countries. Now I'm choosing my words with care, because hindsight is always 20/20. But when we look back, and Japan did indeed do a good service in cooperating with the World Bank on the study of the Asian success stories, and Mr. Sawada gave a very good discussion this afternoon of the factors leading to Japanese success—I think infrastructure in his case was number three. In the analysis which Mr. Tarumizu gave this morning, he was down to about number three or four before he got to factors of production.

The factors of success in society are the kind of invisible bonds which invest in individuals a capacity to believe that change is possible, and that they are contribute to that change. And so I think there has to be a primacy of investment. We have to build on what we have learned in four decades of international development. Forty years—we have to build on what we have learned to say that in those countries where primary education is not reaching the population, where there is not a basic standard of health care, where the lessons about family planning that were well demonstrated by Korea, by Singapore, by Taiwan, by Thailand—there has to be some primacy in checking that these fundamental elements of human resource development are in fact being addressed in a development plan. Otherwise we haven't learned anything in 40 years. And as I say it wasn't that those societies set out invest first in these areas. It's when we look back and say, "Why were they successful?" What emerges first is not the railroad to Kyoto, it is not the pipelines, it is the primacy that was given to human resource development. So I think if we are going to learn from 40 years of development cooperation, we have to say countries must be addressing these issues first, and then over and above that of course we look at the other issues, but otherwise we are not learning from the past.

Mr. Yutaka Kosai: Thank you. Mr. Hirabayashi, please.

Mr. Hiroshi Hirabayashi: I have comments on the issue raised by Dr. Kosai. First, about NGOs. The Government of Japan, for the past several years, has been promoting cooperation with NGOs. There are three major points in cooperating with NGOs. First, cooperation with mature NGOs. There are many types of NGOs. Second, some of them may be anti-authority or anti-government, but we need mature organizations for foreign assistance. The relationship between NGOs and the government or NGOs and the ODA should be at arm's length. The relation should be able to reach each other, but not totally identical or too close. I would say that they should be at arm's length of each other. Third, when NGOs are engaged in development projects of developing countries, in some cases they do so positively and in others negatively. For example, in a construction project of a dam, perhaps some NGOs may be opposed to such a project, but in case of population control or vaccination of children, or environmental preservation projects, NGOs usually play important roles. Currently I am working with the Nature Conservancy, a big, American NGO. The Nature Conservancy's program named "Parks in Peril," targets parks and natural environments that should be saved in various parts of the globe. Their knowhow and experience is shared with many developing countries in order to conserve forestry and the diversity of nature. So, together with this US NGO we are going to launch several joint projects. I think this is a quite appropriate area of cooperation between Japan's ODA and NGOs.

To Mr. Kosai's point about declining levels of aid, I have two comments. "Aid fatigue" could be overcome by the following approaches. "Participatory development" must be further encouraged, so that the peoples of both donor and recipient countries should have a sense of ownership in aid projects. That means that taxpayers' awareness level should be raised. They should have a better motivation that they are directly responsible for aid activities. That is a quite important aspect—to enlighten the public, taxpayers. "Participatory development" is quite important. As yen loans are almost totally untied, some Japanese companies and corporations would like to quit the business of ODA, because they are getting smaller contracts out of Japan's ODA loans. Those companies should continue to be part of this participatory development process. Second, "visibility" of aid. Japanese "aid fatigue", is of a minor scale still, because for one thing Japanese aid has been more or less successful. We are fortunate to have many success stories

especially in Asia. Unless the taxpayers of a donor country receive feedback about success stories, they will start to suffer from aid fatigue. Therefore, I say this to ambassadors from recipient countries represented here today: the recipient government and public should be provide feedback to the taxpayers of the donor countries, and tell us whether our cooperation programs are being helpful or successful. We need your voice to be reflected back to our public. For example, President Ramos of the Philippines has visited thirteen times various project sites across the country, together with the ambassador from Japan, where Japanese assistance is provided, and told Philippine citizens that they are the projects of good will from Japan. If this sort of event proliferates, then the Government of Japan and the people of Japan will come to think, "That was good and rewarding," and, "Let's see if we can't help the Philippines more." But on the other hand, if that does not happen, they won't be motivated further. Then they will be afflicted with aid fatigue. Therefore we have to prevent such phenomena as aid fatigue. In that sense we should encourage participatory development as well as heightening and improve the visibility of aid programs. Thank you.

Mr. Yutaka Kosai: Mr. Wood.

Mr. D. Joseph Wood: A comment on the question you raised about ways to ration scarce concessional assistance. You started from the premise that amongst the traditional donor countries there is not a great deal of enthusiasm for expanded development assistance, Japan being a very notable exception to this rule. As a person who chairs aid groups for India, Pakistan, Bangladesh I can confirm the reality of that perception. There is not an outlook for growing nominal flows, not even to speak of growing real flows for the traditional recipients of aid. How will the rationing take place, given the emerging demands? I think one aspect is very clear, and that is that there will be more emphasis put on development performance, on results on the ground, and less put on what might be called political qualifications for aid. This is a reality of the post-Cold War world; while there still are important political components to the allocation of development assistance, at the margin there is now more weight being put on development performance. As I would say should be the case. There are grave difficulties in measuring development performance, because the things which really matter are so fiendishly difficult to measure in the short term.

We saw earlier some of the important indicators of

success in relation to population, and indeed those are the things we should be focusing on over a period of time. But, unfortunately the people who provide resources, at least to us, are looking for quicker measures of impact than are supplied by these factors. And so we have to look instead at proxies, at policy performance, that would hopefully track development performance. I think we will see more weight being put on policy performance. And there the East Asian experience will apply. If countries are unable to deal with their macroeconomic management, increasingly questions will be placed on. "Well, then, should concessional funds be supplied?" Also, more weight will be put on implementation issues. Countries that have received large credit commitments in the past, but find themselves unable to spend those credit commitments effectively will not be top priority claimants for new concessional assistance. So I think in both those ways, performance will receive a greater weight. In addition, I would mention that there are a number of traditional development assistance countries which are in a gray zone, if you like, in terms of their financial requirements. And these are important countries—China, India, Pakistan, the Philippines, where, I would predict, we will see an increased rationing based on increased reliance on private capital in these countries. That doesn't mean these countries won't need to continue to receive concessional assistance; they will and should continue to receive it. But it will be increasingly concentrated, I would predict, on the infrastructure that was mentioned, on the human resource investments, on selected aspects of physical infrastructure, that particularly pertain to the poor, and on environmental issues, particularly I should say where there are important externalities. So, both in terms of weight to performance, and, in these intermediate countries, increased focus of assistance on things which cannot reasonably be done by the private sector would be my candidates for rationing devices for the future.

Mr. Yutaka Kosai: Thank you. Please.

Mr. Takase (Executive Director, International Development Center of Japan): My name is Takase of the International Development Center of Japan. In regard to what Mr. Hirabayashi mentioned about the fact that we need to become the leading donor rather than just the largest donor, I am in complete agreement. In the past 40 years we have developed to this extent, and I think it's very important for Japan to become a leading donor. It is going to be very difficult, because it is a fact that in terms of money, that Japan is contributing

10-18% of ODA; however, when it comes to human contributions to international organization or to the UN, it's only about 1% or so. The manpower contribution that Japan makes should be at a level of 5 or 10%, otherwise we cannot become a leading donor. Another fact that I'd like to touch upon is in regard to research cooperation. No one has touched upon this today. In regard to how we can provide assistance in this area, the methodology for this is still immature. When it comes to food, poverty, and environment, we have those three very important factors. For all three areas, none can be solved by themselves. Not only in terms of South-South cooperation, but including the developed countries, on a global research cooperation basis, we have to study what is really the most effective assistance that can be achieved by combining these three factors. I think this is an urgent issue. As we try to become a leading donor nation, these are the aspects which we must consider very carefully. Thank you very much.

Mr. Yutaka Kosai: Thank you very much, for your very valuable comments. Are there any other persons who would like to provide us with their comments? Please.

Dr. Rana: Dr. Rana, Kenyan Embassy again. I could not go back without responding to Mr. Hirabayashi's comment, since I see that most of the diplomatic community is not around.

I think Kenya and Japan's economic partnership has been there since our independence in 1964. There is a very good track record. Part of my comment about NGOs was, in essence, to say that the infrastructure and heavy hardware assistance had been very helpful in terms of economic development in Kenya. The most shining example is the building of the Jomo Kenyatta University College of Agriculture and Technology. Which last year at the ODA seminar like this one held in October, one of the senior JICA officials came to me and mentioned it has been so successfully implemented in time that they would like to replicate it somewhere else. There is a law going to be tabled in the parliament to try to make it a full fledged university. In addition there are areas of irrigation, areas of surface transportation, telecommunications, and so on, where the country has benefited to an extent that we feel we are on the way to economic takeoff. If I cannot compare Malaysia with Kenya, but if Dr. Mahbob insists that Malaysia still needs assistance in some aspects of ODA, such as technical assistance, you can understand that Kenya still feels that there is a long way to go in terms of this type of economic cooperation. The country understands it very much;

the people know it; and I think we cannot underestimate the importance that aid has played in Kenya's economic development.

On the issue of NGOs, also I do not feel like saying that they are not economic partners. Definitely, I thank Mr. Wood for making that distinction, and also Mr. Hirabayashi for the mature NGOs. Those are just coming in and are just labels, because I think NGOs have a very important effective role to play also. What is important is to make that distinction. When the Japanese Government recently gave assistance to medical NGOs, they picked the ones with the track record, and the ones which had links all over the rural areas, providing health assistance to the real needy in the country.

Finally, to Ms. Carlson's population policies, her point on education should not be forgotten, because that's one of the most important. The need to expand educational opportunities for girls is very, very essential not only for them or for population but also for the whole family, because in some societies such as Sub-Saharan Africa women play very central roles not only in family policies but also generally in social policies. Thank you.

Mr. Yutaka Kosai: Thank you. We are close to the closing time, so we would like to close off the discussions here. I have been requested by the organizers that, at the end, the Chairman should make a comment. However, it is going to be very difficult to summarize the diverse issues that have been raised. Therefore I would just like to limit myself to some personal comments. To repeat myself, today we have the International Symposium in Commemoration of the 40th Anniversary of Japan's Participation in ODA. During the past 40 years Japan has concentrated, mainly in Asia, for economic development, and a major contribution has been made by us. However, when we look at the development of Japan and Asia, this is a miracle of economic development. There had perhaps been an excessive emphasis on economic elements, whereas when it comes to social development, environmental issues, poverty issues or social gap issues, there has not been a complete solution yet. However, the situation may have been solved in Asia. The economic development in Asia may have created an equal distribution of income, but it is unclear whether that will occur in other regions. So we have to look at economic development, social development, and human development, and look at what the interrelationships are between these elements.

As we reach the 40th anniversary, it has become the time to consider all of this. As Mr. Hirabayashi has mentioned, a well balanced attitude is necessary. That is one

point. But at the same time, almost all participants have mentioned that in regard to human resources, it is necessary to develop this. I think that this is a simultaneous solution to both the issues of economic development and social development. I think this can act as a starting point for solving all of these issues, and that was the strong impression that I got from the course of the discussions. Of course, not all problems are going to be resolved just by having good education. Although it is true that through enhanced education, the economy develops and social conditions are improved, but that does not mean that all efforts have been adequately covered. Rather, well balanced economic cooperation must also be considered.

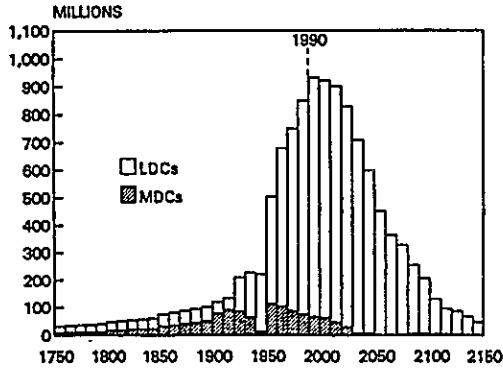
Another point that was raised in the course of the discussions is in regard to software as assistance and the cooperation of NGOs. Finally, the aspect of research in regard to assistance was cited. I think that assistance for transnational fields of issue is a new issue that needs

to be considered. But by being involved in these issues we have to look at cultural differences, and political conflicts. These may emerge more and more as problems, so therefore we must consider how to overcome these issues, and how we can increase the levels of the lives of the people throughout the world. Finally, in this Symposium we have considered how assistance should be provided from now on, and Mr. Hirabayashi mentioned about participatory development in a visible manner. I think that this Symposium is truly a participatory process, in a visible manner. I think that, when considering new approaches in economic assistance, we have provided a good example here. Furthermore, it is truly an International Symposium with participation from various quarters. We have been able to hear a wide range of views. In that sense I am very much satisfied with what has taken place here.

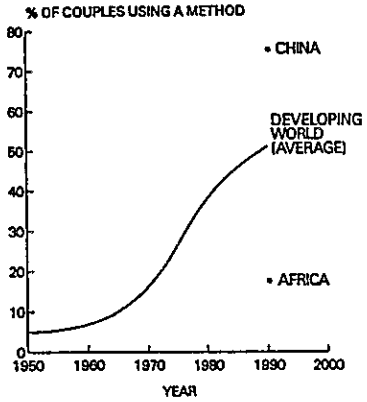
Since the time is about up now, I would like to close off the panel discussions at this point.

Slides for the presentation during the Panel Discussion
by Ms. Margaret Catley-Carlson, President of the Population Council

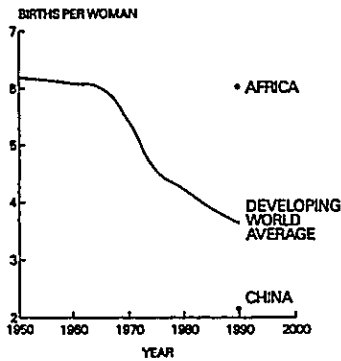
Slide 1. INCREASE IN POPULATION BY DECADE



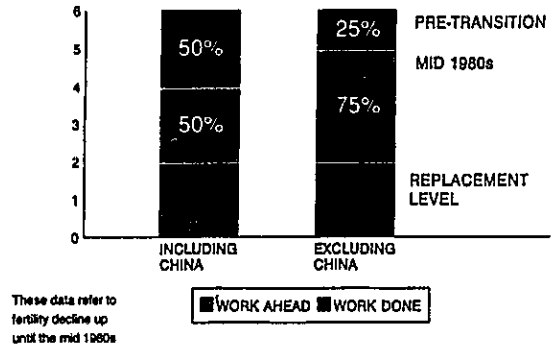
Slide 2. CONTRACEPTIVE USE TREND
DEVELOPING WORLD 1950-1990



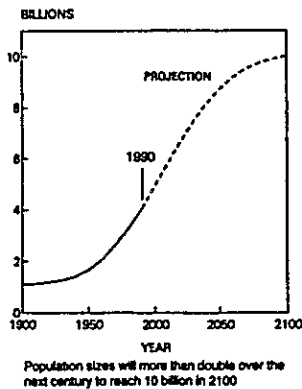
Slide 3. FERTILITY TREND
DEVELOPING WORLD 1950-1990



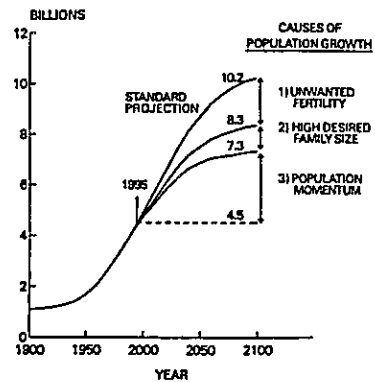
Slide 4. WORK DONE AND AHEAD



Slide 5. POPULATION SIZE OF THE
DEVELOPING WORLD: 1900-2100



Slide 6. POPULATION SIZE OF DEVELOPING WORLD:
ALTERNATIVE PROJECTIONS



Slide 7. CAUSES OF POPULATION GROWTH

- 1) UNWANTED/UNPLANNED FERTILITY AND UNMET NEED FOR CONTRACEPTION AND ABORTION
- 2) HIGH DESIRED FAMILY SIZE
- 3) MOMENTUM OF POPULATION GROWTH

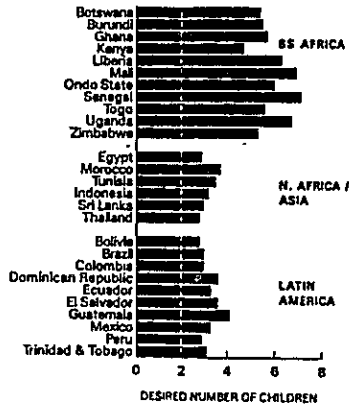
Slide 8. CHALLENGE:

- ELIMINATE UNPLANNED/UNWANTED PREGNANCIES

SOLUTIONS:

- EXPAND COVERAGE AND QUALITY OF SERVICES
- ENCOURAGE COOPERATION BETWEEN PARTNERS
- REACH THE UNMARRIED

Slide 9. WOMEN'S AVERAGE DESIRED FAMILY SIZE



Desired family size is well in excess of the replacement level of two children

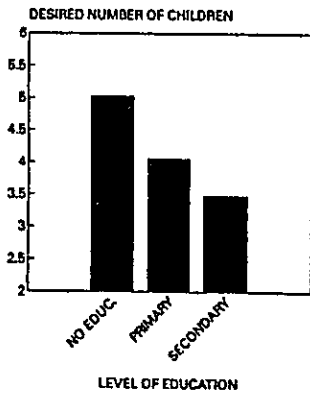
Slide 10. CHALLENGE:

- DECREASE DEMAND FOR CHILDREN - GETTING TO TWO

SOLUTIONS:

- INCREASE GIRLS' SCHOOL ATTAINMENT
- ENHANCE WOMEN'S LIVELIHOODS AND ACCESS TO PRODUCTIVE RESOURCES
- IMPROVE CHILD HEALTH
- STRENGTHEN WOMEN'S RIGHTS IN MARRIAGE
- DEFINE AND SUPPORT MEN'S RESPONSIBILITIES FOR CHILDREN

Slide 11. DESIRED FAMILY SIZE BY LEVEL OF FEMALE EDUCATION



Increased female education leads to smaller desired families

Slide 12. CHALLENGE:

- DELAY ONSET AND CHANGE THE PACE OF CHILDBEARING

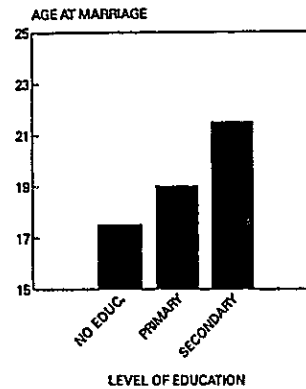
SOLUTIONS:

- INCREASE AGE OF MARRIAGE AND FIRST SEXUAL ACTIVITY
- REVERSE NEGLECT OF YOUNG WOMEN THROUGH SOCIAL, ECONOMIC, REPRODUCTIVE HEALTH AND EDUCATION PROGRAMS
- STRENGTHEN POST-PARTUM PROGRAMS

Slide 13. Take Back Young Lives

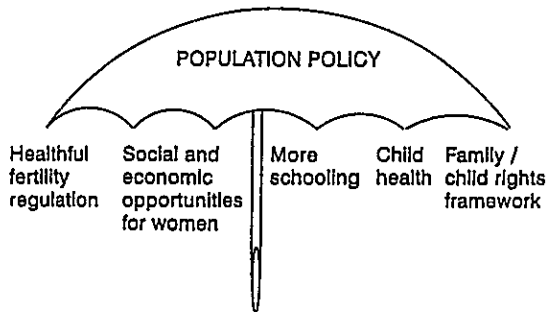
There are 45 million 12-year old girls in the South. What happens to them in the next ten years will determine the quality and dignity of their lives and could reconfigure fertility and ultimately world population patterns.

Slide 14. MEDIAN AGE AT MARRIAGE BY LEVEL OF FEMALE EDUCATION



Increased female education raises the age of marriage

Slide 15.



Slide 16. Key Elements of Broadened Population Policy

- Healthful, high quality fertility regulation ^{contraception} _{safe abortion}
- Increasing school attendance and completion rates, especially for girls
- Family and environmental health programs that improve child survival, involve men and women in child health efforts
- Out of school training, livelihoods, community participation and opportunities for girls/women
- Family policy which promotes delayed, voluntary marriage, shared responsibility for children between parents

Slide 17. Evaluation: A Broader Set of Indicators

#1

- Proportion of individuals whose fertility goals are being met in a healthful manner (H.A.R.I.)*
- Child health indicators
- Male/female literacy and school completion rates
- Maternal mortality: overall level and component parts (heightened attention to safe abortion)

* For more information about H.A.R.I., see Jain, Bruce, 1993.

Slide 18. AREAS OF IMPACT

Measures	Eliminate Unwanted Pregnancies	Get to Two	Change Pace of Childbearing
Improve Services	✓		✓
Increase Male Participation in Services	✓		✓
Reach Young People w/ Sex Respon. & Equality Msgs.	✓	✓	✓
Enhance Women's Livelihoods		✓	✓
Improve Child Health and Survival	✓	✓	✓
Legal Frameworks: Equalize MF Rights & Respon.	✓	✓	
Raise and Enforce Legal Age of Marriage		✓	✓
Reverse Neglect of Young Women (Ages 14-24)	✓		✓
Reform Participation Programs	✓		✓

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「ODA40年—新しい平和と繁栄に向けた我が国の貢献」

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