Participatory Development and Good Governance
Report of the Aid Study Committee

March 1995

Japan International Cooperation Agency

This report is based on the discussions and findings of the Aid Study Committee on Participatory Development and Good Governance organized by the Japan International Cooperation Agency (JICA). Opinions expressed in the report are those of the members of the Study Committee and do not necessarily reflect those of JICA and of its affiliated organizations.

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Foreword

This report is the culmination of more than a year's discussions and studies by the Aid Study Committee on Participatory Development and Good Governance commissioned by the Japan International Cooperation Agency (JICA) and established in February 1994.

It was no easy task to link two different concepts like participatory development and good governance and then to study their conceptual relationship to official development assistance (ODA). The study committee first studied how Japan should interpret the two concepts, then discussed how they should be reflected in Japan's ODA planning and implementation. Good governance, in particular, is a concept which has yet to be defined academically and therefore the discussions focused mainly on how to conceptualize good governance concepts as well as the participatory development approach in foreign assistance.

The study committee also clarified certain basic perceptions with regard to development's ultimate objectives. We bore in mind first that development should give rise to a process of sustainable, self-reliant development in developing countries and contribute to realizing social justice. To achieve these objectives, we stress awareness of the importance of participation, concluding that it was essential for those involved in development to participate actively and substantially in diverse types of development activities and to benefit from development. In short, participatory development's basic approach is to improve the quality of people's participation in development by enhancing their social skills and to link to the realization of sustainable, self-reliant development and social justice. This approach led to the report's recommendation that the degree to which ODA contributes to improving people's social capabilities should always be borne in mind as a basic perception in the implementation of Japan's ODA.

Good governance has two aspects. One is the capabilities of effective and efficient governments, i.e., their institutions, administrative abilities and the form of their administrative mechanisms, which are the basis for promoting participatory development. Specific assistance directed at this aspect might, for example, address institution building and the establishment of basic legislation and systems to facilitate strong commitments to participatory development by developing governments themselves.

The second aspect of good governance is the basic orientation of a nation state in terms of the government's legitimacy, accountability to the people, and securing of human rights. Good governance is judged, in other words, by whether or not the state attempts to make itself more democratic. In the context of the second aspect, the selection of specific features and modalities of democracy is rightly left to the people and government of the country concerned. Accordingly, it should be Japan's basic approach to limit its ODA in the area of democratization to the enhancement of government capabilities, which are the basis for democratization.

Thus, this report strongly recommends that Japan base its action on dialogue with developing countries and seek to understand and respect differences in values regarding political democracy and the diversity and uniqueness of societies, cultures, and traditions.

Lastly, I would like to express my gratitude to all of the many people who helped compile this report: the members of the study committee, who grappled so earnestly with new concepts; the Economic Cooperation Bureau officials of the Japanese Ministry of Foreign Affairs, who participated in the discussions; and the JICA development specialists and other staff who made up the task force.

I sincerely hope that this report will help to further improve Japanese ODA and to ensure its more effective implementation.

Hideo Oda,

Chairperson,
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Summary

This Report in Brief

Any debate over "participatory development" and "good governance" is inseparable from the end of the Cold War, the "lost decade" of the 1980s, and evolving discussions over development strategies from the economic growth orientation of the 1950s to the structural adjustment and sustainable development of the 1980s. Since the Cold War's end, donor countries have come to demand that development aid be more effectively and efficiently implemented and started to seek new aid strategies capable of garnering the support of their people and of replacing the strategy based on East-West ideological conflict. There is growing awareness that in order for aid to have visible effects, to protect human rights, and to promote democratization, donors must become actively involved in reforms of developing nations' political systems, policies, and implementing structures. The period since the 1980s has seen a global trend toward political democratization and pluralism, economic liberalization, and transitions to a market-oriented economy, although varied from country to country and region to region. In this light, increasing attention has come to be paid to the importance of broader people's participation.

In December 1989, the Organization for Economic Co-operation and Development (OECD)'s Development Assistance Committee (DAC) released a "Policy Statement on Development Co-operation in the 1990s." It cited sustainable development, concern for the environment, and participatory development as the most important issues on the development aid agenda for the 1990s. Addressing the importance of participatory development, it states that stimulating productive energies of people, encouraging broader participation of all people in productive processes, and a more equitable sharing of their benefits, must become more central elements in development strategies and development cooperation.

This strategy is premised on four essential approaches: i) investment in human resources in the broad sense, including education and training, meeting the needs for food and health care, and efforts to eradicate AIDS and narcotics problems, ii) strengthening of political systems, government mechanisms, and legal systems in which democracy and respect of human rights are secured, iii) effective use not only of central governments, but also of local organizations

and self-government, nongovernmental organizations (NGOs), and the private sector, and iv) the establishment of open and competitive market economy structures to mobilize individual initiative and dynamic private enterprise.

This document is the report of our study on many related questions in the context of this international debate: i) Why is it necessary to incorporate the concepts of participatory development and good governance into the implementation of Japan's aid to developing countries? ii) How should they be incorporated? iii) What should be taken into account in the actual process of aid planning and implementation? iv) What specific types of aid will promote participatory development and good governance in developing countries? v) What are the relevant challenges and points to be borne in mind when implementing aid?

What is participatory development?

The objective of economic and social development in developing countries is to set in motion a process of self-reliant and sustainable growth through which social justice can be achieved. Development within a developing society aims, we believe, at building into society the mechanisms that will ultimately permit self-reliant growth without foreign assistance, at sustaining stable growth patterns for economic development in harmony with the environment, and at providing equal and appropriate opportunities to take part in development to overcome income gaps, regional disparities, and inequalities between men and women.

For this to be possible, the central focus of development is not necessarily to boost production of material goods; instead, it should be to foster and enhance people's capability to have a role in their society's development. To this end, people should be willingly involved in a wide range of development activities, as agents and beneficiaries of development. It is this participation that is important. We believe it is needed both as a goal and as a tool of development.

Our study committee regards participatory development as an approach to development that is designed to enhance sustainability and self-reliance and to achieve social justice through improvements in the quality of people's participation. For us, the focal point of participatory development should be the qualitative enhancement of participation in local societies which can be defined as groups of rural communities and as administrative and developmental units.

The government-led development approach adopted by many developing countries beginning in the 1950s and 1960s was, on the one hand, effective and efficient as a method of planned and concentrated investment of scarce resources into industry. Given insufficient participatory capabilities of local people and local societies, however, it tended on the other hand to put the intended beneficiaries of development—these very local people and societies—in a passive position. This government-led approach to development left intact, or even widened, deep-rooted problems including economic and social disparities between social classes, between genders, between regions, and between urban and rural areas, in effect reinforcing the position of the classes and regions that benefited from development. Regrettably, this has undermined and counteracted the effectiveness and sustainability of development projects—and of development itself.

Participatory development is not an attempt to replace the top-down development approach with a local-community-led approach. Rather, it is a viewpoint that simultaneously stresses the need for the government-led approach in terms of national-level economic planning and coordination of development planning and the demerits of widening disparities and worsening poverty inherent in that approach when used alone. Participatory development attempts to introduce a bottom-up style of development in order to remedy the government-led approach's shortcomings, specifically by focusing on qualitative improvements in local society's participation.

This participation must not be transient; it must entail the sustainable upgrading of participation quality. For this to happen, the underlying conditions must be met to facilitate the long-term process of participation and its self-reliant sustainability. The long-term process of participation cited here is: raising the awareness of local people, forming community groups, upgrading their requisite resource management abilities, and creating norms or internalizing their mechanisms, and improving capabilities for external negotiations. The shaping and planning of this participatory process requires both a long-term vision and a willingness to selectively improve and bolster traditional community systems as tools of development. Support from NGOs is needed to help accumulate the organizational learnings and experiences of local groups and to train leaders.

To create the conditions for promoting sustainable participation, governments must create and adapt basic legislation and institutions that guarantee political and economic freedoms as well as strive to meet a broader range of basic human needs (BHN: food, housing, health and medical care, education, etc.). Governments also need to relax regulations in order to remove obstacles to economic participation, improve financial management, build infrastructure, and train business people and entrepreneurs. These are important components of good governance (discussed below), which is the basis of participatory development.

What is good governance?

As the basic premise for discussing good governance, this study committee has decided to define governance from its functional aspect: whether governments achieve their stated objectives effectively and efficiently? We regard "good governance" as such that should help countries to achieve sustainable and self-reliant development and social justice. Good governance can therefore be understood as comprising two concepts: the ideal orientation of a state that works best to achieve self-reliant and sustainable development and social justice; and the ideal functioning of government that operates most effectively and efficiently.

The key point of the former, i.e., the ideal orientation of a state, hinges on whether the state's basic attitudes are democratically oriented. Elements contributing to this include, for example, the legitimacy and accountability of the government, the securing of human rights, local autonomy and devolution of power, and civilian control of the military.

The latter, the functioning of the government, depends on whether a government has the requisite political and administrative structures and mechanisms and the capability to function effectively and efficiently. Elements contributing to the latter concept of good governance include the basic laws and institutions of a nation, the administrative competence and transparency, decentralization of its administration, and the creation of an appropriate market environment; all of these are needed to support people's participation in every aspect of politics, the economy, and society. These are therefore necessary components of good governance as "the government functioning as the basis for participatory development."

The relationship between participatory development and good governance

Participatory development and good governance are related in the following way: participatory development, with its central focus on raising the quality of participation by local societies and thus better achieving self-reliant and sustainable development and social justice, is one important form of people-oriented development. Good governance is the foundation of participatory development inasmuch as it provides the government functions needed to promote participation and create the environment in which participatory processes take place.

Yet good governance as a function of government does not refer solely to support for participatory development: as participatory processes evolve, good governance develops into such functioning that supports wider and more mature people's participation. In this sense, participatory development promotes good governance in its turn. The projection of the concept of good governance onto the national system — an orientation of a state — then progressively boosts people's trust in their government, inasmuch as, through good governance, government services improve in effectiveness and efficiency. Thus in the long run, good governance evolves into stronger aspirations for further democratization. The strength of a state's desire for democracy also influences the process of formation of political and administrative structures and government's capability to translate this national stance into action. In turn, this, too, influences the evolution of participatory development. Participatory development and good governance are consequently interrelated, as are the two component elements of good governance, the ideal orientation of the state and the ideal functioning of government. (Cf. Figure 1.)

How should participatory development and good governance be made a part of Japanese ODA?

Participatory development and good governance should not be added as a new field of Japanese ODA but should underlie all aid as part of its conceptual basis.

A tide of political democratization and economic liberalization based on competitive principles has been sweeping the world and stimulating, in its wake, the drive toward a new role for government. A shift is also occurring in

development strategies, away from a single focus on economic growth and toward greater emphasis on sustainable development. Many countries, moreover, are becoming aware (albeit to varying degrees) of the need to provide opportunities for broader participation as a complement to government-led development approaches. Yet in consideration of the present widening disparities in developing countries such as those between the rich and the poor groups of society, it is necessary to review past methods of promoting economic and social development in developing nations.

The points to examine are namely: i) whether local societies, the assumed beneficiaries of development, have adequately reaped the rewards, and whether the capability of local people and communities to participate has been fostered in such a way as to compensate for the deficiencies of the government-led approach, ii) whether arrangements within the framework of top-down decision making and the government functions that support it could have worked to narrow gaps and promote participation by local societies, and iii) whether development aid has stimulated developing countries themselves to remedy the distortions at their roots.

Japan's aid projects have been implemented in a wide range of fields and are producing tangible results. These projects have involved the cultivation of human resources, for development practitioners and leaders engaged in development tasks in developing countries, improvement of social services, and infrastructure building. More recently, they have expanded to include areas recognized as being especially important in development: environmental conservation, the rectification of regional disparities, and the fulfillment of basic human needs (BHNs). In order for Japan to ensure that its development aid takes root more firmly and contributes more significantly to the realization of social justice and sustainable and self-reliant development by developing countries in the future, it is important for Japan to include the concept of participatory development in the scope of its aid and to implement aid in such a way that developing nations' governments promote participatory development voluntarily and are capable of carrying out good governance.

In other words, it is extremely important to clarify how the results of development projects have contributed to human development in aid planning, implementation, and evaluation. To clarify this, it is necessary both to strive to more accurately understand the economic and social conditions and needs of

the intended ultimate beneficiaries and reflect them in aid planning and implementation and to give support for the building of community organizations and institutions to enable more people to take advantage of aid achievements and participate in development themselves at the local and regional level. It is also important to assist recipient governments to create organizations and institutions that will enable them to promote policies that improve people's social capabilities. Aid to strengthen the public sector must create the structures and foster the competence needed by governments to assume roles as effectively and efficiently to promote their people's broad-based capabilities and to respond to the people's expression and will.

Basic perceptions of participatory development and good governance in Japanese ODA

Japan's basic aid philosophy, which is based on previous efforts made at Japanese project sites and concepts basic to Japanese aid in the ODA Charter approved by the Japanese cabinet in June 1992, are summarized in the following four points:

(1) Japan's ODA must seek to improve economic and social capabilities for people as agents of development through broad-based participation in aid implementation in developing nations (the participatory development approach). Aid aiming at social justice and at ensuring the sustainability and self-reliance of development is aid that will build the foundations for democracy in developing countries.

(2) As stated clearly in the ODA Charter, aid must respect developing countries' ownership of development by assisting their self-help efforts. That is why it is extremely important for development to be conducted through aid recipients' own initiatives and capabilities. For this to be possible, it is necessary to provide aid to the point where governments can better equip themselves to promote their own participatory development. At the same time, aid project goals must be set with an awareness of the degree to which inhabitants, local communities, and other independent organizations are taking part in development and how much progress has been made toward such participation.

(3) In light of the historical, social, and cultural diversity of developing countries, the ideal form of democracy will not be the same for each developing nation. To promote democratization, it is therefore necessary to be aware of the differences in initial conditions, pace, and methods of development. It must also be realized that a country's democratization should be realized by its people, at the pace and in the manner decided by its people. For this reason, Japan's aid must focus on building the foundations of democratization in developing countries through aid to promote participatory development and encourage good governance.

(4) In order to incorporate participatory development and good governance into aid, Japan must fully understand the individual diversity of cultures, traditions, and social structures of communities in developing countries and respect beneficiaries' initiatives. It must be understood that the effects of enhancing people's sustainable participatory capabilities and of government services do not become visible in the short run. In order not to impede development's sustainability and self-reliance in pursuit of short-term aid efficiency, aid schemes and systems must incorporate a long-term perspective and flexible values.

Promoting democratization, securing human rights, and reducing excessive military expenditures

The ODA Charter advocates as a basic principle of aid the paying of careful attention to recipient nations' democratization, securing of basic human rights and freedoms, and trends in military expenditures. How should Japan's aid respond to these points from the perspective of participatory development and good governance?

It is vital for developing countries to build a basis on which to promote more genuine democratization, respect for human rights, and reduction of excessive military expenditures. In accordance with its ODA Charter, Japan must continually bear in mind democratization trends in a developing nation as a whole and operate positive and negative linkage, as it has in the past. At the same time, it must carry out "promotional aid for democratization" to support the building of a basis for democratization and more effective responses to encourage developing countries to promote democratization themselves.

Promotional aid for democratization aid refers to Japanese constant support for the construction of an appropriate basis for contributions to promotion of democratization, securing of human rights, reduction of excessive military expenditure, etc., that are tailored to that country in line with Japan's approach to participatory development and good governance. As we will explain later, this is done both through aid to promote participatory development in recipient countries and through aid to promote good governance for the basis of participatory development.

How Japan should implement aid for participatory development and good governance

In order to discuss specific Japanese ODA programs to support participatory development and good governance in developing countries, it is necessary to distinguish the parts that should become objectives of aid in the framework of Japan's ODA from the aid specifically designed to promote participatory development and good governance.

Japan's development aid objectives have two aspects, one focusing on economic and social development, the other on democratization. We believe that Japanese aid, the product of these objectives, should contribute to recipients' self-reliant and sustainable development and greater social justice; it should also contribute to the formation of a state whose legitimacy derives from the people's will, while securing for human rights, accountability for state actions, and the potential for achieving devolution of power.

In other words, Japan should conduct aid for ensuring participatory development and good governance with the goal of realizing sustainable, self-reliant development and social justice and as a step toward fostering equal opportunity for participation and the people's well-being, i.e., laying the basis for democratization (cf. Figure 2).

Three specific types of aid are needed to achieve these aid objectives: i) aid to promote participatory development, ii) aid to promote good governance as the basis for participatory development, and iii) aid for good governance to promote democratization.

The first category, aid to promote participatory development, consists of three subcategories of goals. The first consists of strengthening people's groups and other grassroots organizations that form the basis for participation and

establishing and enhancing their own production and development capacity, independent management abilities, and skills in external negotiations. The second is to amplify the self-reliant capabilities of socially disadvantaged people, including rural and urban poor, who more than any other group tend to be excluded from development, by improving their access to basic education and creating job opportunities. The third is to promote recipient governments' potential for participatory development, i.e., their competence and willingness at the central and local government levels to listen to the voices of local people and increase their opportunities for participation.

The second category, aid to promote good governance as the basis for participatory development, has five subcategories of goals supporting good governance needed to secure the resources and opportunities for people's participation that underlie participatory development: i) establishing laws and institutions, ii) strengthening administrative competence, iii) clarifying and ensuring the transparency of administrative responsibility, iv) promoting decentralization, and v) building a market environment.

The components of the third category, aid for good governance to promote democratization, vary depending on the directions, speed, and process of democratization chosen by the country; it should not be the imposition of "democracy" under external pressure. Here, we are thinking about aid to back up democratization efforts when a specific developing country has identified institutional and political transitions aimed at the achievement of democratization through, for example, the resolution of a civil war or the introduction of multiparty system, and has directly requested aid for that purpose. Three aid goal subcategories are conceivable: assistance in establishing electoral systems, stronger protection for human rights, and the establishment and strengthening of freedom of speech and the press.

We have compiled here (on pages 54 to 61 of this report) some examples that can be referred to in the formulation of specific aid programs in accordance with the three above-mentioned aid categories.

Given the diversity of developing countries, it would be impossible for every conceivable type of aid to be fully covered by these sample programs; in some cases, different programs of aid need to be integrated simultaneously, instead of responding to a need through a single program one by one. Some countries may indeed no longer require the types of aid mentioned in these

examples. Individual consideration therefore is necessary to determine which actual aid programs should be selected or combined and in what sequence they should be implemented in the relevant developing country in accordance with its initial economic, social, and political conditions and the stage of people's participation in its development.

Issues and considerations in aid implementation

The following issues and considerations should be examined in connection with the incorporation of the above-described basic perceptions into Japan's ODA and the provision of specific types of aid:

(1) Emphasis on dialogue between developing countries and other donor nations and organizations,

(2) Establishment of a basis for strengthening ties with local NGOs,

(3) Consolidation and application of Japan's experience in good governance,

(4) Development of standards and methods for evaluating participatory development and good governance aid,

(5) Monitoring and information gathering about democratization trends in recipient nations to implement aid in accordance with the basic principles of the ODA Charter,

(6) Training of participatory development and good governance staff,

(7) Promotion of more open Japanese ODA implementation structures,

(8) Improvement and application of Japanese ODA implementation methods designed to support local residents' self efforts toward participatory development,

(9) Introduction of social analysis to promote participatory development in the aid project cycle.

The structure of this report

This report is composed of three chapters. The first explores the background to the international debate over participatory development and good governance; it also summarizes the aid policies and approaches to participatory development and good governance that Japan has employed thus far.

The second chapter brings together the concepts needed in order to introduce the concepts of participatory development and good governance into Japanese ODA and summarizes the basic perceptions and framework used in the provision of Japanese ODA.

The third chapter studies specific types of aid for promoting participatory development and good governance in developing countries and issues and considerations in Japanese ODA implementation relative to the implementation of those types of aid and the introduction of the basic aid perceptions described in Chapter II.

Figure 1 Relationship between participatory development and good governance

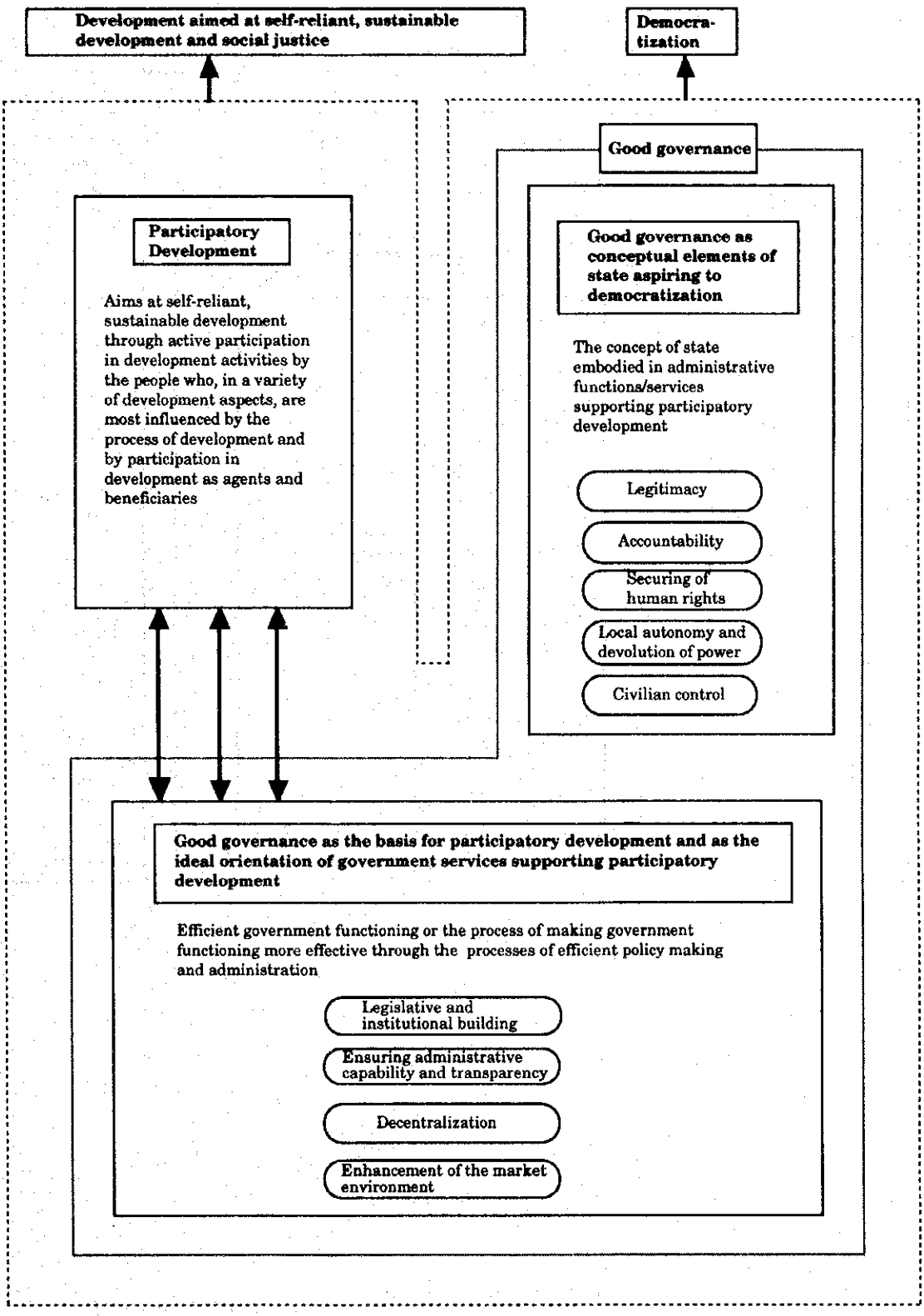
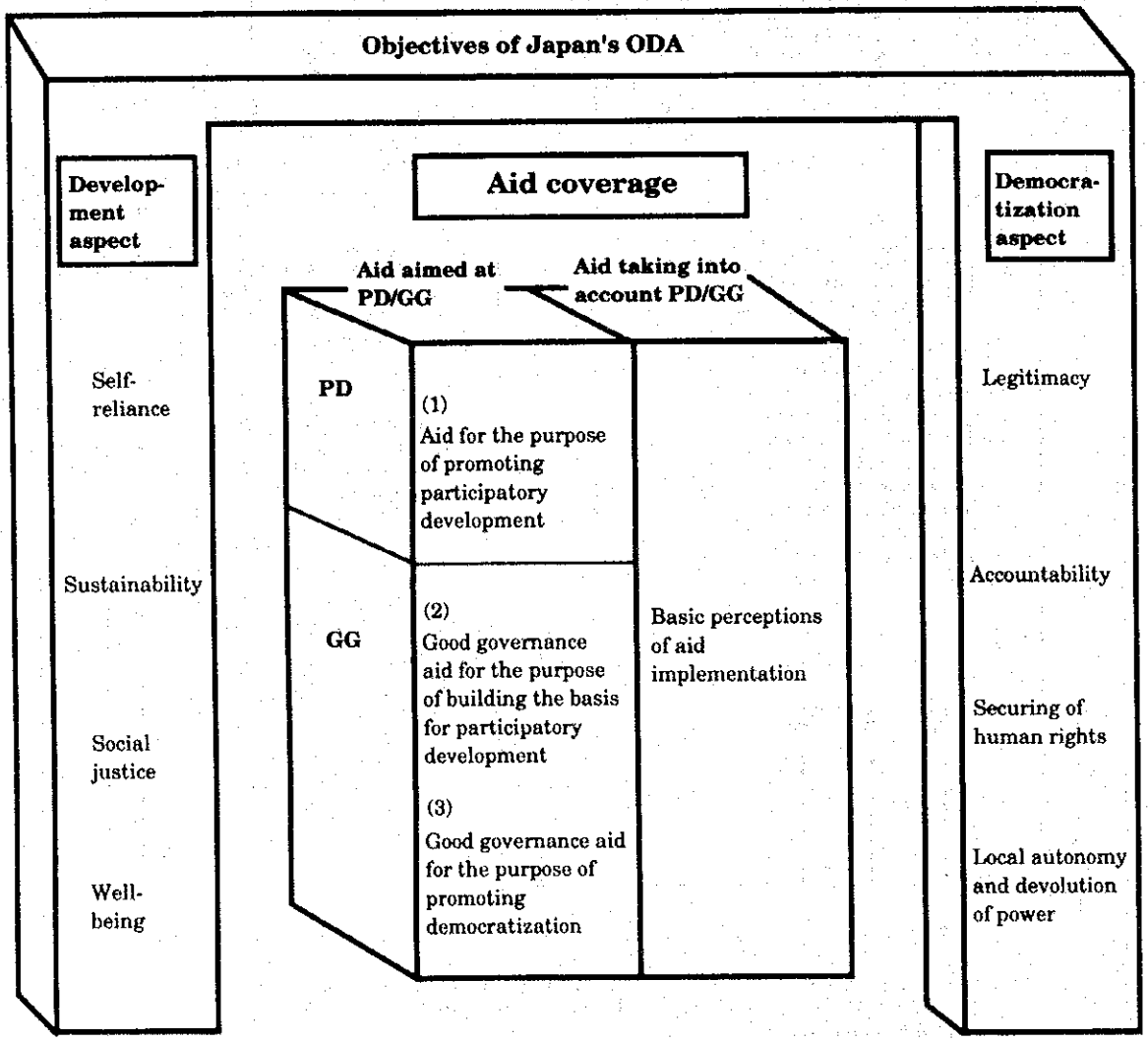


Figure 2 Comparison of coverage between participatory development (PD) and good governance (GG)



Chapter I Debate Over Participatory Development and Good Governance: Background and Present Situation

This chapter describes the background to the international debate over participatory development and good governance, the substantial issues of that debate, and how assistance has been undertaken thus far by Japan.

1. Background

The debate over participatory development and good governance, which has rapidly drawn so much attention in recent years, is inseparable from discussion of changes since the end of the Cold War in major advanced countries' assistance to developing nations and the evolution of development strategies since the 1950s. Amidst such worldwide trends as political democratization, economic liberalization, and transitions to market-oriented economies since the late 1980s, participation has been regarded as a key factor in development assistance.

This section addresses changes in the international situation that affect assistance to the developing world, changes that affect "participation," and the evolution of the debate over participatory development and good governance among major donor agencies in the Development Assistance Committee (hereinafter referred to as "the DAC") of the Organization for Economic Co-operation and Development (OECD).

1.1 Changes in the International Situation Affecting Assistance for Developing Countries

1.1.1 Changes in the status of development assistance after the lost decade of the 1980s and the end of the Cold War

The period from the mid-1960s to the 1970s was a time when almost all developing countries achieved some, in certain cases very gradual, economic growth. Due to the oil crises and falling primary commodity prices in the 1970s, however, economic gaps among developing countries became noticeably wider beginning in the 1980s. While for East Asian countries the 1980s were a period of stupendous economic progress, for countries in Latin America and Africa this was a "lost decade." These countries in the latter group saw their

economic growth rates fall, to negative figures in some cases, due to cumulative debts and falling primary commodity prices.

On the aid donors' side, rapid changes in the international situation from 1989 to 1991 led ultimately to the end of the Cold War. With this, the premise for strategic aid that existed under the Cold War power structure collapsed. The West could no longer justify its strategic aid as a means of ensuring its own security. In addition, economic stagnation in Africa and Latin America made people in donor countries realize that development assistance was falling short of its anticipated targets. This cast doubt on the efficacy of aid programs and led donor nations to scrutinize their ODA offerings more closely.

Nor can it be overlooked that funds for development assistance are no longer as available as before. Donors other than Japan are experiencing "aid fatigue," especially since the end of the Cold War. There is mounting skepticism as to whether or not assistance is truly helping, and a growing tide of opinion that improvement of economic and social conditions in donors' own countries should take precedence over assistance to other countries. Consequently, though the demand for aid has become greater with the appearance of new recipients such as countries in Central and Eastern Europe and the New Independent States and with mounting concern for environmental protection and other causes, no further increase in funds from aid-fatigued donors can be expected.

Against this background, advanced countries providing funds for aid have come to demand that their limited resources be put to more effective and efficient use and that they respond to the initial goal of helping developing nations to develop. In other words, emphasis has been put on whether developing countries have aid-absorbing capacity proportionate to the aid provided, whether they have systems capable of using aid effectively, and whether the fruits of development are being made available to the people who need aid.

In the framework of the Cold War, aid donors in the West tended to regard democratization and the introduction of a market-oriented economy as something conceptually antithetical to socialism, communism, and planned economies. In the implementation of aid, little attention was paid to how aid recipients actually applied democracy and market economy mechanisms, provided they belonged to the Western camp. In the post-Cold-War era, it has come to be recognized, however, that an important function of aid is to support

political reforms, such as promotion of democracy and protection of human rights, that had received short shrift during the Cold War, both in order to implement development aid more effectively and efficiently and in order to establish new aid strategies replacing East-West ideological conflict to obtain citizens' consent on foreign assistance[1]. In other words, while involvement in developing countries' political systems and mechanisms was previously regarded as interference in other nations' domestic affairs, awareness has grown that donors' active involvement in the policies and the implementing structures of developing countries must be allowed as a precondition for providing development assistance.

In the early 1990s, advanced Western nations began advocating in a variety of forums the promotion of principles of freedom and democracy. Their proposals vary widely in nature, but can generally be said to advocate multiparty democracy, pluralism, and a market economy as indispensable elements in order to achieve sustainable development and social justice[2]. These elements have come to be regarded as important components to be considered for the provision of ODA to developing nations.

1.1.2 Changes in development strategies: From theories emphasizing economic growth, redistribution of wealth, attention to basic human needs, and structural adjustments to the debate on participation

Since the 1950s and the 1960s, when many Asian and African countries became independent, the debate over development strategies in developing

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1 U.S. President Jimmy Carter's human rights diplomacy and Scandinavian countries' humanitarian aid in the 1970s are some examples of aid that took the human rights of the poor into account even during the Cold War. The United States identified support for democratization as one of its priority areas and a universal principle of development aid beginning in 1990.

2 Paragraph 6 of the communique released by the OECD ministerial level meeting in 1991 defines aid as something that actively assists the transition to democracy, respect for human rights, and a competitive market economy at the same time as it assists developing regions to break out from the poverty they face as they undergo economic adjustments. The political declaration of the 1992 Munich Summit, in the section on the formation of a new partnership, also issues an appeal for these principles, stating "since the last meeting further dramatic changes have accelerated progress toward democracy, an economy based on market principles, and social justice. Already the way has been opened to a new partnership of shared responsibilities, both in the united Europe and in the Asian and Pacific region as well as in other parts of the world. We are entering an era where cooperation is taking the place of conflict. In this new partnership, the world's development will progress as shared values take root based on the principles of political and economic freedoms, human rights, democracy, justice, and the rule of law."

The new European Bank for Reconstruction and Development, launched with the signing of an agreement in May 1991, states in Chapter I, Article 1 (Objectives), of its Articles of Incorporation, that its aim is by contributing to economic development and reconstruction to promote transitions to open-market-oriented economies and the spontaneous activity of the private sector and entrepreneurs in countries in Central and Eastern Europe that are committed to and are applying the principles of multi-party democracy, pluralism, and market economics.

countries has undergone considerable evolution. The debate over participatory development and good governance is also situated within the development strategy context.

(1) Strategies for economic growth

The debate about economic growth promoted during the United Nations' Development Decade in the 1960s defined development as economic growth and industrialization. To achieve rapid industrialization, developing governments were expected to put resources under their own control by, for example, establishing state enterprises, and to shoulder responsibility for their own growth. This approach was adopted in many developing countries. Foreign aid's objectives were to make up for developing countries' savings and foreign currency reserve shortages, to provide them with the funds needed to improve their economic infrastructures, and to offer the technical cooperation they needed to industrialize. It was also believed that, although the outcome of economic growth would be concentrated in one part of the society at first, the payoffs of economic growth would eventually trickle down and spread to all the people. However, neither economic growth, nor industrialization, nor large-scale agricultural development succeeded in eliminating poverty, starvation, and other problems; to make matters worse, they brought about new problems in countries receiving aid: widening income gaps and regional disparities, unemployment, and environmental pollution.

(2) Strategies for growth, redistribution, and basic human needs

Beginning in the 1970s, one idea gained dominance: social justice and economic growth should be targeted simultaneously, since growth that widened gaps between rich and poor did not lead to medium- or long-term stability. The United States Agency for International Development (USAID), the World Bank, and the International Labor Organization (ILO) proposed development strategies that replaced the previous focus on economic growth by attempts to redistribute wealth while, for example, promoting rural development that directly targeted the poor, and by greater emphasis both on adequately meeting basic human needs (education, health care, sanitation, food, etc., which until then had been

neglected in aid programs) and on promoting labor-intensive job creation[3]. The DAC, too, took a new tack, placing as much emphasis on BHN as on economic growth and industrialization.

The concept of "community participation" was born from this development strategy evolution: the intended beneficiaries must participate actively in development projects' planning and implementation to better enable them to lastingly run rural development, family planning and public health, education, income boosting, and housing projects. Specific examples of community participation include operation of irrigation facilities by local residents and housing construction in slum areas with residents' collaboration.

Criticism of the economic growth line of the 1960s led to the birth of a new concept: poverty in developing countries was caused by the advanced-nation-centered world economic order, and developing nations' macroeconomic participation in the world economy ought now to be promoted by stabilizing trade terms and conditions[4].

(3) Structural adjustment

Oil prices and most other prices went up after the second oil crisis in 1979, as did international interest rates. As a global economic recession ensued, low primary commodity prices caused non-petroleum-producing developing countries to rapidly run up huge balance of payments deficits. Ballooning fiscal deficits began to strain the management of many developing countries' economies. Worsening budget constraints made it almost impossible for developing countries to continue to allocate money for basic human needs and other social services. The foreign debts of many developing nations, especially

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3 In accordance with the Foreign Aid Act of 1973, USAID specifically states its main aim to be attention to basic human needs, identifies its approach as "poor-targeting" to ensure that aid reaches the poorest segments of the population directly, and cites participation by beneficiaries in each stage of development aid as necessary for that purpose. In the 1974 McNamara Report, the World Bank also regards fairer distribution of income and the means of production as important factors for sustaining and promoting development and proposes that priority financing be allocated to the regions with the most poor. Based on the World Employment Program it established in the late 1960s, the International Labor Organization spoke out at the World Employment Conference in 1976 to stress the importance of promoting job creation and the necessity of meeting basic human needs as political objectives. Amidst these trends, since the late 1970s moves have been visible, especially in international organizations, away from large-scale industrial and infrastructure projects toward small-scale job-creation-oriented projects that emphasize the development of appropriate technology, especially in Africa, and the promotion of rural development, the informal sector, and small-scale industry, which play significant roles in employment and the production of daily necessities.

4 This approach was advocated in the Declaration on the Establishment of a New International Economic Order proposed and adopted by the South at the sixth Extraordinary Session of the U.N., held at the request of the nonaligned nations in 1974.

those that relied heavily on raw material and capital goods imports, swelled as a result, and this caused serious debt crises in Central and South America, in Africa, and elsewhere.

The World Bank instituted structural adjustment programs in the early 1980s to deal with the critical debt problems facing so many countries. Its short-term objective was macroeconomic stability; its medium-term objective was to induce governments to exercise as little interference as possible in finance, trade, infrastructure, and the operation of state enterprises, etc., in their countries and instead to stimulate their economies through deregulation, privatization of state enterprises, and promotion of free competition among private enterprises. Until then, the World Bank had emphasized infrastructure building as the groundwork for economic growth. Its new policy marked a shift in the direction of promoting growth through macroeconomic stabilization and reform of economic macro-management in the public sector.

Policy reforms such as economic liberalization and tight-money policies carried out in the name of economic structural adjustment and imposed as the quid pro quo for obtaining structural adjustment financing did not, however, always have the intended effects. Planners began to think a course correction was necessary. For example, one of the problems caused directly by the structural adjustment program was setbacks, albeit temporary, in welfare services for the poor as a result of cutbacks in subsidies and spending on social services. Even the World Bank recognized that it had to keep the poor in mind when granting structural adjustment financing and strive to lower the social costs of adjustment by setting up social safety nets[5]. Other problems related to developing countries' capabilities and systems for formulating and implementing policies effectively can also be cited. The fair and efficient use of development funds was being impeded by systemic government corruption, lack of transparency in the policy-making process, absence of accountability, failure of policies to promote the private sector, neglect or inadequacy of legal procedures, and inefficient management of the public sector. It is now widely agreed that for sustainable development to be possible, predictable, transparent rules and systems must exist as a framework of activity by the public and

5 cf., World Development Report, 1990, etc. The World Bank has already begun to write social security improvements into aid plans.

private sectors[6]. From this was born the approach stressing good governance (emphasis on accountability, transparency of policy making procedures, and due process of law) as conditions sine qua non for aid—conditions that developing nations' governments were responsible for meeting[7].

(4) Sustainable development strategies

From the beginning of the 1980s, concern began to mount for the rising numbers of the world's people in abject poverty and the globally worsening situation of the environment. People now realize that most of the poor suffer from environmental destruction and that the problems of poverty and environmental destruction are interrelated. This is why the sustainable development approach has been proposed to preserve resources and the environment for the future generations that will inhabit the earth, to develop human resources, and to better meet basic human needs[8].

Sustainable development refers to "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." It contains two concepts. The first is "the concept of the essential needs (food, clothing, housing, and employment) of the world's poor, to which overriding priority should be given"; the second is "the idea of limitations imposed by the stated technology and social organization on the environment's ability to meet present and future needs." In other words, in order to realize sustainable development, it is absolutely essential to relieve the absolute poverty that oppresses so many who cannot even satisfy their most basic needs. Precisely because the poor are those who suffer the most dire effects of environmental destruction and contribute in turn to environmental destruction because of their poverty, the problems of poverty and the environment are closely linked, and renewed economic growth in the developing nations must be promoted actively and rapidly in order to alleviate these problems.

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6 Published in 1990 by the World Bank, Sub-Saharan Africa: From Crisis to Sustainable Growth: A Long-Term Perspective Study, analyzes the situation of these countries, concluding that not all were able to achieve adequate results from structural adjustment plans; their persistent economic stagnation stems from their inability to adopt stable macroeconomic policies, their insufficiency both of needed economic infrastructure and of public sector management capability, and the lack of transparency and inadequacy of their political decision processes. In particular, it points both to the need for alleviation of poverty, education, and better medical care, and to the necessity of organization and institution building to build human resources as the framework for development.

7 cf., Governance and Development, World Bank, 1992.

8 Our Common Future, the 1987 report of the Brundtland Commission (officially, the World Commission on Environment and Development) set up by special resolution of the U.N. General Assembly.

It is necessary to ensure justice in so doing, just as it is necessary to distribute the benefits of economic growth equitably. Sustainable development strategies must therefore include "views of human needs and well-being that incorporate such non-economic variables as education and health enjoyed for their own sake, clean air and water, and the protection of natural beauty." They must also bring within their purview the need to take into account in implementing development its effects on disadvantaged people living in geographical regions with fragile ecosystems.

In order to fulfill these basic aspirations through growth in the developing world, it is assumed that it is necessary "not only to create a new era of economic growth for nations in which the majority are poor, but to assure that those poor get their fair share of the resources required to sustain that growth. Such equity would be aided by political systems that secure effective citizen participation in decision making and by greater democracy in international decision making." Therefore sustainable development advocates both the meeting of basic human needs as well as the pursuit of social justice and the assurance of citizen participation as a mode of political decision making[9].

(5) Roles of beneficiaries and developing nation governments (participatory development and good governance)

As a result of ODA and other aid programs that have let NGO or other outside donors take over roles that developing countries' governments ought to be playing and have not fostered developing countries' capabilities to assume those roles themselves, in some cases, donors are unable after the initial aid period has expired to hand over projects to developing country governments and therefore unable to extricate themselves from an aid program commitment because the project is not sustainable. Donors have learned a lesson from this: it is difficult to carry out a sustainable project drawing on the self-reliance and initiative of developing nations if projects are rooted solely in humanitarian considerations and carried out solely under donor direction.

Since the 1980s, there has been growing awareness that an essential precondition for sustainable development is a strong determination to achieve development on the part of developing country governments and the beneficiaries themselves. Equally important is that they share the responsibility and take

9 Quotations in this section are from Our Common Future.

the initiative to bring about their own country's development[10]. Donors now increasingly agree amongst themselves that the governments of developing countries must take responsibility both for promoting broader political, social, and economic participation by their people and for building the organizational structures and physical infrastructure that will make this participation possible and further guarantee people's access to such basic services as education and health care in order effectively to take full advantage of participation. The donor consensus is that aid must be directed at helping recipient governments to achieve these aims.

Amidst the changes in development strategy outlined above, donors have come to emphasize harmony between growth and social justice, sustainable development, the role of beneficiaries, and, as the basis for this, developing strong determination towards and sense of responsibility for achieving development. These emphases provide the background that has given rise to the concepts of participatory development and good governance as elements of new strategies[11].

1.2 Global Changes Affecting Participation

1.2.1 Changes in the interpretation of participation in development aid

The word "participation" has long been used in connection with development aid. As mentioned in section 1.1.2, the importance of "community participation" began to be stressed in the 1970s. But the main emphasis on "community participation" in this debate was originally on improving the sustainability of individual projects by mobilizing the support of indigenous, local organizations and traditional technologies in developing countries.

Beginning in the 1980s, the importance of organization and of improving both the sustainability of development itself and people's development capabilities began to become apparent from experience with structural adjustment support and mounting concern for poverty and environmental

10 Second thoughts about how donors' development aid makes developing countries dependent and undermines their self-confidence as the primary organizations responsible for development projects is also visible in the recent international debate over technical cooperation (workshops to increase the effectiveness of technical cooperation held in 1994 jointly by DAC, UNDP, and the World Bank).

11 Participatory development and good governance first began to be talked about together at DAC meetings in the 1990s. cf., section 1.3 below.

issues[12]. There is an increasing recognition of the necessity not only of community participation in individual projects but also of widespread citizen participation in national development activities in recipient countries. This broad participation involves the alleviation of poverty through economic, social, and political action; the cultivation of the private sector; and the cultivation of a society where people are able to dissent or lodge objections against their government. It has also become increasingly understood that the government should play a major role in building the organizational and physical infrastructure that makes this participation possible. Thus from the late 1980s into the 1990s participation has undergone expansion from the microeconomic grassroots level to participation in politics, society, and the economy, but this should not be construed as mere expansion in scale; it is a shift in the very concept of participation.

1.2.2 The concept of participation in democracy and economic liberalization

Behind participation's conceptual shift lie the following contributing factors. First, since the late 1980s a general trend has been visible around the world towards greater democracy and political pluralism (though not uniformly): Witness the emergence of presidential and parliamentary elections one after the other under multiparty political systems in Africa and the cries for democracy from the burgeoning middle classes in Korea, Taiwan, and Thailand. Another general trend is evidenced by structural adjustment policies and economic reforms in China and Vietnam, and shifts to economic liberalization and transitions to market economies after the fall of socialist regimes in the Soviet Union and Eastern Europe.

In its original sense, democracy means equal participation by members of society in the processes of making and carrying out societal decisions. In contemporary democracies, however, it principally means guaranteed participation in the process of electing representatives. A problematic or controversial aspect of participation has emerged in recent years as the result of a spreading awareness that party politics is waning and that parliaments have lost their original function of representation. Forms of people's participation in politics have evolved: Not only do people take part in politics

12 cf., opus cit. Sub-Saharan Africa: From Crisis to Sustainable Growth: A Long-Term Perspective Study, "Good Governance and Development Assistance: A Background Paper" (DAC, March 1993), and Our Common Future.

via elections; with the rise of pressure and interest groups, they also take part in politics on a daily basis through antipollution movements and consumer campaigns. As seen by the participatory democracy trend, participation is again to be understood as something of core value in a democracy[13].

In theory, a market economy is a place where individuals and enterprises (economic agents) engage in competitive games of production and distribution of goods based on price signals (information) and may enter or withdraw as they like from the free market. The market operates on a decentralized basis, with each agent making its own decisions. The market is in this sense by nature a form of participation promoter. Insofar as the process of determining economic actions is left to individual economic agents, and insofar as economic liberalization policies such as liberalization of foreign trade and domestic deregulation weaken oligopolies and reduce vested interests' rent seeking (non-productive activities such as exerting pressure on government to protect corporate vested interests), they encourage more economic agents to participate through market mechanisms. In this sense, then, transition to a market economy and the trend toward economic liberalization are valuable as steps to ensure broader participation.

1.2.3 Diversity of participation and limiting conditions

Yet while participation has a central theoretical value in any democracy, the forms and degrees of political participation vary in practice, due to differences in cultures, traditions, and values among countries that have actually adopted democracy[14].

The same holds true in the economic realm. The maturity and environmental conditions in which markets are formed vary, even among countries that have adopted capitalistic free-market policies, due to their historical, social, and economic background, and participation in market economy activities exists in a great diversity of degrees and forms. In practice, feasible

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13 cf., the article on "participation" in Gendai Seijigaku Jiten (the Japanese Dictionary of Contemporary Political Science).

14 According to The Civic Culture, by G. Almond and S. Verba, political cultures are classifiable into three types: a parochial political culture, a subject political culture, and a participant political culture. Most cultures are in fact a mixture of types: in Great Britain, for example, there is a high degree of political participation, but differentiation of political roles of the subject political culture is at a low level. In the United States, a homogeneous participant political culture is the basis for advanced differentiation of roles. Thus participation can actually exist in many forms and vary in degree, depending on differences in the respective political culture, and some societies do not attach great value to participation itself. cf., the article on "participant-type political culture" in the Japanese Dictionary of Contemporary Political Science.

forms of participation are not uniform. They differ due to problems that surface within market mechanisms, such as monopolies and oligopolies, or an informal economy, arising from disparities in access to markets and information, in management capabilities of participating agents, or in scale of operations. They differ also in line with the status of government tax, monetary policies, and other complementary governmental measures designed to palliate these problems and in line with the interrelationship between conventional economic mechanisms that mediate as initial conditions.

Thus although broad people's participation is central to the values underlying the trend of democracy and economic freedom, extreme diversity of forms and degrees of actual participation is the rule. Thus it is good to bear in mind that no single form of participation can be used as a universal yardstick of democracy or as the hallmark of attainment of a healthy free economy.

The insufficiency of organizational or institutional frameworks may impede participation by certain segments of society. Then again, participation may engender conflicts of interests or cause new conflicts, and enormous amounts of time and money may be needed to build a consensus among the people involved. Together, these factors may make effective participation impossible in the short term. Hence efforts are necessary to make participants and organizations more aware of their responsibilities, to upgrade skills, to establish government legislative and institutional frameworks, and to build infrastructure. And this must be accompanied both by adequate understanding of ties with customary political and economic systems and by wider access to education, better legal systems, and improved administrative capabilities. Aiming at a certain specific form of participation is not a panacea that will establish democracy and a free economy; it is important to create the conditions for participation that is tailored to the specifics of the history and society of the country or region in question.

1.3 DAC Debate on Participatory Development and Good Governance

In December 1989, the DAC adopted a Policy Statement on Development Cooperation in the 1990s identifying sustainable development, attention to the environment, and participatory development as its highest priorities in development assistance for the decade. This was the first policy statement released to the international community where the term "participatory development" was used. On the importance of participatory development, it

says that stimulating people's productive energy, encouraging broader participation by all the people in the production process, and distributing profits more equitably must become central elements of development strategy and development aid. These efforts are premised on the following essential steps: i) investments in human resources in the broadest sense, i.e., offering education and training, providing needed food and health care, and fighting the drug problem and AIDS, ii) strengthening of political systems that guarantee democracy and respect for human rights and the government channels, laws, and institutions that support them, iii) mobilization of local governments, NGOs, and private companies, in addition to central governments, to achieve these ends, and iv) establishment of open and competitive market economy systems that harness individual initiative and private sector dynamism.

The DAC spent almost five years discussing this Policy Statement and summarizing the opinions and activities of donors, and reported its results in an orientation paper published in December 1993[15]. Bearing in mind the connections with development assistance, this paper summarizes principles and approaches and the current status of various donors' activities in accordance with specific action plans and underscores the need for regular review and exchange of information between donors in order to strengthen future ODA efforts in four independent areas: participatory development, democratization, good governance, and human rights.

Based on this orientation paper, the DAC set up an internal ad hoc working group on participatory development and good governance in May 1994. This ad hoc working group will carry out discussions where donors will exchange information about their experiences to permit practical feedback to the assistance field. It has identified five priority areas for discussion: i) legislative and judicial system reforms, ii) respect for human rights, iii) coordination among donors, iv) creation of participatory civil societies, and v) administrative decentralization; it plans to study these questions at meetings and workshops over the next three years.

15 "Orientation Paper for Participatory Development", DAC, December 1993.

2. Japan's Current Views and Assistance Relating to Participatory Development and Good Governance

2.1 Basic Approach

2.1.1 Policy on good governance

The ODA Charter approved by the Japanese Cabinet on June 30, 1992, states the following regarding good governance in the basic philosophy, principles, and priorities of aid.

(1) Basic philosophy

Japan gives official development aid (ODA) in order to play a role befitting its national power, on humanitarian grounds and from the standpoints of responsibility for environmental protection and awareness of the international community's interdependence. The charter states, "bearing these points in mind, Japan attaches central importance to the support for the self-help efforts of developing countries towards economic take-off. It will therefore implement its ODA to help ensure the efficient and fair distribution of resources and 'good governance' in the developing countries through developing a wide range of human resources and socioeconomic infrastructure, including domestic systems, and through meeting the basic human needs (BHN), thereby promoting the sound economic development of the recipient countries. In so doing, Japan will work for globally sustainable development while meeting the requirements of environmental conservation."

(2) Principles

Japan's ODA Charter cites four principles in aid implementation.

(1) Environmental conservation and development should be pursued in tandem.

(2) Any use of ODA for military purposes or for aggravation of international conflicts should be avoided.

(3) Full attention should be paid to trends in recipient countries' military expenditures, their development and production of mass destruction weapons and missiles, their export and import of arms, etc., so as to

maintain and strengthen international peace and stability, and from the viewpoint that developing countries should place appropriate priorities in the allocation of their resources on their own economic and social development.

(4) Full attention should be paid to efforts for promoting democratization and introduction of a market-oriented economy, and the situation regarding the securing of basic human rights and freedoms in the recipient country.

Each of these is related to the debate over good governance and is characterized in particular by addressing the issue of developing countries' military expenditures. This reflects the trend seen in the April 1991 official statement by the Japanese government on military expenditures in developing countries and Japanese ODA (the Four ODA Principles) and has as its background the awareness that growing spending on armaments by developing countries is a threat to world peace and stability.

(3) Measures for implementation

With regard to specific applications of the four principles in the ODA Charter, the ODA Annual Report 1992 states that it must be taken fully into consideration that the security environment, economic and social background, and other specific circumstances of developing countries differ. It states, in other words, that military expenditures and arms imports and exports should not per se be subject to such uniform, absolute yardsticks as total military expenditures or percentage of GNP devoted to military expenditures or measured at any one particular point in time. Military expenditures, etc., should be evaluated in the context of prevailing trends over an extended period. Similarly, with regard to democratization, it is inappropriate to impose Western political institutions and structures unilaterally and hastily on developing countries and immediately to subject aid to review if they deviate from Western norms. Developing countries' efforts to democratize must also be seen in the context of the prevailing long-term trend.

Bearing these factors in mind, Japan informs developing countries of the basic philosophy and principles of its ODA Charter, raising these issues with governments and seeking to reach an understanding with them on various occasions of policy dialog. Based on such understandings, the following two responses are being adopted in specific applications:

I) Positive linkage

When a clear improvement in the situation is observed in a developing country, in the light of the principles outlined in the ODA Charter, the Japanese government initiates or increases aid and thus encourages further improvements.

II) Negative linkage

Conversely, if and when unwelcome trends are observed in developing countries, the Japanese government recommends that remedial steps be taken, and if no improvement is seen in the situation, it suspends, reduces, or stops providing aid.

Boxes 1 and 2 relate cases in which the Japanese government has initiated or increased official assistance, and cases in which Japan requested an improvement in the situation in a developing country in accordance with the Japanese ODA Charter.

Box 1 Cases in which Japan has initiated or increased aid

All ODA to Viet Nam except humanitarian aid was suspended after Viet Nam's invasion of Cambodia in 1978, but when progress began to be seen in the Cambodian situation with the signing of the Paris Peace Agreement on Cambodia in October 1991, donors gradually began to resume aid. Japan followed suit in 1992, providing the first yen credit in 14 years. When Vietnamese Premier Vo Van Kiet visited Japan in March 1993, Prime Minister Miyazawa officially designated Viet Nam as one of Japan's top aid recipients and officially stated that Japan intended to cooperate actively to support Viet Nam's Doi Moi (economic liberalization and openness) policies.

Five central Asian states comprise an important region in the new post-Soviet-era international constellation; to assist these countries in their efforts to democratize and shift to a market economy, Japan has begun actively to appeal to donor nations to include these countries in their ODA programs. As a result, five central Asian states have been added to the DAC's list of developing countries in 1993 and Japan has begun to give them aid.

Mongolia is working to build a new state: In 1989, it began a program of reform and innovation dubbed Mongolia's "perestroika"; in June 1992, it held its first democratic elections; and in June 1993, it organized elections for a president elected directly by the

people. Japan is assisting Mongolia's efforts to break out of the economic straits in which the collapse of the old system left it, and has convened a Mongolian aid donor conference and appealed to other donors to offer cooperation aid to Mongolia.

After the establishment of a peace agreement, Cambodia held elections for a National Assembly in May 1993, which led to the adoption of a new constitution in September and the formation of a cabinet approved by the National Assembly in October 1993, inaugurating a National Government of Cambodia. Japan is actively aiding Cambodia and contributing to the formation of an international framework for Cambodia's support; a Japanese holds the position of chairperson of the International Committee on the Reconstruction of Cambodia (ICORC).

Box 2 Cases in which Japan has requested developing countries to take remedial measures

Japan has in principle suspended its aid to Myanmar, where pro-democracy demonstrations in 1988 led to turmoil and a military takeover; some projects that were underway before the coup d'etat and some forms of emergency and humanitarian aid are still under consideration on a case by case basis. Signs of amelioration were seen in January 1993 with the convening of the national assembly, but the change of power based on the general elections held in May 1990 being yet unconsummated, the general policy of extending no new aid until a satisfactory resolution has been reached remains in effect. Japan continues through diplomatic channels to exert pressure to effect change for the better in Myanmar.

In response to such problems as human rights violations, corruption, and lagging economic reforms in Kenya, donors expressed their concern at the World Bank Consultative Group Meeting in November 1991 and refrained from committing themselves to specific aid figures. Japan also cut off its assistance for balance of international payments for Kenya. [At the end of 1992, major progress was seen on the Kenyan side, with the holding of multiparty general elections, the establishment of a committee to prosecute corruption in the parliament, and the signing of an agreement with the IMF and World Bank on macroeconomic management, which led to the resumption of balance of international payments assistance in July 1993.]

In the case of Peru, the worst-case scenario—namely an aid suspension—was averted thanks to appeals by Japan and the international community, and the situation has taken a turn for the better. In 1992, President Fujimori announced the temporary suspension of the Peruvian parliament's activities and reorganization of Peru's judicial system in a series of emergency measures, upon which Japan expressed its concerns and its hopes that Peru's democratic institutions would be reinstated as early as possible. The Peruvian government responded to Japanese and other appeals by indicating at a meeting of the Organization of American States (OAS) the process by which it intended to restore democracy, including the holding of a constitutional convention election. [In July 1991, three Japanese agricultural experts who were working at the Vegetable Cultivation Technique Center were killed by a band of apparent terrorists. Japan withdrew all its experts and JOCV volunteers to protect them and continued aid only in forms that did not involve sending personnel. Full-scale resumption of cooperation is under study, pending an improvement in the security situation in Peru.]

In some cases, application of Japan's ODA Charter has evoked debate in Japan and overseas. For example, in China, there has been welcome progress in some areas, such as the accelerated transition to a market-oriented economy since 1992, though foreign countries are increasingly concerned about China's growing defense spending and nuclear testing. Japan has been assisting China, recognizing that to support reforms and openness contributes to China's stability and growth and thus to the peace and prosperity of the Asian-Pacific region. On the other hand, however, Japan has notified the Chinese government that it will implement ODA based on the ODA Charter principles, and has sought China's understanding in this regard.

2.1.2 Policies related to participatory development

Several elements of participatory development are mentioned but the term "participatory development" itself is not used in the ODA Charter. In Japan's ODA Annual Reports since 1990, however, the importance of participatory development has been mentioned in the following ways:

> "It is important in terms of the achievement of wide-ranging and effective development to give full consideration to individual initiatives, and to enable as many people as possible to participate in the development process. It is also important to ensure that all people benefit from development." (ODA Annual Report 1990)

"It is clear from past evaluations of Japanese aid projects that a project is more likely to be successful in terms of sustainability after completion if the participation of residents affected by the project is sought at the planning stage. The promotion of participatory development becomes even more important if we accept that the ultimate objective of development is to people living in the areas affected." (ODA Annual Report 1991)

The ODA Charter also states as measures for the effective implementation of ODA both cooperating with and appropriately supporting non-governmental organizations (NGOs); and giving full consideration to the active participation of women in development and to their obtaining benefits from development.

2.2 Japan's Assistance Concerning Participatory Development and Good Governance

In addition to applying the ODA Charter principles in the way ODA is quantitatively distributed, as described above, Japan has been providing assistance to promote participatory development and good governance in effective ways, though it has not always specifically identified the support for realizing participatory development and good governance as a primary project. Specific cooperation projects led by JICA, the Overseas Economic Cooperation Fund (OECF), and other aid programs are described below.

2.2.1 Improving administrative capabilities

Japanese ODA in this area consists mainly of bringing trainees to Japan for training, but Japanese experts are also sent overseas. Cooperation is classified as either affecting national administration as a whole or as affecting directly only selected areas of administration (environmental administration, labor administration, etc.); emphasis is laid on improving administrative measures and strengthening administrative officials' capabilities and behavioral norms. For example, no project is underway that contributes directly to reducing budget deficits or streamlining swollen government agencies as measures that are typical of the IMF's structural adjustment policies. Most training programs are relatively short workshop-style courses centering on presenting Japan's experiences and present status of development. The Seminar on Democracy and Good Governance in Japan, for one, is a group training course established in 1992 in response to growing interest in participatory development and good

governance. The course covers the general concepts behind democratic institutions—elections, multi-party systems, political institutions—and introduces Japanese systems.

Projects financed through loan assistance and designed with the objectives of training administrative staff and improving administrative services address needs in higher education as well as such specialized fields of administration as environmental protection and geographical data management.

2.2.2 Laying the foundations for a market economy

A great deal of cooperation is being carried out in this area, centering around the acceptance of trainees from developing countries and the sending of experts overseas. Most of the countries involved are located in Asia, but cooperation programs with Eastern Europe, Central Asia, Indonesia, etc., are growing. The fields covered range widely, from macroeconomic policy, small and medium business promotion, strengthening of financial systems, trade promotion, investment promotion, increasing the efficiency of distribution, quality control, increasing productivity, industrial standardization and measurement, establishment of property rights, etc.; assistance in these fields is being offered in a variety of ways, taking advantage of Japan's experience in economic development. Take, for example, the sending of experts overseas: Certain areas of experts are sent to two or more countries; this is an area where Japan has built up a critical mass of experience and has trained staff to carry out its ODA. Since 1993, using the "development studies" scheme, Japan has been carrying out studies designed to improve the Kirghiz Republic's bank settlement, help China set up capital markets, and help Egypt improve the management of its state railway.

Japan is also giving non-project-type loan assistance and grant aid to help developing countries introduce market-oriented economies, especially to improve their balance of international payments and fiscal balances. Loan assistance includes two kinds of structural adjustment financing—sectorial adjustment financing and sector program financing—designed to encourage reform of finance, industry, and agriculture and privatization of state enterprises. Grant aid is given to the least less developed countries (LLDC), most of which are located in Africa.

2.2.3 Decentralization

Japan's local governments possess expertise in environmental protection as well as in other fields, and people have been calling for the national government to enlist local government cooperation in international cooperative efforts in these fields; thus far, however, apart from transfers of technology in such fields as environmental protection, the few cooperation projects have addressed forms of and approaches to decentralization and local government administration itself. Decentralization, together with tieups between JICA and Japan's local government bodies, should be further discussed.

2.2.4 Participatory development

Thus far, there have been few examples of cooperation aimed specifically at assisting local community organizations, but a variety of schemes have incorporated grassroots organization into their plans: training programs in Japan, expert dispatch overseas, project-type technical cooperation, and Japan Overseas Cooperation Volunteer (JOCV) assignments. In Indonesia, the Integrated Agricultural and Rural Development Project in Southeast Sulawesi Province is an example of a project incorporating people's participation from the planning stage; its efforts are centered on coordination with NGOs, taking advantage of their capabilities to reach the grassroots level in the recipient country, and on the activities of overseas cooperation volunteers.

There are even fewer examples of grant and loan assistance in this area. There are scattered examples where grant aid linked to other forms of technical cooperation have been effective, but few cases where participatory development and good governance by themselves have been the primary objective. Of these, the Model Rural Development Project in Bangladesh could be called a form of cooperation involving participatory development in that its purpose is to promote rural development by lending assistance to rural inhabitants' organizations. The construction of an elementary school in Nepal is an example of grant aid supporting a grassroots initiative. In the loan assistance category, some projects target local residents as direct beneficiaries and include those that seek to boost productivity, stimulate the local economy and society, and improve the environment by building the infrastructure needed for people in farming and fishing villages to lead wholesome lives; two-step loans to financial institutions of developing countries make possible small-scale financing for the poor; and

sector program loans fund small-scale projects carried out under local community initiative.

2.2.5 Assistance in holding elections

Counterpart funds reserved by an aid recipient country in the framework of non-project grant aid have been used in Central Africa to buy desks, chairs, and other equipment needed to hold elections. In another case (Peru), computers were donated to process election data.

Small-scale grant assistance (cf 2.3.2(2) below) has also been used to provide materials and equipment needed for information and education related to elections in South Africa and other countries.

2.3 Progress in Other Areas

Progress in laying the foundations for implementation of assistance to promote participatory development and good governance through JICA and OECF programs is reviewed later.

2.3.1 Aid methodology research

In fields connected to participatory development and good governance, aid methodology manuals and guidelines are being drafted regarding women in development, poverty, and JPCM (JICA's Project Cycle Management); studies and research are being carried out on such themes as institution building, liaison with NGOs, the roles of government, etc.; workshops and training programs intended for aid personnel are being carried out covering issues of democracy and human rights, assistance in market-economy transition, and information about small-scale financing for the poor.

2.3.2 Support for NGOs

The following three schemes have as their primary objective to assist NGOs as intermediaries in participatory development involving local community people.

(1) Subsidy system for NGO projects

Projects being carried out by Japanese NGOs in developing countries (applications to be submitted based on such "menu" projects as small-scale

irrigation facility construction, medical care, water supply and sewage facility construction) receive subsidies that normally range between ¥500,000 minimum and ¥12 million maximum.

(2) Small-scale grant assistance (grant assistance for grassroots projects)

Relatively small-scale development projects carried out in developing countries by local governments, research or medical institutions, or NGOs working in a developing country can receive grants of approximately ¥5 million channeled through Japan's diplomatic and consular offices overseas. Under this scheme, NGOs are not the only potential beneficiaries; local governments and communities are also eligible for this aid.

2.3.3 Assistance Activities Outside the ODA Framework

(1) Election monitoring teams

Outside the ODA framework, Japan has sent election monitoring teams to Costa Rica, El Salvador, Ghana, Guatemala, Haiti, Honduras, Kenya, Namibia, Nepal, Nicaragua, Panama, Mozambique, etc., to help in the implementation of local elections.

(2) Volunteer Deposit for International Aid

The Volunteer Deposit for International Aid is a type of postal savings account in which 20 percent of the interest is allocated to NGOs, who have applied beforehand, to fund their aid activities in developing countries.

Chapter II Approaches to Japan's Aid for Participatory Development and Good Governance

1. Concepts of Participatory Development and Good Governance

In this section, we summarize the concepts needed to consider the basic directions of Japan's aid for participatory development and good governance addressed in the next section. Because the purpose of aid is to promote the economic and social development of developing countries, we have decided to investigate the components and definitions of participatory development and good governance in relation to the promotion of economic and social development.

1.1 Participatory Development

The goal of economic and social development in developing countries is to set in motion a process of self-reliant and sustainable development through which social justice will be realized. "Self-reliant development" means building the endogenous mechanisms of society that will enable developing nations ultimately to achieve growth without aid. "Sustainable" development means continuing a stable growth pattern in such a way as economic development is in harmony with the environment. The realization of "social justice" means equalizing and ensuring opportunities for people to participate in order to rectify disparities between regions, income levels, and gender.

Toward this end, the focus in development should be not only on increasing the material production but also on fostering and improving the social capabilities of people involved in development. For this to be done, people involved in development should take an active part in the process of planning and implementing development activities as well as enjoy their benefits. This is what "participation" means. Participation in every aspect of politics, economy, and society is important as both the goal and means of development.

This study committee would like to regard participatory development as a form of development that heightens sustainability and self-reliance and aims for the realization of social justice by improving the quality of people's participation. The areas in which participatory development takes place exist on a diversity of levels, ranging from the most microcosmic level of individual

organizations' aid projects, to the communities and local societies that surround them, up to and including the national level. It is at the levels of rural communities, local societies, and the state that all of the aspects of participation in the economy, society, and politics overlap. We would like to highlight local societies and groups of rural communities that can serve as administrative and developmental units, and direct our focus regarding participatory development on increasing the quality of participation in these local societies.

The quality of this participation will be enhanced as basic human needs of regional inhabitants are met, as people's awareness and the organization of people's groups in local societies are promoted, and as organizations' capability to manage resources, to govern themselves autonomously, and to negotiate with representatives from outside the community are progressively fostered. The series of processes through which peoples' awareness, organization, and capabilities are continuously developed is collectively termed "the process of participation in local society", but many forms of participation in this process actually exist. The following three elements are involved; they interact while influencing the form as well as the quality of participation.

(1) People and local organizations (including the subgroups that form part of the organization when an organization is involved), the agents of participation;

(2) The formal and informal institutions such as laws, administrative systems, or behavioral norms that determine the participating entity's opportunities for participation and behavioral models[16];

(3) The national structures of state and government that are guarantors of the effectiveness of these institutions and can improve or strengthen them through policy support[17].

16 The term "institutions" [in translation] usually refers to organizations, laws, administrative systems, etc.; here, it refers specifically to the basic laws and administrative systems of the state related to the nation's political, economic, and social framework, markets as economic mechanisms, and general social and cultural norms and morality, as well as community and other traditional customs. They are classified as either formal or informal institutions according to whether they are written customs, like laws, or unwritten, like social norms and customs. Formal and informal institutions, as we will see further on, are mutually complementary, substitutive, or competitive, depending on circumstances.

17 Where there are interpersonal relationships, as in a community, and in informal institutions, mutual supervision and morality sometimes work to make coercion of the sort exerted by national structures and other third parties unnecessary, or may even cause active rejection of interference by national structures.

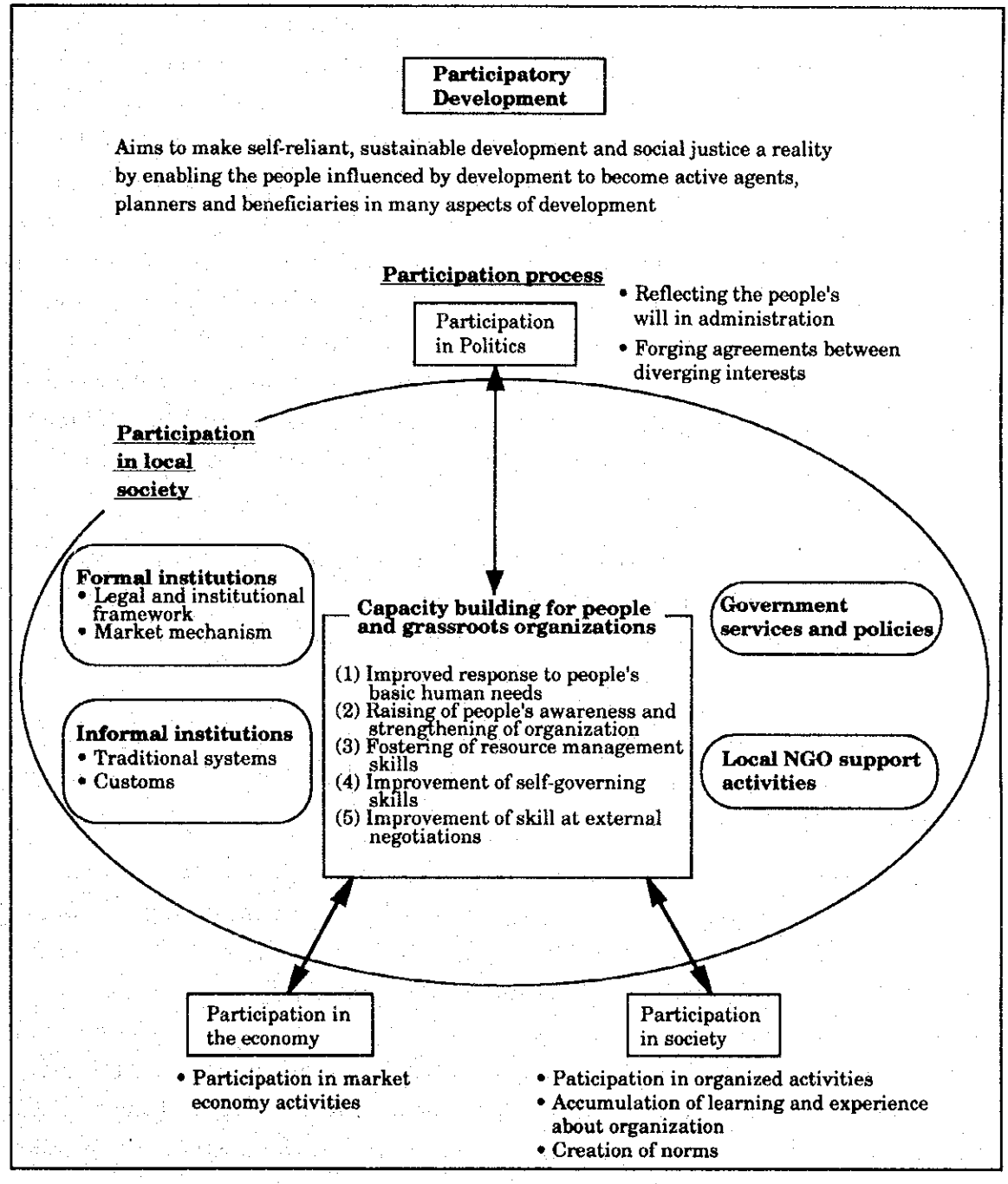
The quality of participation varies depending on the following: i) what kind of participating entities exist, and what kind of institutions offer what kind of opportunities for participation, ii) the extent to which the state and government channels guarantee the effectiveness of existing institutions and carry out appropriate policy support, iii) the degree to which participating entities are able to respond appropriately to opportunities to participate, and finally iv) how the state, government structures, and other third parties are able to improve and strengthen institutions or to find a mutually complementary and strengthening relationship with informal and formal institutions when necessary in order to increase opportunities to participate. Because these three elements are themselves determined by the initial cultural and historical conditions and status of development of the society in which participation takes place, the quality of participation is also influenced by these conditions and their developmental status.

Through participatory development, we seek not only to construct or restructure such formal institutions as legal and administrative systems, administrative processes, and markets, but also to introduce mechanisms from informal institutions such as the existing traditional resource management systems of local societies to enhance the effectiveness of existing formal institutions. For example, it is conceivable that by actively mobilizing the know-how of local societies and such informal customs as mutual aid, one can compensate for the limitations of existing formal systems and by enhancing the capabilities of community members and their organizations, one can create norms for new and better organizational arrangements, improving and developing informal institutions. Furthermore, efforts to promote a change in the perceptions and enhance the capabilities of public officials and to improve or streamline the government agencies and channels will facilitate the above-mentioned improvements and the degree of effective and sustainable participation in local societies. (Cf. Figure 2-1.)

The difficulty of participatory development lies in the need to publicly secure basic human rights to complement informal decision-making systems which do not necessarily help promote participation, due to, for example, domination by local community bosses. Formal institutions must not only receive input from informal institutions; they must also diminish informal institutions' negative aspects by securing local people's rights to dissent or lodge formal

objections and acting as arbiters among local people and between local people and the national government. Formal and informal institutions stand, in other words, in a mutually complementary relationship to each other.

Figure 2-1 Schematic illustration of participatory development



1.2 Basic Viewpoints to Participatory Development

Participatory development is one of the most important approaches for realizing self-reliant, sustainable development and social justice. In the so-called top-down approach to development, the entire process of formulating and implementing policies is carried out under the direction of developing country governments and the people tend to be put in a passive position. The social strata that receive the benefits of development have their position as beneficiaries reinforced by this system for promoting development, leaving unsolved deep-rooted problems of poverty and disparities between urban and rural areas. This, in turn, jeopardizes the success and sustainability of development projects. Participatory development arose from consciousness of these inadequacies. Specifically, participatory development is an attempt to compensate for or overcome the limitations of the top-down development approach by adopting a bottom-up development approach. The latter approach involves taking the needs and opinions of local residents into account as much as possible in the formulation and implementation of development project policy. It is an approach that enables people to acquire the skills needed to implement and coordinate the management of development projects themselves and thus reap more of development's returns.

Regarding participatory development as limited to promotion of participation only at the most basic society level or as transient participation is therefore insufficient; participatory development must be conceived in a broader sense, bearing in mind the features described below.

(1) Self-reliant, sustainable development cannot be achieved merely by replacing all government-led centrally administered development programs by local-community-led programs.

Local community groups cannot build economic infrastructures or large-scale social infrastructure or provide services. Clearly, the central government plays an important role in coordinating, planning, and implementing economic management and development programs on a national scale. The aim of participatory development is to ensure that attention is paid to enhancing benefits to local people and lessening negative consequences by gauging the needs and views of local communities that will be affected and seeking to build a consensus about development project plans that are to be carried out under government direction. In other words, participatory development does not

mean that all development activities should be carried out in a standardized people's participation framework; it is also the setting up of mechanisms that reflect people's needs and desires and introduce a participatory approach to the policy formation and administrative processes of government-led development.

(2) Quantitative expansion of people's participation does not lead directly to self-reliant, sustainable development; it is important also to enhance the quality of participation and permit its sustainability.

Participation can be of three kinds: involuntary participation, transient participation motivated by self-interest, and voluntary, sustainable participation. Qualitative improvement through sustainable participation is impossible without a long-lasting process such that organizations are formed and in the process, the ability to manage resources is raised, norms are created and the mechanisms for creating them are internalized, and basic abilities needed to negotiate externally are acquired. In order to create the processes for this kind of voluntary participation, methods such as raising people's awareness, organizing, and cultivating their skills—methods possessed by local NGOs[18] established to assist development—are needed to create voluntary development agents. Also needed is an approach premised on traditional systems of local societies that uses and improves their strength as active promoters of development. It is therefore necessary both for developing nation governments and for donor organizations to adopt a long-term, flexible outlook and to study where support is needed, realizing that visible results (increased production, for example) are very rarely generated immediately. Furthermore, it is also possible that as a result of progress toward enhanced people's participation, conflicts of interest may become more apparent and create new conflicts. Progress is therefore premised on governments and communities themselves acquiring the ability to set rules and to arbitrate to resolve conflicting interests. The assistance function of the government sector is a constituent of good governance, discussed later.

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18 In this report, the term "local NGOs" is used to refer to "civil society organizations" (CSOs), i.e., groups of citizens who play an active role in civil society's creation. Unlike citizen groups that, as interest groups, have and make use of traditional systems, these CSOs operate according to their own rules, sometimes supplant the government, and sometimes act as the government's competitor in bridging gaps between a government and its citizens. Unlike international NGOs, local NGOs/CSOs are staffed by people from the civic society of the country where they are active.

In this report, unless otherwise specified, the term "NGO" refers both to the above-mentioned CSOs and to advanced-industrial-country-based international NGOs.

(3) Creating a favorable environment for participatory development to prevent participation from being transient

Creating a favorable environment for participatory development by guaranteeing the people's right to dissent or lodge objections, by making universal education available to more people, and by guaranteeing that free market economy activities are an indispensable element in the promotion of this long-term process. For example, legislation and institutions securing political and economic freedoms are part of the conditions needed for participation, as are improvement of distribution systems and support for local industry. Entrepreneurs and other human resources must be trained, infrastructure must be improved, financial systems must be built, and deregulation must be promoted through economic liberalization policies and other complementary programs by the government to correct market mechanisms and remove the impediments to economic participation. This is an important constituent element of the good governance described later.

When people who live and work in traditional economic and political systems form communities of interest such as grassroot groups or business enterprises, they must also establish new behavioral norms and build a new order within each of their respective organizations by learning from each other, accumulating experience through both failures and successes, settling disagreements that arise among them, and training the next generation of leaders. Support from local NGOs for these activities is an important part of efforts to create the conditions for sustainable participation.

1.3 Good Governance and Development

As a starting point for discussion of good governance, one should first define governance in terms of whether or not it functions effectively and efficiently toward the achievement of its objectives. Although in the broadest sense good governance could refer to the governing functions that a government should possess in order to work toward such goals as maintaining a unified state, defending its territory, or developing its economy, here we would like to consider good governance in terms of the functions needed to achieve the objectives of self-reliant and sustainable development and social justice.

The meaning of "good" in good governance is two-fold: the values of respect for the will of the people and promotion of the people's capabilities that signify

the goal of achieving self-reliant and sustainable development and social justice; and the functional aspect of effective, efficient government's working to achieve these goals. This study committee would therefore like to divide the concept of good governance into two parts: i) the ideal orientation of the state directed at achieving the above-stated goals and ii) the ideal functioning of government such that it works effectively and efficiently to achieve the above-stated goal.

The former (the ideal orientation of the state) refers to whether or not the basic stance of the state is to aspire toward greater democracy. The government's legitimacy, accountability, securing of human rights and local autonomy, and civilian control of the military sector may be cited as constituent elements. Basic concepts indicating the state's institutional orientation include, for example, whether the government is elected and has the people's confidence (*legitimacy*), whether the state is organized so as to be held accountable and so that arbitrariness is excluded from the exercise of state power (*accountability*), whether basic human rights are respected and efforts are being made to improve people's well-being (*securing of human rights*), whether local autonomy and communities' right of self-government are respected (*autonomy and devolution of power*), and whether excessive military expenditure is avoided (*assurance of civilian control*).

The latter (the ideal functioning of government) depends on whether the government has the competence and/or the political and administrative structures and mechanisms to function effectively and efficiently. As elements composing this "ideal functioning" we may cite the basic legislations and institutions of the state, its administrative ability and transparency, decentralization, and the creation of an environment in which market economy works properly. All of these provide support for people's participation in the political, economic, and social realms. In other words, these meet the basic needs of the people and indirectly support the people's freedom of activity and the functioning of market mechanisms and thereby promote the process of participation: they are ideal functioning of government as the foundation of participatory development.

Seen in this way, the former (how the state ought to be) takes shape by the latter (how the government functions ought to be), in terms of specific policies, mechanisms, and measures of which the latter's good governance is composed . In other words, good governance as an ideal orientation of the state

does not have a direct cause-and-effect relationship with participatory development, but the government should assume the role of a provider of a proper environment for market economy, extensive promoter of people's capabilities, builder of efficient administrative structures, and reflector of the popular will. Good governance as an ideal orientation can be understood as a conceptual component of a state striving toward greater democracy, that is embodied by the effective and efficient functioning of the government which assumes the aforementioned responsibilities.

(1) Conceptual elements of a state aspiring toward greater democracy

a. Legitimacy: Is the people's will reflected in the process of the exercise of power by the state? In other words, is democracy respected? Is the government elected and does it have the confidence of the people? Does the rule of law duly control sovereignty and power? Are procedures for dissenting or lodging objections established and functioning?

b. Accountability: Has arbitrary use of state power been rendered impossible? Is there disclosure of information about the exercise of power? Are powers and duties of officials clearly spelled out?

c. Securing human rights: Are the people's basic human rights respected? Are the rights of women and minorities respected? Are efforts being made to promote people's well-being?

d. Local autonomy and devolution: Are local autonomy and devolution of power institutionally respected?

e. Civilian control over excessive military expenditures: Is civilian control over the military sector working effectively toward the goals of appropriate arms management and disarmament? In other words, are military expenditures kept in reasonable proportion with the development budget?

(2) Ideal government functions as a basis for participatory development

a. Legislation and institutions (the state's basic laws and institutions securing social, economic, and political freedom)

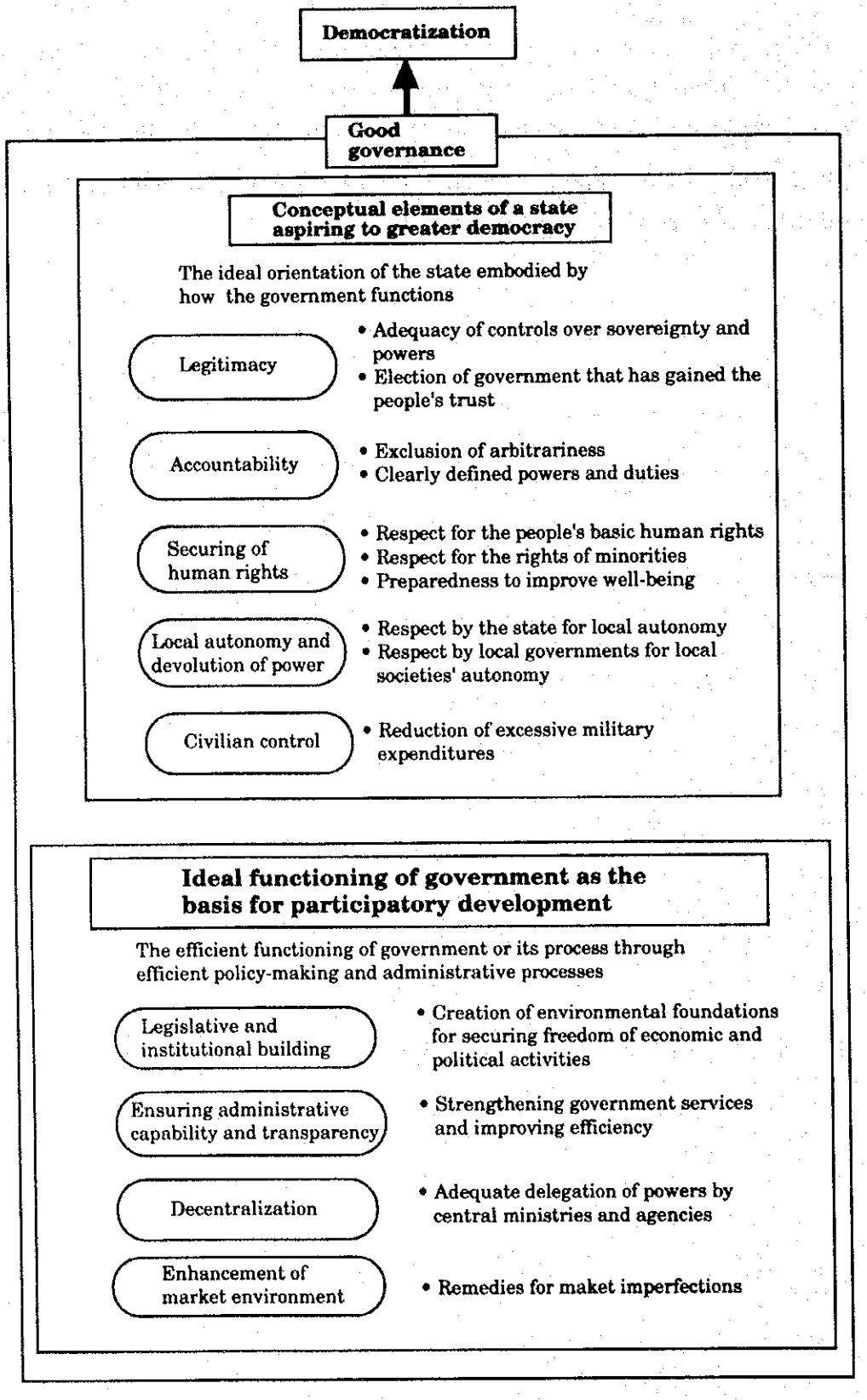
b. Administrative competence and transparency (ability and efficiency of planning and implementation, streamlining of organization, establishment of administrative discipline and models, disclosure of information)

c. Decentralization (regional decentralization and deconcentration within ministries)

d. Creation of a proper market environment (improvement of market mechanisms, promotion of small businesses and other segments of the private sector, deregulation, government's macroeconomic control ability, etc.)

The relationship among the component elements of good governance in (1) and (2) above are shown in Figure 2-2.

Figure 2-2 Conceptual diagram of good governance



1.4 Relationship Between Participatory Development and Good Governance

Based on the ordering of ideas in the previous paragraph, the study committee decided to define the relationship between participatory development and good governance in relation to development assistance in the following way. Participatory development is an important approach for people-oriented development that emphasizes raising the quality of participation in local societies as a step toward the realization of self-reliant sustainable development and social justice. Good governance is the ideal foundation for participatory development as a function of government in order to create a favorable environment for promoting participation.

Good governance as a function of government does not merely sustain participatory development, but, in accordance with the evolution of the participation process, it changes into a function of government that can support broader, more mature participation. In this sense, participatory development can also be said to promote good governance. In this way, the relationship between participatory development and good governance is a kind of helical, intertwining relationship, not a unilateral cause-and-effect relationship.

The orientation toward a better democracy as a concept projected onto the structure of the state in good governance can be termed a universal stance; as further improvements are made in the effectiveness and efficiency of good governance as a function of government, changes occur also in the nature of these democratic aspirations. If the function of government improves with progress in participatory development, so that government reflects the people's will more efficiently, the people's confidence in the government rises and, in the long run, the state's democratic orientations evolves toward higher quality. The strength of the nation's democratic aspirations, too, will influence the process of formation of political and administrative structures and government competence in order to make this national stance a reality in practice; the result of this will be also to influence the progress of participatory development. Therefore, there is also an interrelationship between the two conceptual segments of good governance. (Cf. Figure 2-3.)

Figure 2-3 Relationship between participatory development and good governance