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ODA at a Turning Point and JICA's Action

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Human Development, National Development, Bringing People Together

Japan International Cooperation Agency

**Japan International
Cooperation Agency
Annual Report**

1998

Feature

ODA at a Turning Point and JICA's Action



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Introduction to JICA

1. Founded: August 1, 1974
2. Aims: JICA is a special governmental corporation established on the basis of the Law concerning the Japan International Cooperation Agency (Law No. 62 of 1974) with the aim of contributing to economic and social development in developing regions, etc., and to the promotion of international cooperation.
3. Capital: 123.9 billion yen (as of March 31, 1998)
4. Budget: 185.1 billion yen (FY1998)
5. Staff: 1,217 (FY1998)

Cover photographs

Front cover: Japan International Cooperation Agency (right and center)
"Children of Myanmar," submission by Isao Nagasawa to
the International Cooperation Photography Competition (left)

Rear cover: "Child Monk and Image of Nirvana," submission by Takeo Kawabata
to the International Cooperation Photography Competition

PREFACE

Japan's official development assistance (ODA) has reached a critical turning point. With its beginnings from Japan's entry into the Colombo Plan in 1954, Japan's ODA has grown steadily over the years, and since 1991 Japan has continuously ranked as the world's largest ODA donor country each year. This fact is a clear manifestation of Japan's unceasing desire to contribute to world peace and prosperity through the peaceful means of ODA, and our achievements in this regard have been highly evaluated and recognized by the international community.

An examination of the world today, however, shows that the pursuit of a new international order following the end of the Cold War has created a new set of assistance needs, and the concurrent and rapid emergence of global issues, such as the environment and poverty, has further added to the complexity of the picture. On the one hand, as a reflection of the severe economic and financial situation in Japan at present, the budget for Japan's ODA in fiscal 1998 had to be reduced unavoidably for the first time since Japan began extending ODA, but Japan must still respond to the diversifying and expanding needs of developing countries with these limited assistance resources. Accordingly, Japan has to re-examine the assumptions and methods of the ODA it has extended until now and urgently institute qualitative and structural changes in our assistance. It is in this sense that we are now facing a crossroads in the extension of our ODA.

Fully aware that this very critical and difficult present juncture is a watershed moment for the revamping of our assistance, we at the Japan International Cooperation Agency have embarked on significant reforms of our agency, beginning with the establishment last year of a task force to examine the structural reorganization of JICA. To enable us to raise the quality of our assistance and to respond to the changes in the domestic and international environment, JICA, as a key agency for the implementation of Japan's ODA, has been earnestly striving to readjust and clarify priority areas in our cooperation, promote participatory development, provide human resources training in the field of international cooperation, and strengthen country- and region-specific approaches in our assistance programs.

Last year countries such as Thailand, South Korea, and Indonesia, which had borne vital roles as centers of global economic growth—a phenomenon called the East Asian miracle—were struck by financial instability and economic crisis, and the effects of this crisis have caused serious repercussions that will extend both over the long term and to the global economy as a whole. As a member of Asia, Japan has deep economic and cultural ties with those countries, and has a concrete record of achievement extending over many years of supporting their nation-building efforts. In view of this, Japan's positive contributions will be indispensable for helping these countries to extricate themselves from the current crisis. Under the difficult current conditions, I believe Japan has a duty to convey to the world its own experiences and ideas related to development. Based on our record of technical cooperation over the past 24 years, we at JICA intend to devote even greater emphasis and efforts to the core concepts of our cooperation in the future: respect for recipient countries' ownership of their own development (i.e., support for their self-help efforts), support for human development, and emphasis on concrete results.

This report summarizes the achievements of JICA's projects and activities for fiscal 1997. It begins with a special article entitled "ODA at a Turning Point and JICA's Action," in which we attempt to describe the roles that JICA should fulfill. It is my sincere hope that the report will further enhance the reader's understanding of JICA's undertakings, and I greatly welcome any advice and suggestions on our ODA activities and JICA's reforms for the future.

October 1998



Kimio Fujita
President
Japan International Cooperation Agency

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Reading the Annual Report of the Japan International Cooperation Agency

1. This annual report summarizes the activities of the Japan International Cooperation Agency in FY1997 (April 1, 1997 to March 31, 1998).
2. The figures contained in the report are those for the fiscal year in the case of the Japan International Cooperation Agency and for the calendar year (January 1, 1997 to December 31, 1997) in the case of Official Development Assistance (ODA).
3. All sums indicated in dollars refer to US dollars and are calculated at an exchange rate of 121.00 yen to the dollar (the official DAC rate in 1997).
4. Maps: All maps contained in this report are approximate. National boundaries in regions where these are under dispute or are unclear have been entered merely for convenience.

Part 1

ODA and JICA Projects

Chapter ①

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ODA at a Turning Point and JICA's Action

As ODA reform moves ahead, how should we proceed with international cooperation in line with the basic ideals for aid for the next century?

As an organization working in the field of ODA, JICA has begun a process of self-examination.



Paul Quayle: "Japanese Volunteer Helps Construct a School" (International Cooperation Photography Competition)

ODA at the Crossroads

Japanese official development assistance (ODA) is currently situated at a crucial turning point.

Japan embarked in earnest on governmental technical cooperation after joining the Colombo Plan in October 1954. Yen loans were first provided in 1958 and grant aid programs were implemented from 1969, marking establishment of the frameworks for current bilateral ODA*. In 1992, Japan became the pioneer among the advanced countries in enacting an ODA charter. Medium-term ODA targets have been formulated on five occasions since 1977. Japanese ODA has thus been expanding steadily over the years. Thanks to these efforts, since 1991 Japan has

consistently been the world's major provider of ODA, and there are 47 countries (figure for 1996) in all where Japan is the top donor*.

Japan's positive stance toward ODA is a clear reflection of the nation's determination to contribute by peaceful means to stability and peace in the international community. Japan has been highly praised by developing countries and indeed by the international community as a whole for its efforts in this regard.

We are currently in a period of preparation for entry into the new millennium. But we are also striving to leave a solid legacy of achievement for the twentieth century. As a vehicle for realizing the expectations of the international community and contributing to the world through peaceful

* Terms marked with an asterisk are defined in the "Glossary of Development Assistance Terminology and JICA Terminology" at the end of this report.

means, ODA will continue to be one of the main pillars of Japanese policy. But we need to respond more effectively and dynamically to changes in the world at large and in domestic conditions within Japan itself.

The world has changed drastically during the period of more than four decades since Japan embarked on ODA.

The conditions under which ODA is implemented have also changed dramatically in recent years. The end of the Cold War which followed the collapse of the Berlin Wall and the dissolution of the Soviet Union in 1989 has resulted in attempts to establish a new world order, which have in turn resulted in the emergence of new aid requirements. An urgent response is also required to global issues* such as the increasingly serious problems of the environment and poverty. Quantitative and qualitative improvements in ODA in line with the administrative and financial reform policies currently being implemented within Japan by the public and private sectors are also needed.

Under these conditions, Japanese ODA stands at a major turning point as we strive to make full use of limited aid resources and to maximize the effects of aid. As an agent for the implementation of aid, JICA is fully aware of the ever greater

need to implement effective and efficient aid programs which accurately reflect the demands of the age.

Developments in Administrative and Fiscal Reform

Fiscal restructuring

Ever since the first medium-term targets were set in 1977, Japan's ODA has been given a high level of priority and continued to show a high level of growth within the government budget. Funds allocated to ODA were increased annually by more than ten percent around 1980, and a high level of growth of around seven percent was maintained between the late 1980s and the early 1990s.

This level began, however, to fall off during the late 1990s. FY1997 was pinpointed as the first year of serious reform of government finances. The emphasis within ODA moved from quantity to quality, and the rate of increase in funding was the lowest ever, at 2.1 percent. This policy is being maintained with yet greater rigor in the FY1998 budget.

In June 1997 the government passed a Cabinet resolution entitled "On the Promotion of Fiscal

C O L U M N

Developments in Fiscal Structural Reform

With public finances in a critical state, the ruling party (LDP) set up a Conference on Fiscal Structural Reform under the chairmanship of the Prime Minister in January 1997 and began examining practical methods for reforming and reducing expenditure. A report entitled "Methods for Promoting Fiscal Structural Reform" was submitted by the Conference on June 3, 1997. The methods described therein were approved the same day by the Cabinet under the title of "On the Promotion of Fiscal Structural Reform."

This Cabinet resolution proposed practical methods and frameworks for reforming and cutting expenditure such as reducing each of the major costs

involved in public finances and setting targets for cutting back on spending. The government then drew up a bill incorporating these methods and frameworks. After a debate in the Diet, the Special Measures Law Relating to Promotion of Fiscal Structural Reform (also known as the Law on Fiscal Structural Reform) was promulgated on December 5. The main points in this law are as follows:

(1) The ratio of the fiscal deficit of the national government and local governments to GDP will be lowered to under three percent by FY2003;

(2) Reliance on special deficit-financing bonds will be ended and reliance on public debt will be reduced by FY2003;

(3) The emphasis within ODA will pass from quantitative expansion to qualitative improvement, and the budget for FY1998 will amount to no more than nine-tenths of that for FY1997. The budgets for FY1999 and FY2000 will not exceed those for the preceding years.

Because of the domestic recession, public finances in 1998 had to be channeled toward economic recovery. The government therefore revised this law and postponed the target date for reform of public finances by two years. A revised budget incorporating comprehensive economic measures aimed at economic recovery and support for the Asian economies was approved in June 1998.

Structural Reform," the main points of which were the realization of targets for healthier public finances by FY2003, specifying the three years between FY1998 and FY2000 as a period of intensive reform, and cutting expenditure in all areas across the board.

As far as ODA is concerned, the changeover from quantity to quality means that budget levels will fall every year during the period of intensive reform. It was decided that the FY1998 budget would be no more than a sum equivalent to the previous year's budget minus ten percent and also that new medium-term objectives accompanied by quantitative targets would not be set.^{*1}

This policy was enacted in December 1997 as the "Special Measures Law Relating to Promotion of Fiscal Structural Reform." In the case of ODA, the Prime Minister stressed the need for comprehensive coordination transcending the jurisdictional bounds of individual departments and taking account of the importance of aid provided for human development in developing countries.

The upshot is that the ODA general account budget for FY1998 is 10.4 percent lower than in FY1997, at 1.473 trillion yen. For the first time since ODA was begun, the general account budget is less than the previous year's. Figures itemized according to type of aid show that grant aid was down by 9.9 percent, technical cooperation by 2.7 percent, loan aid by 18.4 percent, and subscriptions and contributions to international agencies by 8.3 percent.

As far as the Japan International Cooperation Agency (JICA) is concerned, the decrease in the budget was kept to a minimum, 1.8 percent down on FY1997. This was because of the consideration given to the features of technical cooperation during total coordination transcending specific areas of jurisdiction as the ODA budget was being drawn up: one point considered to merit attention was the importance of aid for human development. Nevertheless, this was the first time since JICA's foundation in 1974 that the budget was less than that awarded the previous year.

Thereafter, in the revised budget which came into effect in June 1998, additional funds were allocated to assist with the economic crisis in Southeast Asia. JICA's budget thus ended up 0.3 percent down on the previous year.

It might be mentioned here that 1997 was the final year for achievement of the fifth medium-term targets. As a result of the gradual decrease in the rate of growth of the ODA budget over the seven years since 1991, total ODA for the five-year period to 1997 amounted to only 58.687 billion dollars (provisional figure), and achievement of the targeted figure of 70 to 75 billion dollars thus proved beyond reach.

Developments in Administrative Reform

The Japanese government considers administrative reform to be one of its major priorities, and it is currently working toward the reorganization and merger of central ministries and agencies, deregulation, information disclosure, and expansion of devolution. The Basic Law on Reform of Central Ministries and Agencies came into force in June 1998. This law specifies basic ideals and policies in connection with the reorganization of governmental administrative institutions. The target year for transfer to the new system is 2001.

ODA is treated under this law as an issue falling within the scope of the Ministry of Foreign Affairs. As to technical cooperation within ODA, the law specifies, first, that the Ministry of Foreign Affairs will perform the core function in carrying out centralized coordination of project formulation, and, secondly, that projects will be implemented with JICA playing the key role and with related government ministries and agencies cooperating through the maintenance of close contacts with JICA. The law thus indicates clearly that JICA will continue to play the central role in the implementation of technical cooperation.

*1: On the occasion of the Cabinet resolution, the Prime Minister stated that efforts should continue to be made toward the effective implementation of ODA and to ensure that Japan's status in terms of its international contribution would in no way be compromised.

The New Requirements of the International Community

New Trends in Aid

■ Development of "People-Centeredness"

Efforts directed toward development through to the 1980s resulted in the emergence of several developing countries which achieved strong economic growth, as in East Asia. On the other hand, there was also an increase in countries witnessing no improvement in poverty conditions and indeed where economic differentials have continued to widen: a fifth of the world's population, estimated at 1.3 billion, are considered to be living in conditions of absolute poverty. With advances in globalization, there has been a move toward tackling from a global perspective issues such as poverty and population in the developing world, the environment, and the role to be played by women in development. Issues now considered to demand a global response include poverty, the environment, population, HIV/AIDS, education, food, energy and refugee problems, along with support for WID (women in development)*, democratization and introduction of the market economy, and South-South cooperation*.

Various international conferences such as the United Nations Conference on the Environment and Development (1992), the International Conference on Population and Development (1994), the World Summit for Social Development (March 1995), the United Nations Fourth World Conference on Women (September 1995), and the FAO Rome Conference on Food Security (November 1996) have taken place during the 1990s. People-centered development, i.e. the belief that human happiness is the ultimate aim of development, and the importance of social development have increasingly been to the fore. At the World Summit for Social Development, the "20:20 Agreement" was passed, requiring the advanced countries to allocate 20 percent of their ODA and developing countries 20 percent of their national budgets to basic social programs. It was also decided that 1996 would be known as "World Poverty Eradication Year" and that the ten years between

1996 and 2005 would be referred to as the "Decade of Poverty Eradication."

Conferences held in 1997 included the United Nations General Assembly Special Session on the Environment and Development in June and the Third Conference of Parties to the Framework Convention on Climatic Change at Kyoto in December. Japan announced its new basic awareness of environmental matters as issues of global human security, and proposed an "Initiatives for Sustainable Development toward the 21st Century" (ISD) and the "Kyoto Initiative," involving measures to provide support for developing countries tackling the problem of global warming. This new approach is in line with the international community's growing awareness that not only international conflict but also civil strife, poverty, infectious disease, deterioration of the environment and all other threats to human existence are issues of global human security*.

■ New Development Strategy

In May 1996, the Development Assistance Committee (DAC) of the Organization of Economic Cooperation and Development (OECD) adopted a new development strategy known as "Shaping the 21st Century: the Contribution of Development Cooperation" (the so-called "DAC New Development Strategy"*), the aim of which was to summarize the results of the various international conferences held during the 1990s. On the basis of the approach underlying the "New Global Partnership" which assumes that developing countries must take the initiative in tackling development and that it is the responsibility of donor countries to provide related support, seven tangible development targets have been set for realization by 2015 in connection with poverty, education, health and medical care, and the environment.

The approach proposed in the new development strategy was backed up by the summit conferences held at Lyon in 1996 and at Denver in 1997. The communique issued by the leaders of the eight nations attending the Birmingham Summit in June 1998 confirmed the need to encourage reform and development in poor countries, especially those of Africa,

through partnership, and to offer support for the realization of economic and social objectives agreed upon internationally in accordance with the new development strategy.

As one of the leading ODA donor nations, Japan is being called upon to provide support for development in line with the new development strategy. In November 1996, JICA established the DAC New Development Strategy Aid Study Group, which has been studying the forms aid needs to assume in specific fields and nations. In line with the final report submitted in May 1998, cooperation is needed with the emphasis on the realization of specific objectives.

Changes in the Needs of the Developing World

A feature of development aid in recent years has been the increase in the number of recipient countries and in the range of topics for which aid is received. The number of countries and regions requiring aid from the international community and from Japan has grown to include Palestine, where aid activities are now under way in earnest owing to the brighter prospects for peace in the Middle East; the countries of Central Asia and the three countries of the Caucasus, which have become aid recipients after seceding from the former Soviet Union; Bosnia-Herzegovina, where conflict has finally come to an end; and the countries of Southern Africa, where democracy has finally been achieved.

In addition to response to global issues such as the environment and population, there has been an increase in the range of aid-applicable fields to include support with changeover to the market economy, cooperation with monetary and financial matters and with the revamping of legal systems, and theoretical support with the formulation of development policy. Much is currently expected of recovery aid in countries where conflict is now at an end, especially in connection with the removal of land mines, support for those injured by land mines, and other fields of humanitarian aid.

Various changes have been occurring from region to region. One important factor in this connection has been the Asian economic crisis, which is having global repercussions. Economic

crises triggered by current instability have occurred in several Asian countries which have hitherto been held out as shining examples of economic development. These crises have highlighted the fragility of the developing countries and the inability of their financial and economic sectors to respond flexibly to the rapid advance of globalization. Working with the IMF, Japan has proposed extensive financial aid policies aimed at economic recovery in these countries. This topic was discussed at the summit conference in Tokyo attended by heads of government from Japan and ASEAN in December 1997. Aid is now being channeled through JICA to upgrade economic and financial structures and to provide training for enabling economic reconstruction. This aid is also intended to give support to the weaker segments of society who are especially vulnerable to the effects of the economic crisis.

Secondly, there is the matter of aid to African countries, where poverty is becoming increasingly serious. Japan has been focusing especially on the provision of assistance to Africa, hosting the Tokyo International Conference on African Development in 1993. But Africa is still falling behind other regions and is becoming increasingly marginalized. This region thus continues to have extensive development aid needs. It is hoped that the second International Conference on African Development (TICAD II), due to be held in Tokyo in October 1998, will make a clear contribution to development in the region. For its part, JICA will contribute to national development in Africa and to the human development needed to underpin it.

Many other new areas of cooperation have also emerged, such as cooperation with the Greater Mekong Area development project and with Palestine, support for the Mercado Comun del Sur (MERCOSUR)* in South America, and "Eurasian diplomacy" targeting the countries of Central Asia and the Caucasus.

The range and scope of globalization continue to increase, involving constant changes in the development issues and aid requirements of developing countries. In order to respond in line with the needs of the international community,

JICA must constantly examine these needs and devise new ways in which to deal with them.

Trends in the Debate on ODA

Orientation of ODA reforms

The Cabinet resolution "On the Promotion of Fiscal Structural Reform" passed in June 1997 was concerned with effecting a transformation in ODA from quantity to quality and with lowering budget levels. The resolution stated as follows: "When implementing aid, emphasis should be placed on prior discussion with the recipient country. Full consideration should be given to the importance of social development in forms such as assistance aimed at improving hygiene, medical care and education and raising the status of women. Efforts should be made to ensure that these activities are viewed in a positive light by the population of the recipient country. Systems of evaluation should be established, linkage with NGOs* and other representatives of the private sector should be encouraged, and information should be made readily available."

The Council on ODA Reforms for the 21st Century

Headed by Saburo Kawai, chairman of the International Development Center, the Council on ODA Reforms for the 21st Century was established in April 1997 as an advisory group on reform of ODA to the Minister of Foreign Affairs. In January 1998, the council submitted a report in which it offered the following proposals premised on a drastic review and reform of ODA to enable response to major changes in conditions at home and abroad:

- (1) Clarification of priority fields for aid;
- (2) Participation and understanding of the private sector, local government and NGOs by encouraging disclosure of information and education on development;
- (3) Establishing closer links between aid personnel and educational institutions, etc., and encouraging the fostering, recruitment and utilization of aid personnel;
- (4) Reviewing policy for strengthening country-specific approaches, reassessing the

C O L U M N

The Council on ODA Reforms for the 21st Century

The Council on ODA Reforms for the 21st Century was set up as an advisory body to the Minister of Foreign Affairs to debate and submit proposals concerning basic reform of ODA and the form which ODA should take in the future. The ten-member council under the chairmanship of Saburo Kawai (Chairman, International Development Center) consists of Makoto Iokibe (Professor, Kobe University), Michio Ito (Managing Director, NGO Center for International Cooperation (JANIC)), Michihiko Kunihiro (formerly Japanese Ambassador to China), Kensuke Koga (Chairman, Nisshin Steel Co., Ltd.), Akira Kojima (Chief Editor, Nihon Keizai Shimbun, Inc.), Hiraō Tanigawa (Deputy Head of the Editorial Board, The Yomuri Shimbun), Tadao Chino (Managing Director, Nomura Research Institute, Ltd.), Yoshihiro Fujii (Chairman, Hitachi Zosen Corp.), and

Toshio Watanabe (Professor, Tokyo Institute of Technology).

The council held eighteen meetings after meeting for the first time in April 1997. In May 1997 it issued an "Emergency Opinion Paper on Fiscal Restructuring" and in June of the same year issued an interim report. The council presented its final report to the Minister of Foreign Affairs in January 1998.

After referring to the basic spirit of ODA, the targets to be achieved, and the features of Japanese aid, the report goes on to explain approaches to priority fields of aid provision and to make various proposals in three categories, namely (1) participation of the general public, information disclosure, and development education; (2) training, recruitment and utilization of aid personnel; and (3) ODA implementation frameworks.

In the conclusion to the report,

reference was made to the following proposals, made in the awareness that "ODA is a mirror which reflects the Japanese nation and people to the international community":

- (1) To realize the image of aid to which Japan should aspire in the future, qualitative improvements and maintenance of quantity are needed;
 - (2) Emphasis must be placed on people-centered development and the social sector;
 - (3) Country-specific aid programs should be formulated;
 - (4) Links with developing countries, the general public, the private sector, and international agencies need to be strengthened;
 - (5) Efforts are needed to train personnel for involvement in aid work.
- The report concludes that such ODA reform will make it possible to implement ODA combining personality, intelligence, and spirit.

organization of implementation agencies, encouraging the transfer of functions and powers, and creating closer inter-governmental links and links with international institutions and the private sector.

The key points of the report were as follows:

1. General considerations

- The basic spirit of ODA is enshrined in the preamble to the Japanese Constitution, i.e. peace and prosperity in Japan are dependent upon world peace, stability and development. There is a heightened need for ODA reform because of the changing requirements of the international community and changes in the basic approach to development since the end of the Cold War, and owing to factors such as the Asian monetary crisis, financial insecurity, and the critical state of Japanese domestic finances. ODA symbolizes Japan's contribution to the world; any reduction in its scope should be kept to the minimum.
- In a broad sense, the goal of ODA is to contribute to the national interest, since acting for the benefit of the international community as a whole is in the long-term interest of Japan itself. ODA has major roles to play in three principal areas, namely humanitarian aid, overcoming problems of global scope, and creating the optimum environment for national security.
- Japanese ODA has hitherto successfully emphasized the importance of self-help. The range it covers is expanding both geographically and in content. The ODA Charter has hitherto played a major role, but it will need to be reviewed in the light of actual changes. Medium-term ODA policies which indicate, both inside and outside Japan, the precise nature of ODA policy are now called for.

2. Specific considerations

■ Approaches to priority areas of aid provision

- Japan has provided well-balanced ODA in various fields, but restrictions on the aid budget mean that priority areas will have to be clearly identified in the future. The following are of

special importance:

- (1) Emphasis on poverty alleviation and social development in order to realize "people-centered development";
- (2) Upgrading of economic infrastructure* for which funding can be dealt with only through ODA;
- (3) Strengthening measures to deal with global warming and other environmental issues;
- (4) Expansion of aid in fields which encourage the economic and social empowerment of women;
- (5) Further strengthening of human resources development and long-term invitations to prominent figures in developing nations;
- (6) Emphasis on intellectual aid and upgrading of "human resource banks" for supporting intellectual aid;
- (7) Formation of global partnerships between advanced nations, semi-developed nations, and developing nations;
- (8) Cooperation with development through entire regions extending over national boundaries;
- (9) Development aid aimed at preventing conflict and at post-conflict reconstruction;
- (10) ODA cooperation and utilization of private resources, expertise and personnel as incentives for trade and investment.

■ Public participation, information disclosure, development education

- ODA must be implemented with the cooperation, participation and understanding of private companies, local government, NGOs, workers and families. The following matters are indispensable in this connection:
 - (1) Strengthening links with NGOs and universities, upgrading of systems employing the experience of private companies, provision of information to local authorities, and expansion of volunteer projects;
 - (2) Encouraging the disclosure of information to the general public by creating databases of aid-related information and improving systems of information disclosure;
 - (3) Encouragement of development education at every stage in the educational process.

Table 1-1: Summary of proposals for ODA reform (main items)

Organization	Ministry of Foreign Affairs	Federation of Economic Organizations	Ministry of International Trade and Industry	Economic Planning Agency	Japan International Forum	House of Councillors
Name of proposals	Report of the Council on ODA Reforms for the 21st Century	"Our Approach to Reform of Official Development Assistance (ODA)"	Advisory Report of the Economic Cooperation Subcommittee of the Industrial Structure Council	Interim Report and Final Report of the Economic Cooperation Policy Study Committee "Further Reform of Economic Cooperation"	Policy Proposal "Exploring New Directions for Assistance to Developing Countries"	Study Report of the Subcommittee on Overseas Economic Cooperation of the Investigation Council on International Issues
Date of publication	January 1998	April 1997	June 1997	February 1997, January 1998	March 1998	April 1998
Significance of economic cooperation	<ul style="list-style-type: none"> Acquisition of status in international society as trustworthy nation Long-term national interest Symbol of international contribution 	<ul style="list-style-type: none"> National interest (national life, industry and economy) Economic development and improved living conditions in developing countries 	<ul style="list-style-type: none"> Japanese national interest (general national security, industrial globalization, etc.) Improved welfare and economic development in developing countries 	<ul style="list-style-type: none"> Humanitarian aid, international contribution, national interest from economic benefits (esp. economic benefits) 	<ul style="list-style-type: none"> Basic philosophy of ODA Charter (humanitarian, interdependence) Emphasis on bilateral relations Maintenance and development of free, open international economic system Strategic application in line with national interest 	<ul style="list-style-type: none"> Improving clarity of application of ODA Charter Review of ODA Charter
Priority fields	Poverty measures and social development, infrastructural upgrading, environment, human resources development, intellectual support	Japanese technology and experience (environment, energy-saving, saving on resources, etc.)	Training of industrial personnel, fostering of peripheral industries, infrastructural upgrading for technical development, environment, energy, social environments	Economic development, poverty measures, population problems, environmental measures, intellectual support	Upgrading of socioeconomic infrastructure to stimulate private trade and investment, technology transfer	Promotion of personnel training and intellectual support, emphasis on environmental ODA and social development fields
Priority regions	Developing countries worldwide	—	Emphasis on Asia, resources and energy-producing countries, countries in the vicinity of transportation routes	East Asia, Pacific Rim nations, etc.	—	Diversification of standards of classification of ODA recipient countries and regions
Links with the private sector	<ul style="list-style-type: none"> Use of private-sector resources, expertise and personnel Cooperation, participation and understanding from wide sector of society 	<ul style="list-style-type: none"> Public-private sector partnership, use of private-sector personnel Expansion of links in private-sector initiatives in infrastructural development 	<ul style="list-style-type: none"> Stimulating private-sector resources Support for private-sector initiatives in infrastructural development and for cooperation with institution building, policy-making, etc. 	<ul style="list-style-type: none"> Support for private-sector initiatives in infrastructural development Improving knowledge-related conditions 	<ul style="list-style-type: none"> Upgrading socioeconomic infrastructure to stimulate trade and investment by private sector Withdrawal from areas that can be handled by private sector 	<ul style="list-style-type: none"> Full-scale introduction of registration and recruitment of experts Promotion of aid open to general participation Implementation of 5% of ODA through NGOs
Implementation systems	<ul style="list-style-type: none"> Establishment of comprehensive ODA policy council directed by Ministry of Foreign Affairs Creation of ideal system for formulation of country-specific aid plans (transfer of functions and authority) Wide-ranging linkage (inside government departments, international agencies, private sector, etc.) 	<ul style="list-style-type: none"> Reform of ODA promotion systems (clarification of responsibilities) Centralization of government ministries and agencies handling aid policy Centralization of implementation agencies (International Cooperation Agency) 	<ul style="list-style-type: none"> Separation of policy planning and implementation agencies, transfer of authority Assessment of implementation agencies, linkage between implementation agencies 	<ul style="list-style-type: none"> Linkage between implementation agencies 	<ul style="list-style-type: none"> Centralization of policy formulation organizations (establishment of International Aid Office as external bureau of Ministry of Foreign Affairs) Restructuring of bureau according to region 	<ul style="list-style-type: none"> Strengthening localization of policy and implementation agencies Improvements in regional responsiveness of domestic policy and implementation agencies Review of policy and implementation agencies and increase in personnel with a view to centralization
New forms of aid	<ul style="list-style-type: none"> Establishment of forum for encouraging partnership Flexible application of system of aid-graduate nations Prevention of conflict, assistance with reconstruction and development 	<ul style="list-style-type: none"> Diversification of loan types (interest-free loans, dollar loans) 	<ul style="list-style-type: none"> Interest-free aid (environment, etc.) Study of tied aid within international rules 	<ul style="list-style-type: none"> Aid cooperation of a type between grant aid and loan aid (interest-free loans, partial charged donation, etc.) 	<ul style="list-style-type: none"> Provision of interest-free yen loans for economic infrastructural upgrading for countries switching to the market economy Acquisition of budget enabling flexible and dynamic response in accordance with diplomatic necessity 	—
South-South cooperation	<ul style="list-style-type: none"> Formation of global partnerships involving advanced nations, semi-developed nations and developing nations 	<ul style="list-style-type: none"> Strengthening of links with aid-graduate nations 	<ul style="list-style-type: none"> Furtherance of South-South cooperation Establishment of "Asian Donor Council" 	<ul style="list-style-type: none"> Strengthening of support for South-South cooperation and inparite cooperation 	<ul style="list-style-type: none"> Implementation of Japanese-style aid through South-South cooperation on the basis of cooperation with other Asian countries 	—

■ Training, recruitment and utilization of personnel

- Training, recruitment and utilization of aid personnel are dependent upon the availability of sites where persons wishing to become involved in development aid can work and upon increasing opportunities for on-site exchange with educational institutions and aid implementation agencies. Utilization of internships relating to aid, increasing the number of openly recruited experts, and establishing networks with educational and research institutions are also essential.

■ ODA implementation systems

- In order to create the most appropriate system for the formulation of country-specific aid programs, government agencies and implementation agencies must review structures to enable them to strengthen country-specific approaches. Functions and powers then need to be delegated from government agencies to implementation agencies or from headquarters to on-site officials. Close links must also be established within government departments and between international agencies and the private sector.
- In order to strengthen country- and region-specific approaches, implementation agencies need to construct integrated systems to cover everything from identification of projects to implementation and assessment. They must also make organizational and administrative improvements aimed at rationalizing and simplifying their internal operations.

Proposals

Various organizations have, from their own perspectives, presented proposals after examining the current state of ODA and ODA reform. Proposals have been submitted, for example, by the Subcommittee on Overseas Economic Cooperation of the House of Councilors' International Issues Investigation Council, the Economic Cooperation Policy Study Committee of the Economic Planning Agency, the Economic Cooperation Subcommittee of the Industrial Structure Council of the Ministry of

International Trade and Industry, the Federation of Economic Organizations, and the International Forum of Japan.

Although they have their differences, most of these proposals stress that changes in conditions both inside and outside Japan necessitate a review of ODA. The proposals are based, nevertheless, on a realization of the highly significant and indispensable role played by Japanese ODA. They stress the need to clarify the objectives of ODA, to identify priority areas, and to respond to new development needs by strengthening links with the private sector and by introducing greater flexibility into existing aid.

JICA's Response

Responding to change

Ever since its foundation in 1974, JICA has been striving to respond appropriately to new needs by reviewing the nature of its operations and organization in the light of changes in contemporary requirements. At the time of its foundation, JICA had a staff of 994 and a budget of 27.2 billion yen. By FY1998 these figures had increased to 1,217 and 185.1 billion yen respectively. These growth rates indicate that, whereas the agency's budget increased 6.8 times in the space of 24 years, the staff complement increased by only 20 percent.*2

In order to respond to the enormous increase in the amount of the budget per head of staff, JICA made changes in its working methods to enable a more methodical use of outside personnel. Operations of lesser immediacy were curtailed and personnel who had been working on them were reallocated to operations with higher priority.

Together with the growth in Japanese ODA, JICA was commissioned by the Ministry of Foreign Affairs to expedite the grant aid program in FY1978. A new JOCV program was instituted in FY1984, and an international emergency disaster relief program was inaugurated in 1987. Both the range and content of JICA operations have thus been undergoing gradual expansion. In response to the introduction of such new operations and the expansion of its existing operations, JICA has been restructuring itself and

*2: In the study report, published in April 1998, of the Subcommittee on Overseas Economic Cooperation of the Investigation Council on International Issues set up by the House of Councilors, a proposal was made to the effect that "studies need to be undertaken aimed at reviewing the structures of policy and implementation agencies in the direction of centralization in order to create an appropriate and effective aid implementation system... Both policy and implementation agencies need to work toward augmenting their aid implementation personnel."

allocating staff to allow for smoother implementation of operations and to enhance the quality of work.

Expansion of the operations of the Grant Aid Department is an example of effective implementation of new operations. Strengthening regional divisions within the Planning Department, setting up the Institute for International Cooperation for the training and recruitment of experts, and establishment and expansion of the evaluation office for enhancing the effects of aid are examples of quality improvements.

Project content is being constantly reviewed. Approaches to global issues recognized during the 1990s as having high priority, such as the environment, WID and poverty, have been strengthened, and energies are now being directed toward cooperation focusing on human and social development.

Improvements in Medium-Term Projects

JICA has hitherto responded variously to changes in the conditions and needs facing the organization, for example within the framework of individual projects or through organizational restructuring. However, in recent years a new approach is being adopted whereby the main issues which JICA needs to tackle are grouped together collectively by examining the essential features of JICA projects from a medium-term perspective. Topics are then analyzed to ensure efficient and effective implementation, and guidelines are laid down.

This new approach was triggered by a recommendation issued after an administrative inspection conducted in 1988 to the effect that "a comprehensive medium-term plan should be formulated to tackle projects in a comprehensive and planned manner." JICA began internal studies

C O L U M N

The Basic Ideals of JICA Projects

To permit the autonomous and sustainable development of the economies and societies of developing countries, JICA is supporting human resources development, creation of social and economic infrastructure, and national development on the basis of the ideals indicated below.

▼ Support with self-help

To enable developing countries to undergo sustainable development, it is essential for the governments and peoples of developing nations to make efforts on their own behalf as the pillars of development. With regard to aid, it is important to instill respect for self-help and an awareness of ownership on the part of developing countries. As a partner in development, JICA is involved in assisting developing nations with self-help from various angles through concern that nations should be able to fend for themselves after aid has been concluded. These include the allocation of counterparts* to organizations in the recipient country,

presentation of facilities, and defraying part of the administrative budget.

▼ Contribution to human resources development

Human resources development plays an important role in supporting national development. Technical cooperation is a classic example of direct and tangible aid ("contribution with a human face"); Japanese experts are able to come into close contact with technicians and administrators in recipient countries to deepen their mutual understanding. Moreover, such cooperation is concerned with every aspect of the human character, involving as it does the transfer of technology, information and expertise in line with local conditions and levels. In recent years, technical cooperation has come to include not only practical aspects of technology but also theoretical support involving applied aspects such as institution-building as well as support with monetary policy-making. JICA provides comprehensive support for human resources

development in developing countries with consideration for the length of time required for this process.

▼ Aid of real use to people

Despite the increasing prominence of developing countries undergoing high levels of economic development, the fact that many people are still not benefiting from this development is becoming more and more evident. Through the dispatch of experts and JOCVs, JICA is involved with BHN* (Basic Human Needs) as applicable to the poorest sectors of society in such forms as village development, water supply, medical care and health. Cooperation is being stepped up in fields such as poverty measures and maternal and child health (MCH) aimed directly at local residents and rooted in regional communities. JICA intends to expand its efforts in this area in an awareness of the importance of social concerns, WID, linkage with NGOs, participatory development*, and support for the frailter members of society.

that same year culminating in 1996 in the issue of the document "Implementation of Projects Toward the Millennium." Important topics such as qualitative improvements in aid management and the development and accumulation of knowledge and expertise (introduction of Project Cycle Management (PCM)*, etc.) were brought to light together with ways in which these issues might be tackled. This is proving useful in improving JICA projects.

Moving Toward Operational and Organizational Reform

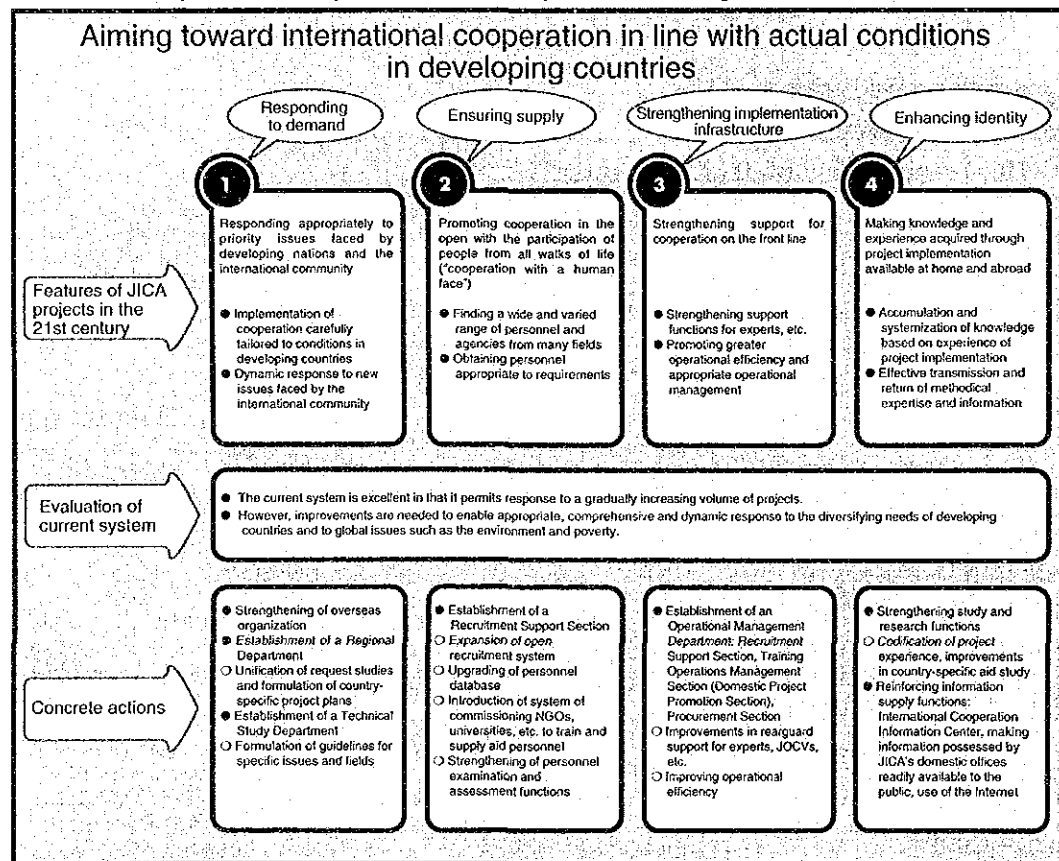
As ODA moves toward the crossroads, in March 1997, JICA supplemented its previous efforts in this direction by setting up a Task Force on Operational and Organizational Reform, headed by the director of the General Affairs

Department, which has been reviewing the agency's operations and organizational structure. Among the topics examined have been the nature of ODA and JICA's role as we move toward the millennium, the tasks faced by JICA, evaluation of the present system, and concrete ways to achieve objectives.

With sights set on international cooperation in line with actual conditions in developing countries, the task force has extrapolated the following topics:

- (1) The needs of developing countries and of the international community should be accurately ascertained and met;
- (2) Human resources for engagement in aid activities must be secured with the participation of the general public;
- (3) Support functions for aid workers on the

■ Table 1-2: Proposals made by the task force on operational and organizational reform



front line of cooperation must be improved and the foundations for the implementation of aid must be strengthened;

(4) JICA must make its knowledge and experience available inside and outside Japan and should strive to generate information toward society at large.

The project implementation system employed until recently at JICA has involved working on a wide variety of projects as efficiently as possible with a limited staff complement. This system has served its ends as well as could be expected. However, operational methods, organization and structure now need to be improved in order to enable a better response to the diversifying needs of developing countries as well as to global issues such as the environment and poverty.

With recourse to the results of the studies conducted so far, JICA is currently proceeding

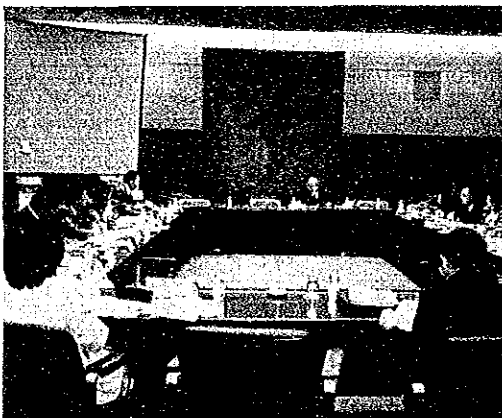
with practical studies aimed at organizational restructuring during 1999.

With ODA at the crossroads, JICA intends to achieve a detailed awareness of what is expected of it as an aid implementation agency and of the nature of the reforms required. The previously mentioned studies taking place inside JICA are merely a single venture within this enterprise.

JICA intends in the future to pay close heed to various proposals, opinions and studies from outside the agency and to conduct its own serious and circumspect studies aimed at self-betterment. Needless to say, many more procedures and stages will have to be traversed before these improvements can actually be put into effect.

As one of the leading agents of ODA in this important period of transition, JICA has thus begun to reexamine itself.

1. Standing up to the Asian Financial Crisis



ASEAN Financial and Economic Policy Seminar held in March 1998

Three ways in which JICA is strengthening its response to the financial crisis

The Asian currency and economy crisis began in July 1997 with the floating of the Thai baht. In rapid succession it attacked the countries of ASEAN and South Korea, all of which had until then been experiencing smooth economic growth. The main factors underlying this crisis were the decline in the competitiveness of exports caused by escalating wages and the pegging of currencies to the dollar, and failure to stabilize the flimsy balance of payments structure and financial system under which a constant current account deficit was being financed by short-term capital inflow.

The measures which must be carried out concurrently to solve these problems and to

enable the ASEAN countries to regain the momentum for economic growth include implementation of solid macroeconomic policies, systemic reform in the economic and financial spheres, strengthening of industrial infrastructure to enhance productivity and export competitiveness, and training of personnel to underpin these efforts.

When devising appropriate methods of assistance to cope with this economic crisis, attention must be paid to the weaker segments of society such as the handicapped, women and children, and the poor.

It is on this basis that JICA is strengthening cooperation to deal with the economic crisis from the following three standpoints:

- (1) Strengthening personnel training centering on the economic and financial spheres;
- (2) Support for the weaker segments of society and the poor, who are most seriously affected by the economic crisis;
- (3) Cooperation with economic reconstruction on the level of formulation of development planning.

Human resources development in the economic and financial spheres

The core of human resources development cooperation aimed at economic stabilization is the ASEAN Integrated Human Resources Development Program proposed by Prime Minister Hashimoto at the Japan-ASEAN Unofficial Summit Conference in December 1997. This program envisages the training of

around 20,000 administrators and technicians over the next five years. JICA has a key role to play here. The idea is to invite leading administrators in the fields of public finance, banking, macroeconomic management, trade and investment to Japan as training participants and to dispatch Japanese policy advisers and other experts to contribute to economic reconstruction in ASEAN through cooperation with human resources development. Under this program, experts in such areas as stimulation of investment, public finances and banking, tax administration, and industrial development policy have been sent to Indonesia, while experts in the fields of industrial restructuring, long-term economic development, and competition policy have been sent to Thailand.

The ASEAN Financial and Economic Policy Seminar was held in March 1998 with the participation of the World Bank and the IMF. ASEAN officials with practical responsibility for financial and currency administration policy and development policy were invited to Japan for this seminar, and lively debates and discussions were held on the background to the economic crisis and the factors contributing to it, the current state of the crisis in individual countries, and ways in which economic stability and growth might be achieved in the future. A second seminar is due to be held in FY1998 to complement the results of the earlier seminar. Among the topics to be debated will be crisis management policy and conditions for economic recovery.

In the field of trade, the Project for Human Resources Development in the Trade Sectors in Indonesia provided training in Jakarta and Bandung in practical trade matters such as international transactions and marketing strategy. Reflecting the increased interest in exports, many representatives of small and medium-scale companies took part in this training, which met with high praise for its topicality.

Bolstering human resources development was one of the Asian support policies provided for in the FY1998 supplementary budget. JICA now has the scope to strengthen and expand its training of administrators in line with the ASEAN Comprehensive Human Resources Development Program. In cases where aid activities connected with technical cooperation

in ASEAN countries have been hampered because the economic crisis has prevented the recipient country from providing the necessary local expenses, JICA has provided emergency assistance with costs to ensure that the past results of technical cooperation are in no way compromised.

Relief for vulnerable social groups

ASEAN countries are having to implement severe austerity measures to rebuild their economies. The economic crisis is taking its toll especially on the everyday life of the people: several countries are having, for instance, to cut back on subsidies on food, education and medical care. There is much concern also about the serious effects the crisis is having on the poor and vulnerable social groups such as women, children and the handicapped.

JICA has previously provided support with anti-poverty measures, local medical care, and self-reliance of the handicapped with a view to creating equitable social conditions in developing countries. The need for such efforts is gradually increasing under the current economic crisis. In response to these urgent issues and needs, JICA is involved in technical cooperation projects and the dispatch of experts with the aim of expanding educational activities in local communities and in projects conducted in collaboration with NGOs* aimed at eradicating poverty and supporting vulnerable social groups (i.e. development welfare support projects). In the Project for Upgrading the Emergency Medical Care System of the Dr. Soetomo Hospital in Surabaya, East Java (project-type technical cooperation), JICA has been urgently providing pharmaceutical products required by patients in need of emergency medical treatment owing to the hospital's inability to purchase such products because of inadequate foreign currency.

The actual effects of the economic crisis must be studied and accurately ascertained if we are to provide vulnerable social groups with the assistance they require. In Indonesia, where the crisis has hit hardest, JICA is performing fact-finding surveys on health and medical care, education, and employment, the results of which will help us to determine the most effective ways

to deal with poverty and to assist the vulnerable. These results will then be incorporated into future projects.

JICA presented a symposium entitled "The Asian Economic Crisis and Health: a People-Centered Response" jointly with the Ministry of Foreign Affairs and the Ministry of Health and Welfare in April 1998. The aims were to examine the repercussions of the economic crisis on the basic living standards of people in developing countries, especially in fields such as health and medical treatment. The symposium was also intended to produce proposals for immediate and long-term responses to the crisis through the identification and implementation of measures with high investment potential to benefit the poor and vulnerable and through the establishment of monitoring and reporting systems. JICA is now working on measures and projects in line with the proposals brought forward at the symposium.

Assisting in the formulation of development plans

JICA is cooperating on the macro level with ASEAN countries in their formulation of policies and development plans for economic reconstruction through the dispatch of Japanese experts in areas such as industrial restructuring, long-term economic development, and population statistics. Country-specific aid study groups have been set up in connection with Indonesia and the Philippines. In line with the current state of the economic crisis, these study groups are now examining from a multilateral perspective the features and orientation of the aid which Japan should seek to provide in the future.

Experts on macroeconomics have also been dispatched to the Indonesian National Development Planning Agency, where they are involved in the preparation of short- and medium-term macro-econometric models. By means of development studies involving the formulation of economic models for long-term planning, they are analyzing on a sectoral and regional basis the evolution of the economic crisis and its repercussions on the national economy, and are advising on economic reconstruction and the formulation of new development plans.

Cooperation with an eye to the future

The economic crisis in East Asia is a new type caused by the short-term movement of vast amounts of private capital coinciding with the drastic liberalization through globalization of financial markets in developing countries, which had previously been experiencing steady economic growth. A notable feature of this crisis is that it occurred virtually simultaneously in several countries. Moreover, since it contains elements of both currency and financial crisis, it is not the type of crisis that can be solved solely through the efforts of single countries working on their own.

Providing support for economic and industrial development in individual countries to enable recovery from the East Asian economic crisis and contributing to economic stabilization and fresh development are matters of great importance intimately bound up with Japan's own future.

Technical cooperation is for JICA a vehicle for the provision of such urgent support. We have determined the framework for short- and medium-term cooperation and are striving to maximize the effectiveness of aid.

2. Tackling Development in Africa



A PHC project in the Zambian capital of Lusaka under way with the cooperation of a Japanese NGO.

Trends in development policy in Africa

Africa is currently situated at a major turning point. Until the end of the Cold War, the political and economic order on the continent had, for better or worse, remained stable through the counterbalancing influences of the United States and the Soviet Union, but this order suddenly fell apart once the Cold War was over.

The consequences of this have been varied. Whereas several countries such as Somalia and Rwanda have descended into tribal conflict and civil strife, many African countries have moved toward democracy, as evident in the collapse of the discriminatory apartheid system in South Africa.

Economic reforms have occurred in parallel

with the arrival of political democracy. With guidance from the World Bank, many African countries have been implementing structural adjustment* policies involving economic liberalization, reform of public finances, and privatization. These reforms have often been subjected to severe criticism on the grounds of augmenting the burden imposed on the people. But, together with concurrent measures to reduce debt, they are on the whole slowly but surely contributing to economic recovery in Africa.

However, as globalization -- defined as the integration of the international economy through relativization of national sovereignty -- moves forward and the nations of Asia and Latin America experience rapid economic development, the countries of Africa have found themselves left behind. They are becoming increasingly marginalized, with the difference between Africa, on the one hand, and the advanced countries and other developing countries on the other, growing ever wider.

Accordingly, in recent years we have seen the emergence into the international limelight of a new brand of leader who believes that political and economic reform has hitherto been carried out to satisfy the demands of the West and who is convinced that democratization and economic liberalization are questions for Africa itself.

The World Bank has been criticized in the past for its hard-line advocacy of uncompromising implementation of structural adjustment policies. But since structural adjustment and debt reduction measures have now achieved a measure of success, the World Bank is increasingly

moving the focus of its policies to social sector development in forms such as education, health and medical care, and to the strengthening of government functions.

As to the response of Western countries, in March 1998 President Clinton undertook the most extensive journey to Africa of any American president and announced a move away from relations centering on aid to the forging of equal relations focusing on trade. For its part, France merged the Ministry of Cooperation, which had previously supplied aid to the former French dominions, with the department responsible for aid within the Ministry of Foreign Affairs, and the French military presence in Africa was scaled down. Of the former colonial powers, France had maintained the strongest commitment to Africa, but this commitment is now being slowly reduced.

JICA's cooperation with Africa

Despite these unobtrusive but important developments, JICA believes that there have been no basic changes in the economic and social problems faced by Africa.

Lying at their core is the fact that Africa has fallen behind significantly in human resources development. Many African intellectuals have left their home countries and are working in the West or for international agencies. Since independence there has been a strong bias toward higher education, with a significant brain drain out of Africa. In contrast, attendance and levels of *primary and secondary education* have remained low. This has resulted in problems such as inefficient administration, low-quality labor, and backwardness of market functions. These problems have in turn resulted in stagnation in the African economies and society as a whole.

The African economies are beginning to show signs of recovery, and the United States is increasingly placing importance on its trade relations with Africa. These are two of the factors which have sparked greater interest recently in private sector development in Africa, to the extent that such development is now a major issue. JICA is cooperating as far as possible with private sector development in the belief that development of the market economy is rooted in

human beings, in the form of African businesspeople, technicians and workers.

JICA believes that human resources development holds the key to economic and social development in Africa. While taking full account of new directions and developmental needs in Africa, we are working conscientiously with human resources development as the focus of our cooperation with Africa.

The 2nd International Conference on African Development (TICAD II) is due to be held under the sponsorship of the Japanese government and the United Nations in Tokyo in October 1998. The Japanese government played the leading role in organizing the first TICAD conference, held in October 1993, thereby contributing significantly to deepening the debate on African development in the international community. One of the main topics treated at this conference was support with self-help, the basic ideal of Japanese aid. This was considered to be of considerable significance because of the impact it had on African countries, which had fallen into reliance on aid under the Cold War system.

JICA has been responsible for various aspects of the African support policy announced by the Japanese government at TICAD, specifically cooperation in the field of water resources development and inviting young Africans to Japan. Our approach to TICAD II is described hereunder.

New aspects of JICA cooperation

It was agreed at the preliminary meeting, held in November 1997, for TICAD II that the framework for the debates at this conference would include the five fields of 1) social sector development, 2) private sector development, 3) agriculture and the environment, 4) good governance, and 5) conflict prevention and maintenance of peace, and three methods of cooperation, namely 1) capacity-building, 2) intraregional cooperation, and 3) interregional cooperation.

All these topics are essential for African economic and social development. They will be realized with support from advanced countries and international agencies with the African

countries themselves adopting a basic attitude of self-help, i.e. ownership. On the basis of human resources development cooperation, JICA intends to provide support for development in Africa in connection with these specific topics.

Looking at this plan in line with the debates scheduled to take place at TICAD II, JICA will be providing cooperation through "capacity-building" in three areas, namely 1) social sector development, 2) private sector development, and 3) agriculture and the environment.

Cooperation will be stepped up in several areas where we have already a considerable record of achievement to our credit, in particular the following:

1) Education and human resources development (building of primary schools, occupational training, cooperation with higher education, etc.);

2) Health and medical care (training of medical practitioners, research and development, hospital construction, etc.);

3) Agriculture (dissemination of rice cultivation methods, foodstuffs, increased food production aid*);

4) Environment (social forestry, prevention of desertification);

5) Water Supply (groundwater development, etc.).

We are constantly reviewing the nature of cooperation on the basis of the results of past cooperation and of matters we consider to be in need of improvement. In the case of educational cooperation, for instance, we need to direct more effort to cooperation at the primary and secondary educational levels; in connection with health and medicine, to the dissemination of basic health and medical knowledge and technology, as well as to the education of medical practitioners other than doctors; and, in the field of agriculture, to the development and dissemination of sustainable* agricultural methods which take account of the environment, and the development of village development methods with the emphasis on traditional skills and social structures.

New topics include 1) private sector development, 2) women in development (WID)*, 3) support for the poor, and 4) intraregional and interregional cooperation (especially Asian-

African cooperation).

There has been a growing demand from African countries in particular for cooperation in private fields such as private sector development. However, JICA has only a meager record of cooperation in this field, and we are going to have to think seriously in the future about our response to this pressing demand from African countries.

One potentially effective form of African cooperation is support for South-South cooperation* between African countries and Asian countries which wish to expand their commercial relations with Africa. JICA is supporting the training being provided by Singapore aimed at increasing productivity in African countries; one conceivable method will be to expand these cooperative relations in the future. Amidst moves to strengthen economic relations within the African region, one topic we face is that of how to provide support for such intraregional cooperation.

The problems of women and the poor in Africa should be dealt with patiently in the medium and the long term from the angle of human development, for instance by rectifying gender differences in education and raising the quality of education, and through economic development aimed at creating employment and rectifying income differentials. These are areas unlikely to produce short-term results. Moreover, the situation facing vulnerable members of society such as women and the poor is particularly severe, and it is precisely they who are most likely to suffer the negative effects of reforms until the results of economic reform make themselves felt.

"Micro-credit" has come into focus as a means of raising income levels and creating employment in the short term; a Micro-Credit Summit was held in Washington, D.C. in the United States in February 1997.

Micro-credit involves the provision of financing at the start of a small-scale economic project not with physical security such as land but with personal security such as joint guarantees provided by the parties to the project. This type of financing is provided mainly to landless peasants, the urban poor and women's groups who have the will and ability to embark

on a project but are unable to procure the necessary funds. This method came into focus especially as a result of its success in Bangladesh. Western countries and NGOs* are currently applying the system also in Africa.

JICA has no system capable of providing and lending funds directly for micro-credit, but we are looking into how it might be possible to provide support in the form of technical cooperation, for instance by examining the possibilities of linkage with grass-roots grant aid*.

As regards support for women and the poor through micro-credit and village development, JICA has taken note of the direct and wide-ranging experience possessed by NGOs and is obtaining varied cooperation from them. An example is the cooperation being given by a Japanese NGO, the Asian Medical Doctors Association (AMDA, Japan), with a health and medical care project in Zambia. JICA is considering how to incorporate the experience and expertise of locally active NGOs into its own cooperation projects.

The importance of human resources development for development in Africa

To ensure that inefficiency and injustice relating to aid do not occur, donor nations and agencies including Japan need to regulate the content of their aid plans and to engage in dialog with African governments.

The World Bank has proposed a plan for bolstering development projects, known as the Sector Investment Plan (SIP), involving a set of three topics, namely 1) a sectoral approach, 2) donor* regulation, and 3) respect for ownership. JICA is participating actively in this plan.

The preconditions of aid for economic and social development are political and economic stability, political democracy, and the presence of efficient, open and fair administration. In the belief that we must ourselves deal positively with such topics, JICA has been organizing seminars and other events which present Japan's current conditions and experience in the political, administrative and economic spheres.

Wide-ranging efforts are thus being made to

solve the diverse problems posed by African development. The most important topic is ownership on the part of the African countries concerned. This entails capacity-building, or human resources development in the broadest sense, within African administrative agencies and the private sector.

JICA believes that at the root of the varied problems facing Africa lies the essential matter of human resources development, and it is in this sense that the main topics of African development boil down to the question of human resources development.

At TICAD II and during the stage of implementation of the action plan following on from TICAD II, JICA will stress the importance of human resources development and declare our stout determination to cooperate with human resources development.

3. Meeting the Challenge of People-Centered Development

Changes in development

Development aid began with reconstruction and development soon after World War II. Needs have changed with the passing of the years and new paradigms for development are called for.

Between the 1950s and the early 1970s, the "trickle-down theory*" stood at the heart of development aimed at postwar economic reconstruction and progress. However, problems involving disparity of income and allocation of resources began to emerge during the late 1970s, with the result that "fulfillment of basic human needs (BHN)*" came to offer the main paradigm for development.

The 1980s saw heightened concern over the increase in the numbers of people living in absolute poverty and in the deterioration of the global environment. An awareness was instilled that most people living in poverty were suffering through destruction of the environment and that there was a mutual connection between poverty and environmental destruction. It was to this background that the concept of sustainable development*, consisting primarily of environmental conservation, development of human resources, and fulfillment of BHN, came to be proposed.

During the 1990s, the United Nations Conference on the Environment and Development (UNCED) held in Rio de Janeiro saw the adoption of comprehensive principles for development and the environment.

Sustainable development refers to development which satisfies the needs of future generations while also fulfilling the demands of the present

generation. This includes the ideas of, first, basic conditions which are necessary and indispensable for everyday life and which need to be fulfilled in advance of all else for the benefit of the poor and, second, limits to environmental capacity which are defined by technology and social organization and which satisfy the needs of the present and future generations.

In order to realize these concepts, we need to cut the vicious circle of environmental destruction whereby the poor are the segment of society most vulnerable to environmental destruction, although it is these same poor who, precisely because of their poverty, are involved in destroying the environment. Development intended to break this vicious circle, in other words a paradigm which strives to do away with poverty and concentrates on attempts to improve the living environment, is the starting point for people-centered development.

People-centered development

The main aim of people-centered development is to enable people to lead fulfilled and happy lives. This approach is present in pristine form in sustainable development. Later, in the Human Development Report issued by the United Nations Development Programme (UNDP), the core of this concept was defined as the process of increasing people's choices and the level of welfare resulting therefrom.

The objects of choice referred to here are those which lead to a long and healthy life, knowledge using resources required for improving living standards, and access to these resources.

Needless to say, the range of choice should be expanded yet further to include everything from political, economic and social freedom to the enjoyment of human rights and creative, productive autonomy.

Raising income levels does not embrace everyday human life in its entirety: it should be seen not as an end in itself but as a means for advancing people-centered development.

JICA projects and people-centered development

JICA's attempts to contribute to people-centered development have not just begun. As development paradigms change, JICA projects are focusing on people-centered development. Let us now take a multi-faceted look at examples of how JICA is tackling this question.

■ Cooperation with organizations and systems

There are many methods of people-centered development. Economic development propelled forward by the nation itself will result in an increase in total national resources, and the reallocation of resources will bring about improvements in national living standards. This is one such method.

However, this method is dependent upon equity, whereby the benefits of economic growth are equitably distributed, transparency, whereby the administrative sector indicates clearly how benefits are to be redistributed, and accountability.^{*3} There is thus a need for institution-building, involving an administrative structure characterized by equity, transparency and accountability, and for capacity-building for its implementation.

JICA has been providing cooperation in this regard in the form of theoretical support programs. These have included support with the transfer to a market economy and the democratic system in the former communist countries and related studies. The following are some of JICA's most important activities of this kind:

1. Projects

- Macro-economic training aimed at Central Asia and the Caucasian region;
- Support with upgrading the legal system in

Vietnam;

- Democracy study seminars aimed at Africa.

2. Studies

- Sector aid study on "Participatory development* and good governance" (March 1995);
- Basic studies on Japanese aid and JICA's role in 2010 (July 1995).

■ Poverty eradication and participatory development

JICA believes that whereas intellectual support projects involve organizational and systemic upgrading and improvements in the context of people-centered development, poverty eradication and participatory development are targeted directly at people.

Poverty does not refer merely to economic deprivation. As already mentioned, it denotes lack of the knowledge required to use the resources needed to raise standards of living and of access to these resources.

JICA believes that eradication of poverty is dependent upon empowerment, i.e. equipping people with the capacity to improve their situation by themselves, and participatory development, i.e. giving people the opportunity to display their capacity in development processes. These two factors may themselves be the aims of development, although they may also be incorporated into project activities.

In recent years JICA has been tackling empowerment and participatory development in fields where local communities are the direct targets of development. These efforts are evident in regional development projects involving, for instance, diffusion of agriculture in villages, maternal and child health, social forestry, and groundwater development. Several important projects are mentioned below.

1. Projects

- Family planning with the participation of regional communities in Bangladesh;
- Formation of disaster prevention communities and support with improvements in regional living standards in Nepal;
- Development of agricultural cooperatives among the indigenous peoples of Panama;
- Support with poverty eradication and village development in Sulawesi, Indonesia.

*3: Accountability denotes the belief that an organization has a duty to explain its actions clearly to stockholders and society.

2. Studies

- Utilization of social capacities in development aid projects (March 1996);
- Concern for institution-building in project management (March 1994).

Environmental improvement

The concept of environmental improvement is not easy to summarize. For instance, attempts to supply safe drinking water to areas where only unhygienic water is available may involve measures on the micro and macro levels. On the micro level, forests may be planted to obtain firewood for boiling water or new wells may be dug. On the macro level, global issues* which influence our lives in the broadest sense may be tackled, for instance by taking measures to combat desertification and global warming. The following are several of the projects and studies on which JICA is working from the macro standpoint:

1. Projects

- Environmental Research and Training Center in Mexico;
- Japan-China Friendship Environmental Protection Center in China;
- Biodiversity Conservation Project in Indonesia.

2. Studies

- Study on the upgrading of country-specific environmental information (since 1990);
- Development and environment of the Mekong river basin (March 1998).

Concern for vulnerable sectors of society: welfare for the handicapped, participation of women

Knowledge required to use the resources needed to improve living standards and access to these resources are two essential aspects of people-centered development. They are especially important in the case of the poorer segments of society, although they are not applicable exclusively to the poor.

Access to resources may be simple enough for people without handicaps of any kind, but various difficulties may stand in the way of handicapped people in this regard. Physical difficulties may be

involved, for example in connection with access to the means of transport required to reach the resources, or there may be obstacles reflecting social structures peculiar to individual countries, such as lack of opportunity to engage in the labor required to obtain everyday essentials. Similarly, in countries where the social structure imposes a low status on women, women's participation in society may be restricted or their opinions may not be reflected adequately in development policy.

To deal with the participation of handicapped people and women in society, JICA is involved in projects targeted at the following areas of welfare and in planning which takes account of female participation in projects:

1. Projects

- Course on mental retardation;
- Course on prosthetic and orthotic technicians;
- Industrial rehabilitation center in Thailand;
- Development of vocational rehabilitation system in the National Rehabilitation Center for physically disabled people, Prof. Dr. Surakarta, Indonesia;
- Seminar on improving the status of women as government officers;
- Economic development seminar focusing on women.

2. Studies

- Participation in international cooperation projects by the handicapped (June 1997);
- Study project on "an examination of technological upgrading for women for village livelihood improvement" (March 1996);
- Study on social and gender analysis techniques with consideration for WID* (December 1993).

4. Strengthening Links

Linkage is the key

Japanese ODA is in an unprecedentedly difficult situation: FY1998 was the first year when the ODA budget has actually been less than that for the preceding year.

Under these conditions there is a greater need than ever before for more efficient and effective aid and for winning broad-based public understanding and support. Strengthening the following links is becoming increasingly important as a way in which to deal with this situation:

- 1) Links with international agencies and other donor countries;
- 2) Links between aid schemes;
- 3) Links with developing countries, i.e. support with South-South cooperation*;
- 4) Links with the Japanese public and the private sector.

Strengthening links is at the core of the proposals for ODA reform. The final report of the Council on ODA Reforms for the 21st Century stressed the importance of this matter, stating that "linkage presents the key to shaping the future image of ODA." JICA is working on strengthening such links to enhance the effectiveness of ODA.

Links with international agencies and other donor countries

■ Establishing dynamic links

Moves to foster links with international agencies and donor countries have increased

considerably in recent years, especially in the following areas:

- 1) Exchange of information and opinions through meetings of donor nations, international conferences, discussions at headquarters or local levels with other aid agencies, etc.;
- 2) Cooperation with policy;
- 3) Coordination of activities at the project implementation stage, formulation and implementation of cooperative projects;
- 4) Personal exchanges aimed at building cooperative relationships with other aid agencies.

The background to this development has been shaped by various factors including the emergence of new aid needs (e.g. global issues*) which must be tackled jointly by the international community, and, amidst the worldwide slump in ODA growth, the heightened international necessity of providing effective aid by avoiding duplication and through mutually supportive effort.

Uncoordinated provision of aid by separate countries and agencies increases the burden of recipient developing countries and impedes consistent development.

The emphasis on ownership by developing countries as a way of achieving effective development means that aid cooperation becomes increasingly important from the standpoint of its support. The DAC New Development Strategy* adopted by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) in 1996 stresses the importance of encouraging aid cooperation in line with the development strategies of developing countries so as to provide support with ownership in these countries.

■ The present state of linkage

JICA is engaged in the exchange of detailed information and opinions with international organizations and other aid agencies and is involved in the formation and implementation of actual cooperation projects after having determined the countries and fields where linkage needs to be given priority. Dispatch of JICA employees to international organizations and other aid agencies and the intake by JICA of employees from other aid agencies are among the methods which contribute to mutual understanding in connection with individual projects and to the formation of personal networks.

1. International organizations

Availing itself of the neutrality and impartiality of international organizations and the expertise of specific institutions, JICA is involved in wide-ranging cooperation with financial bodies engaged in international development such as the World Bank, the Asia Development Bank (ADB) and the Inter-American Development Bank (IDB), agencies of the United Nations such as the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Fund for Population Activities (UNFPA), the World Health Organization (WHO) and the United Nations Volunteers (UNV), and regional bodies such as the Colombo Plan and the Asia Pacific Economic Cooperation (APEC) forum.

Regular meetings are held every year with the World Bank, ADB and UNDP with the aim of encouraging systematic links with these organizations. Collaboration with the World Bank, for example, has involved the selection of health and medical care, education, water supply and poverty in Africa as priority areas for cooperation. JICA has then been coordinating and cooperating with sectoral aid activities in line with the Sector Investment Program (SIP) being implemented by the World Bank.

Links with ADB and UNDP are being forged by selecting specific model countries and exchanging information and opinions in connection with priority areas and individual aid plans. The model countries concerned in the collaboration with ADB are the Philippines, Bangladesh and Laos, and in the collaboration with UNDP are India, Pakistan and the Philippines. One of these projects involves cooperation with the upgrading of the urban environment in Pakistan through introduction of a

refuse collection system. Japan is providing disposal trucks and technical guidance through the dispatch of experts, while UNDP is educating and organizing local residents to deal with introduction of the new system. This cooperation between JICA and UNDP is proving to be complementary and highly effective.

As to personal cooperation with international bodies, JICA has sent twelve employees to the World Bank, UNDP, ADB, WHO, the World Food Programme (WFP), and the Economic and Social Commission for Asia and the Pacific (ESCAP). One of these employees serves as deputy general secretary of ESCAP.

2. Other donor countries

JICA is establishing extensive links with aid agencies such as the United States Agency for International Development (USAID), the Canadian International Development Agency (CIDA), the German Technical Cooperation Corporation (GTZ), the British Department for International Development (DFID), the French Ministry of Cooperation, and the Australian Agency for International Development (AusAID).

Collaboration with the United States involves support for women in development (WID*) in developing countries, population, HIV/AIDS and children's health, conservation of the global environment, introduction of democracy and other global issues on the basis of the Japan-U.S. Common Agenda*. In the field of population and HIV/AIDS, eight of the twelve countries given priority under Japan's "Global Issues Initiative on Population and HIV/AIDS" (GII) are the focal points for cooperation between Japan and the United States. Lively links are being formed through the dispatch of joint project formulation study teams and the joint implementation of projects.

Collaboration with CIDA has involved the pinpointing of seven linkage priority countries and fields in accordance with the regions and fields in which JICA and CIDA have special proficiency. One such area of cooperation is concerned with the environment in Vietnam. Multi-faceted cooperation is taking place here in connection with dispatch of joint project formulation study missions, information exchange and cooperation from the planning stage of environmental projects involving the two agencies, and the intake of counterparts* involved in CIDA projects into JICA training courses.

Another joint project with CIDA has entailed JICA translating CIDA's Lexicon of International Development Terminology into Japanese. The new trilingual (Japanese, English and French) version of the lexicon was published by JICA and CIDA in 1997.

Links with DfID are being maintained especially in the Anglophone areas of Africa and with the emphasis on water supply and education. Examples include package cooperation in Kenya in which JICA's secondary education program in science and mathematics is combined with DfID projects in the field of primary education, and the formation of residential organizations through DfID's local NGOs* in Zambia for maintaining and managing the water supply facilities provided through Japanese grant aid.

Links with the French Ministry of Cooperation are being maintained in Francophone Africa in medical fields, with GTZ in eleven countries with priority for joint Japanese-German aid cooperation, and with AusAID primarily in Asia and Oceania.

JICA is furthering personal exchange by sending its employees to USAID, CIDA, GTZ and the French Ministry of Cooperation and by playing host to employees of USAID, CIDA, the French Ministry of Cooperation, and the Korean International Cooperation Agency (KOIKA).

Linkage between aid schemes

■ Strengthening the coherence and unity of ODA

Coherent and unified aid in line with the needs of developing countries is essential in order to maximize the effects of Japanese aid with a limited ODA budget.

From this standpoint, proposals aimed at ODA reform invariably stress the need to formulate country-specific aid programs based on a unified approach to aid schemes required to ascertain and respond with precision to the needs of developing countries.

To implement aid effectively in accordance with country-specific aid programs, links with related government departments and aid implementation agencies must be strengthened. The Ministry of Foreign Affairs must also take the lead in the total coordination of ODA.

In line with such proposals, in FY1997 the

Ministry of Foreign Affairs established a Liaison Committee of Government Ministries and Agencies Involved in Technical Cooperation Projects with the participation of nineteen government ministries and agencies. This committee is now working on strengthening links between these ministries and agencies. Also, as part of total coordination of ODA, several of the technical cooperation projects managed by government ministries and agencies were transferred to JICA as of FY1998. These include the training courses run by the Ministry of Health and Welfare and the Ministry of Home Affairs.

Linkage between aid schemes has hitherto been strengthened from the following standpoints:

1) The effects of aid can be enhanced by taking advantage of the features of different aid schemes and allowing them to be mutually complementary;

2) Linkage between technical cooperation and financial aid in the form of loans or grants is important for the smooth implementation of financial aid projects and for ensuring continuity of the results of cooperation. It also forms part of the face of aid that Japan presents to the world.

On the other hand, there is also a need for the realization of coherent, unified aid based on country-specific aid programs. The FY1998 budget accordingly authorized various measures to strengthen linkage between aid schemes. In particular, the institution of financial cooperation linkage trainees (60) and financial cooperation linkage experts (125 long-term, 50 short-term) was newly recognized in the JICA budget, and detailed design studies, one type of development study, relating to loan projects were increased (nine preliminary studies, ten full-scale studies), while the introduction into general grant aid at a cost of three billion yen of a rehabilitation grant* scheme relating to loan aid was newly recognized in the Ministry of Foreign Affairs budget.

■ JICA's efforts to create links between aid schemes

JICA is working on strengthening links between aid schemes, especially between financial cooperation and technical cooperation, through implementation of various project types.

1. Grant aid and technical cooperation

In the case of grant aid, links are established with technical cooperation from the project study stage. Under this system JICA examines the proposed project and makes a recommendation to the Ministry of Foreign Affairs.

The content of the linkage is highly varied, as follows:

1) Provision of technical support with the formulation and implementation of grant aid projects and with operation and management of provided equipment and machinery through the dispatch of experts and JOCV volunteers and the intake of participants for technical training, etc.;

2) Installation and upgrading, using grant aid, of training centers, hospitals, and research and educational institutions, and the use of these institutions as bases for the execution of cooperation projects such as project-type technical cooperation;

3) Implementation with grant aid of projects proposed in development studies.

About six out of ten of the grant aid projects decided upon by the Cabinet in FY1997 are linked in this way with technical cooperation. In certain cases, for instance in the case of the "Project for the Improvement of Water Supply Facilities in Rural Areas" in Senegal, cooperation is being effectively implemented by combining grant aid with the dispatch of JOCV volunteer teams and the intake of participants for technical training.

2. Loan aid and technical cooperation

In addition to conventional linkage in which projects proposed in development studies are implemented with loan aid, a wide variety of linkage has been encouraged in recent years. This has included the dispatch of experts and the intake of technical participants in order to ensure the smooth implementation of loan aid projects and to provide subsequent support with their operation, maintenance and management. Human resources development and institution-building in related areas have also been occurring through project-type technical cooperation along with the upgrading of economic and social infrastructure* using loan aid.

As of the end of FY1997, there were 230 development study projects (about two-fifths of the total) which had been implemented with loan aid. Technical participant intake and expert dispatch in connection with loan aid projects in FY1997 amounted to about 50 and 90 persons respectively.

There are also several cases of linkage with

project-type technical cooperation. In the Philippines, for instance, project-type technical cooperation aimed at the training of air traffic controllers is taking place at the Civil Aviation Training Center in coordination with the nationwide upgrading of civil aviation facilities with loan aid.

3. Grant aid, loan aid and technical cooperation

Links are also being formed depending on the content and scale of a project between grant aid and loan aid so as to take advantage of the features of these two schemes of aid. Two examples of linkage of this type are:

1) Upgrading of core facilities with grant aid and of integrated wide-area infrastructure with loan aid;

2) Repair with grant aid of social development facilities from among facilities created with loan aid.

Another recent feature has been an increase in integrated cooperation combining the three schemes of grant aid, loan aid and technical cooperation.

Examples include multi-faceted cooperation in Indonesia aimed at improving the standards of local medical care on the island of Sulawesi. This has combined technical cooperation in the form of human resources development and institutional strengthening in the field of local health and medical care, grant aid in the form of improvements to facilities such as medical centers, and loan aid in the form of improvements to blood centers and other institutions.

With a view to encouraging effective linkage with loan aid, cooperative relationships with the Overseas Economic Cooperation Fund (OECF) are being deepened through the following activities:

1) Regular exchanges of information and opinions through liaison committee meetings held at headquarters and at overseas offices;

2) Dispatch of joint project formulation study missions;

3) Participation of OECF employees in country-specific and sectoral aid study committees organized by JICA;

4) Joint evaluation of projects;

5) Personal exchange among employees (dispatch of four generations of employees up to the present time).

Support for South-South cooperation

South-South cooperation refers to cooperation with economic and social development extended by one developing country to another. The typical pattern in recent years has been for cooperation to be provided by developing countries at a relatively advanced stage of development -- e.g. Singapore, Egypt, Chile and Brazil -- to developing countries both inside and outside their respective regions.

The importance of South-South cooperation has been fully recognized at the United Nations and other international forums, and many proposals have been made to encourage it. JICA, for its part, is providing support for developing countries making the transition to donor status, and is actively encouraging South-South cooperation in recognition of the value of using the experience and expertise of one developing country to facilitate the development of another less developed country.

■ Effects of South-South cooperation

South-South cooperation produces the following effects:

1. Encouragement and support for regional cooperation between developing countries

As the global economy becomes increasingly interdependent, it has become advantageous to encourage intraregional investment and trade, to reduce economic disparities between neighboring countries, and to relate to other regions as a single, economically coherent entity. Evidence of the lively trend toward integration of regional economies is provided by the Southern African Development Community* (SADC) and the Mercado Comun del Sur* (MERCOSUR).

Support for South-South cooperation is regarded as an effective means of cooperation in that it directly assists and enlivens economic exchange and cooperation between countries within the same region.

2. Offsetting shortages of aid resources

If promising new sources of aid provision such as the countries of Asia and Latin America actively increase their donor activities in respect to other developing countries, this becomes an effective means of compensating for the worldwide shortage

of aid resources which has resulted from the rapid increase in demand for aid and the flagging supply of resources.

3. Efficient transfer of technology*

When transferring technology to a developing country, it may sometimes be more appropriate to transfer the technology and experience of another developing country with a similar climate, culture (language, religion, etc.) and industrial structure.

4. Effective use of aid resources

It is often less expensive and sometimes just as or even more effective to send experts from other developing countries and to offer training at facilities in developing countries than to provide such cooperation on the Japanese side. South-South cooperation is an effective form of aid also from the standpoint of effective use of limited aid resources.

■ JICA's support for South-South cooperation

JICA is providing support for South-South cooperation through the implementation of cooperation programs such as third-country training*, third-country experts, and tripartite cooperation*. The content of each type of cooperation is explained below.

1. Third-country training

Third-country training is a training program aimed at participants from developing countries and implemented at training institutions in third countries. It is expanding year by year and is aimed at transferring technology and experience in forms appropriate to local conditions and at encouraging technical cooperation between developing countries themselves.

2. Third-country experts

This new form of technical cooperation for which funding has been provided since FY1994 involves the use of personnel from developing countries as experts.

The primary objectives of this program are, first, to enhance the results of technical cooperation by sending people from other developing countries as experts to areas in developing countries where Japan is providing technical cooperation and, second, to disseminate the results of technical cooperation provided by Japan by dispatching people who have benefited from Japanese technical cooperation as experts to other developing countries.

The number of experts sent by JICA to developing countries on the basis of this system totaled 32 between FY1994 and FY1996, but as many as 37 were sent during FY1997. This program initially centered on Asia and especially the countries of ASEAN, but it is currently covering many parts of the world including Asia, Oceania, the Middle East, Africa, and Latin America.

3. Tripartite cooperation

Tripartite cooperation involves the joint implementation of cooperation projects in developing countries by Japan and other donor nations and agencies. Projects currently in progress include the Rural Development and Resettlement Project in Cambodia. The aim of this project is to improve the livelihood of refugees resettling in Cambodia through rural development and the establishment of rural infrastructure.

JOCVs from Japan and experts from four ASEAN countries (Indonesia, Malaysia, Philippines and Thailand) have been assigned to cooperative activities in four sectors, namely agriculture, raising standards of living, education, and public health. Technical cooperation experts sent from JICA are responsible for overall coordination of the project.

■ Support for donor nations

Japan supports the transition from recipient status to donor status of the more advanced developing countries in East Asia, ASEAN and Latin America. The aim of this program is to see developing countries which have received aid from Japan in the past provide cooperation to other developing countries as new donor nations.

In the case of South Korea, for instance, JICA has played host at its headquarters to personnel from KOICA who are being given on-the-job training with the implementation of technical cooperation projects. JICA and KOICA frequently exchange opinions and information on the implementation of aid whenever the opportunity arises.

Japan is also concluding partnership program agreements with new donors from among the developing countries which have themselves begun to provide cooperation to other developing countries, the aim being to support the implementation of autonomous development

cooperation by these new donor nations. The partnership program involves cooperation between Japan and new donor countries in forms such as the intake of trainees and the dispatch of experts to other developing countries. Where necessary, JICA's expertise in the implementation of aid may be transferred to the new donor nations. Programs of this type are currently under way in Thailand and Singapore.

In May 1998, the Ministry of Foreign Affairs invited representatives of fifteen new donor countries in Asia, the Middle East, Africa and Latin America to Japan for a lively exchange of opinions on the various issues raised by South-South cooperation. This was the first international conference attended by people from countries actually involved in South-South cooperation. The conference was highly rated by the participating countries for the important role it played in shaping future South-South cooperation.

■ APEC: Partners for Progress

Japan proposed the Partners for Progress* (PFP) concept at a ministerial meeting of APEC held in Jakarta in November 1994. The idea behind PFP is advocacy of active promotion of development cooperation along with liberalization of trade and encouragement of investment within the APEC region as wheels on the same axle.

PFP is a mechanism aimed at more effective promotion of economic and technical cooperation within APEC in line with the principles of mutual support and autonomy. By combining the aspects of support for South-South cooperation and coordination and collaboration between industrialized countries, PFP moves a step further on from the conventional notion of cooperation as a one-way flow from advanced countries to developing countries and assumes that cooperation should be implemented on the basis of an equal partnership.

Employing the third-country training program, in FY1996 JICA began providing cooperation in the three fields of standards and conformity assessment, industrial ownership rights*, and competition policy.

5. Promotion of Public Participatory Aid

In order to gain their understanding and support, ODA must be implemented with the cooperation and support of the Japanese people as a whole, i.e. there is a need for aid open to public participation.

Encouragement of public participation is important from several other standpoints as well. For example, it plays a role in extending the scope of Japanese aid, implementing clearly visible aid at the general public level, expanding varied friendship and exchange relationships with recipient countries, and contributing to international understanding and internationalization within Japan.

From these standpoints JICA is encouraging participation in a wide range of projects from individuals interested in playing a part in international cooperation, NGOs, local government, the private sector, local people and ordinary households.

Promotion of wide-ranging public participation

I Volunteer activities

JICA is involved in various projects aimed at backing up the activities of volunteers who wish to make use of their skills and knowledge to cooperate with human and national development in developing countries. One way in which it does this is through the Japan Overseas Cooperation Volunteers (JOCV), an organization which has been active now for

more than three decades since 1965.

As of the end of March 1998, 2,141 volunteers had been sent on the JOCV program to work in 59 countries. The total number of volunteers sent overseas since the program was begun is in excess of 17,700. Reflecting the strong interest being shown in JOCV and the high reputation the organization has gained, large numbers of people are hoping to participate, and in recent years the numbers of JOCV applicants have been fivefold or sixfold larger than those of requests from developing countries. There has also been an increase in the number of companies and organizations allowing their employees to take part in JOCV projects while retaining their jobs. In FY1997, 207 people, or about 20 percent of all newly dispatched volunteers, took part with their employment status retained.

JICA is working at improving projects in order to respond to the high level of interest being shown by the general public in the JOCV program. Several new systems are being introduced from FY1998 onward, including a registration system, a short-term dispatch system to facilitate participation while retaining job status, and dispatch of junior JOCVs, in particular senior high school students.

JICA is also involved in projects of the Senior Overseas Volunteers, the Japan Overseas Development Youth Volunteers, and the Senior Cooperation Experts on Overseas Japanese

Communities. As of March 1998, 231 volunteers sent on the basis of these three programs were working overseas, and a total of 789 volunteers had been sent from them.

The two senior volunteer programs which were introduced in 1990 are provoking much interest both inside and outside Japan since they provide opportunities for people of mature age to engage in volunteer activities in response to the rapidly rising age of the population. There has been a dramatic increase in applications for participation from employees of private companies wishing to take early retirement. Moreover, with their plentiful experience and expert skills, senior volunteers are thought highly of in developing countries.

People who have taken part in such volunteer programs have been forming alumni associations throughout Japan, distinguished according to factors such as prefecture of origin, type of work, and country of dispatch. They have become involved in international exchange and cooperation projects and in development education all over Japan, and are thereby contributing to the promotion of international exchange and cooperation in the regions. There has also been an increase in the number of volunteers working with NGOs* after returning to Japan who wish to continue their overseas activities.

■ Youth invitation programs and training programs

Of JICA's various public participatory aid programs, those which allow for the widest participation from the general public and ordinary households are the youth invitation and training programs.

JICA runs youth invitation programs which involve the provision of training in Japan for young people from developing countries who are likely to play key roles in building their countries and the planning of exchanges between young people from the developing world and Japan. In FY1997, 1,593 young people from 85 countries were invited to Japan. The total number so far invited to Japan has now exceeded 16,600.

Regional applications of these programs give young people from overseas the opportunity to fraternize with their Japanese peers and to stay in ordinary homes throughout Japan. Such activities were realized in 43 prefectures in FY1997. Youth invitation programs have become widely popular as a form of nationwide international cooperation which allows for authentic human contact.

JICA also plays host every year to more than 10,000 technical training participants who receive training which emphasizes the distinctive features of each region and institution at training institutions all over the country. They also have the chance to fraternize with local people and organizations. At JICA's twelve international centers scattered all over the country, local people initiate the overseas training participants into Japanese culture and society, while the participants visit nearby schools to cooperate in development education.

■ Application and fostering of human resources

In order to encourage participation by a wide range of people in its programs, JICA operates a scheme under which people who wish to take part in international cooperation in developing countries as technical cooperation experts are recruited and registered. As of the end of FY1997 there were 2,236 people registered under this scheme.

Experts were previously recruited mainly on the basis of recommendations from related government ministries and agencies, but a new system of open recruitment was instituted in FY1997. This system was featured in newspapers and magazines as an example of ODA open to public participation. JICA intends to expand and strengthen this system in the future to maintain the strong degree of interest being shown in it by the public.

In the context of the measures being taken to promote wider public participation in programs, the FY1998 budget newly made provision for a special range of expert dispatch projects involving public participation with ten long-term and ten short-term experts. The idea

is to make use of personnel from local government, NGOs and private companies in order to respond to diversifying development needs.

Linkage with NGOs

A feature of ODA in recent years has been the increase in cooperation aimed directly at local communities and residents, centering on areas of social development such as poverty and WID. When implementing such cooperation, the formation of close links with NGOs, with their plentiful experience and expertise in the fine points of aid on the grass roots level, is an effective way of ensuring that aid gets through to the people for whom it is intended. Links with NGOs are important also from the standpoint of encouraging aid open to public participation.

JICA is working on establishing links with NGOs through various projects. For instance, in connection with the training program, since 1983 JICA has been commissioning NGOs such as OISCA International and the Asian Women's Exchange and Research Forum to arrange group training courses aimed at people working on the grass-roots level in developing countries. In collaboration with the Asian Medical Doctors Association (AMDA), the Japanese Organization for International Cooperation in Family Planning (JOICEP), and the Karaimo Exchange Foundation, JICA has been involved in project-type technical cooperation in the fields of public health and measures to combat poverty.

As well as conducting various forms of cooperation on the local level with NGOs in developing countries, members of Japanese NGOs are taking part in their own capacity in survey missions concerned with the formulation of projects directly aimed at local societies and communities. In FY1997, CARE Japan and the Japan International Volunteer Center (JIVC) took part in project formulation surveys in the fields of population and HIV/AIDS and children's health.

In order to promote links with NGOs, JICA is inviting NGO representatives to take part in

training programs being held at the Institute for International Cooperation. In FY1998, we are planning to begin an NGO/JICA joint training program which will provide an opportunity for representatives of NGOs and JICA to learn from each other's projects and expertise.

Linkage with local government

There has been an increase in recent years in the number of local authorities engaged in international exchange and cooperation, and interest in participation in ODA is on the increase. The experience and expertise of local authorities is indispensable for responding to new aid needs in developing countries, especially needs in fields closely related to daily life. Linkage with local authorities is also an important factor in stimulating understanding and participation in ODA on the part of local people.

JICA is strengthening links with local government through various projects. For instance, about 580 overseas participants were provided with training in FY1997 through local authorities. About 160 local government employees were sent as JICA experts to developing countries, and 155 and 95 respectively took part in survey missions and as JOCVs.

As with the "Study on the Environmental Management Plan for the Environmental Model Zone in Dalian Municipality" implemented by Kitakyushu City on the basis of its experience of pollution and the "Cooperation with Paper-Making in Bhutan" project implemented by Misumi-cho in Shimane Prefecture, one prominent feature of projects conducted jointly with local authorities is that they take full advantage of the experience and features of regional governments.

Activities conducted autonomously by local governments have occasionally developed into ODA projects in their own right. Examples include projects based on sister city links such as Okinawa Prefecture's "Improving Public Health in the Santa Cruz District of Bolivia" and projects originating in exchange activities

implemented by local governments such as "Agricultural Cooperation in Mongolia" instigated by Shariki-mura in Aomori Prefecture.

Although projects involving the intake of trainees and the dispatch of experts are, relatively speaking, most common, there have recently been several cases of local governments serving as the Japanese cooperation agencies for project-type technical cooperation and becoming involved in projects at every stage from planning to management. An example of such is Saitama Prefecture's "Primary Health Care Project in Nepal."

To create closer links with local governments, JICA is implementing a training program on international cooperation for local government employees. In addition, the work carried out by JICA training centers is expanding to include areas other than training, with the result that these institutions are gradually being transformed into international centers as part of the efforts to strengthen their key functions as bases of operations in the provinces.

Links with six local governments where there are no JICA centers or domestic branches are maintained through the posting of international cooperation promoters. Local government employees are also being sent to JICA's headquarters and overseas offices: about 30 employees from 15 local governments have so far been taken in by JICA.

For two years beginning in FY1997, JICA is working on a basic survey of the public participation type entitled "Participation of Local Governments in International Cooperation Projects" in order to study ways in which links with local governments can be encouraged yet further.

Linkage with the private sector

Comprehensive measures including trade and investment in addition to aid are required to promote economic and social development in developing countries. Such measures are dependent upon encouraging links with the

private sector. Activities by Japanese private companies in developing countries are beneficial also from the standpoint of furthering relations between Japan and recipient countries. This is the standpoint from which JICA encourages links with the private sector.

The private sector plays an important role in JICA programs: nonprofit foundations and private companies provide cooperation with about 40 percent of group training courses of all kinds. About four out of ten experts are also originally from the private sector.

In order to strengthen these links with the private sector, in FY1997 JICA introduced a Private Sector Advisory Experts System intended to make use of outstandingly talented people from the private sector as experts. Eleven short-term experts were sent under this system to Uzbekistan and two were sent to Laos in FY1997 on the basis of recommendations from the Federation of Economic Organizations (Keidanren).

A form of openly solicited technical cooperation under the name of "Theoretical Support Seminars Based on Proposals from the Private Sector" is due to be introduced in FY1998. The aim of these seminars is openly to solicit ideas from private think-tanks and other institutions possessing specialized expertise and experience in order to respond to the needs of developing countries in respect to theoretical support areas such as promotion of market economies.

Other forms of linkage with the private sector include support with private sector initiatives for infrastructural projects through the performance of development studies and, from among development projects carried out in developing countries by Japanese private companies, development cooperation projects involving the long-term, low-interest financing of experimental projects which contribute to the development of society and of agriculture, forestry and mining. Examples of support for private infrastructural projects include development studies on highway bypasses in India and on development of the Thanh Long

industrial estate in Vietnam.

Training of aid personnel

JICA is involved in the recruitment and training of aid personnel as part of our contribution to public participatory aid.

An example of these efforts is the introduction of the "internship" system under which Japanese university students with an

interest in development are given the chance to gain practical knowledge in real aid situations. JICA introduced this system on a trial basis in FY1997, since when 14 students have been recruited into overseas offices and centers within Japan. This system is due to be introduced on a larger scale in FY1998, when 37 students will be recruited.

1. Japan's ODA and JICA

Classification of ODA provided by Japan

ODA is classified into three areas: 1) bilateral* grants, 2) bilateral loans, and 3) financial subscriptions and contributions to international organizations (multilateral aid*). Bilateral grants are further divided into technical cooperation, whereby technology is transferred to a developing country, and grant aid, which provides funds with no obligation for repayment. JICA implements about a half of Japan's governmental technical cooperation and about 70 percent of the nation's grant aid. JICA's budget comes under the jurisdiction of the Ministry of Foreign Affairs.

Bilateral grants

1. Technical cooperation

The aims of technical cooperation are to transfer and disseminate Japanese technology, skills and knowledge, to support the improvement and development of technology appropriate to the technical environment of developing countries, to train people who will come to occupy a leading role in economic and social development in their respective countries, to raise technical levels, and to contribute to the establishment of new organizations and systems.

Expressed in more concrete terms, technical cooperation comprises: 1) training programs under which administrators and technicians from developing countries are invited to Japan to receive training; 2) expert dispatch programs under which people with specialized skills and knowledge are sent from Japan to developing countries to help with training and with the planning and formulation of development

projects in the countries to which they are sent; and 3) programs involving the supply of equipment and materials needed for their realization. The range and content of cooperation is determined according to its purpose and so as to ensure methodical implementation.

2. Grant aid

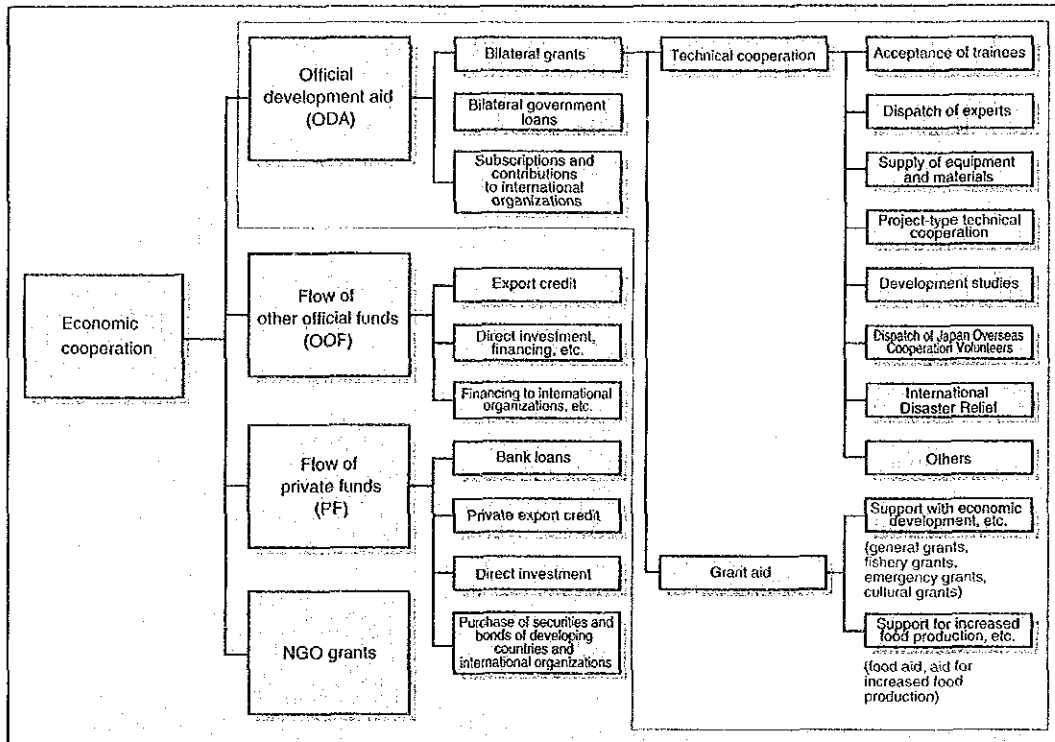
Grant aid involves the provision of funds for the construction of buildings such as schools and hospitals, for the supply of materials and equipment for education, training and medical care, and for support with reconstruction after the occurrence of disasters. According to its content, it can be divided into 1) general grants, 2) fisheries grants, 3) cultural grants, 4) disaster relief grants, 5) food aid*, and 6) aid for increased food production*.

Of these forms of grant aid, JICA is involved in basic design studies* needed for building facilities and procuring equipment and materials, and carries out the surveys and intermediary and liaison work (expediting execution) needed in connection with 1) general grants (general project grant aid only), 2) fisheries grants, 5) food aid (from FY1997), and 6) aid for increased food production.

Bilateral loans

Intended to provide the funds needed for development, bilateral loans are offered under flexible conditions over the long term and at low interest. They are classified into 1) ODA loans under which funds needed for development are provided directly to the government or a government agency in a developing country, and 2) private-sector financing and investment under which funds are provided to Japanese companies or local companies operating in developing

■ Fig. 1-1: Economic Cooperation and Official Development Aid



countries. Type 1), ODA loans, are generally known as “yen loans.”

Yen loans previously focused on project loans* related to economic and social infrastructure* such as roads, dams, communication facilities and agricultural development, but in recent years an increasing share is being extended as commodity loans* aimed at improving the international balance of payments.

The budget for bilateral loans is controlled by the Ministry of Finance and the method of implementation is decided on the basis of consultations between four government ministries, the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of International Trade and Industry, and the Economic Planning Agency. The Overseas Economic Cooperation Fund (OECF) is in charge of implementing the loans.

Financial subscriptions and contributions to international organizations (multilateral aid)

Multilateral aid is an indirect method of

extending aid by channeling funds through international organizations. Contributions to the United Nations Development Programme (UNDP), the United Nations Fund for Population Activities (UNFPA), and the United Nations Children’s Fund (UNICEF) are handled largely by the Ministry of Foreign Affairs, while subscriptions to the World Bank, the International Development Association* (IDA, also known as the Second World Bank), and the Asia Development Bank (ADB) and other international development financial organizations are handled by the Ministry of Finance.

The ODA budget and the system of implementation

Breakdown of the ODA budget

The Japanese ODA budget (general account)*1 has hitherto been allocated to and controlled by nineteen government ministries and agencies, namely the Prime Minister’s Office, the National Police Agency, the General Affairs Agency, the Economic Planning Agency, the Science and

*1: Japan’s general account ODA budget represents the total of the budgets for projects whose expenditure has been authorized as ODA from among the various projects included in the budget items. In addition to the general account ODA budget, the sources of funding for ODA projects include fiscal investment and loan funds which are the sources of yen loans, payment by invested government bonds to international development financing agencies, and special accounts budgets based on the stipulations of Article 13, paragraph 2 of the Finance Act.

Technology Agency, the Environment Agency, the National Land Agency, the Ministry of Justice, the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Education, Science and Culture, the Ministry of Health and Welfare, the Ministry of Agriculture, Forestry and Fisheries, the Ministry of International Trade and Industry, the Ministry of Transport, the Ministry of Posts and Telecommunications, the Ministry of Labor, the Ministry of Construction, and the Ministry of Home Affairs. However, in FY1998, a comprehensive realignment was made over and above areas of jurisdiction in order to maximize the effects of ODA. Rearrangement of the ODA budget under the control of the Prime Minister's Office and the Ministry of Home Affairs resulted in allocation of the budget to seventeen ministries. In the name of technical cooperation, the Ministry of Education, Science and Culture is responsible for the intake of overseas students coming to Japan on Japanese government scholarships.

The general account ODA budget for FY1998 amounted to 1,047.3 billion yen for the government as a whole. Of this figure, the

Ministry of Foreign Affairs was responsible for 556.8 billion yen, of which the portion allocated to JICA amounted to 176.2 billion yen, or 31.6 percent of the Ministry of Foreign Affairs budget.

The bilateral technical cooperation budget for FY1998 was 350.7 billion yen, of which JICA was responsible for 50.2 percent. JICA is thus playing a core role as an agent for the implementation of Japanese technical cooperation. JICA also receives a part of the study costs allocated in the ODA budget of the Ministry of International Trade and Industry. In FY1998 this amounted to 8.899 billion yen and is being used for the provision of technical cooperation.

Agencies other than JICA providing ODA

Apart from JICA, the organizations implementing projects with recourse to the government's technical cooperation budget include The Japan Foundation, the Japan External Trade Organization (JETRO), the Association for Overseas Technical Scholarship

■ Table 1-3: Japan's ODA budget and JICA's technical cooperation (DAC Base)

	1998 ODA budget for FY1998 (general account)	1997 calendar year				
		Expenses	Persons involved			
			Training participants	Experts and study teams	Cooperation volunteers	Overseas students
Japan's ODA as a whole	1,047.3 billion yen	9,435 million dollars (1,141.7 billion yen)				
Japan's technical cooperation	350.7 billion yen	3,021 million dollars (365.5 billion yen)	30,138	20,223	3,564	8,930
JICA's technical cooperation	176.2 billion yen	1,534 million dollars (185.7 billion yen)	11,341	13,947	3,559	0
Proportion of technical cooperation as a whole occupied by JICA	50.2%	50.8%	37.6%	69.0%	99.9%	0.0%

* Including figures for Central and Eastern Europe.

* JICA's technical cooperation includes results based on trust funds from MITI.

■ Table 1-4: Examples of technical cooperation provided by ODA-implementing organizations other than JICA (FY1997)

Organizations	Classification	Number of people
Association for Overseas Technical Scholarship (AOTS)	Trainees	5,207
Japan Overseas Development Corporation (JODC)	Experts	248

Sources: AOTS Project Guide, JODC documentation

* Figures for JODC exports include ordinary, private cooperation, and overseas medium and small scale company types.

(AOTS), and the Japan Overseas Development Corporation (JODC).

The Japan Foundation is a special governmental corporation founded in October 1972 to enhance understanding between nations and to promote international friendship. It receives a part of its project budget from the ODA budget managed by the Ministry of Foreign Affairs. The Foundation's projects are aimed at both developed and developing countries. Projects involving personal exchanges with developing countries, dissemination of Japanese language education, and presentation of Japanese culture are financed primarily from the ODA budget.

The Japan External Trade Organization (JETRO) is a special governmental corporation founded in July 1958 to implement Japan's trade promotion projects in a comprehensive manner. Since the late 1960s it has worked especially toward encouraging imports from developing countries. It has invited officials responsible for trade policy and executives of private companies in developing countries to Japan, has given its support to the promotion of economic reform, has encouraged developing countries to export to Japan, and has sent its own experts to developing countries to help in the dissemination of

technology appropriate to these countries.

The Institute of Developing Economies (IDE) was founded in December 1958 with the aims of expanding trade between Japan and developing regions and promoting economic cooperation. After being established initially as a foundation, the Institute was re-established as a special governmental corporation in July 1960. In July 1998 it merged with JETRO and acquired a status as a research institute attached to JETRO.

The Association for Overseas Technical Scholarship (AOTS) is a foundation established in August 1959 specifically to provide training for employees of foreign private companies. In FY1997 it sponsored 5,207 trainees from private organizations.

The Japan Overseas Development Corporation (JODC), which also comes under the wing of the Ministry of International Trade and Industry, is a foundation established in February 1970 to encourage industrial development in developing regions and to promote trade between Japan and these regions. In response to requests from local companies, the Corporation dispatches Japanese engineers, managerial experts and other specialists from the private sector.

C O L U M N

What is ODA?

Economic cooperation is carried out from a humanitarian perspective with a view to working toward the solution of poverty, starvation and other circumstances which threaten the lives of people in developing countries, and also on the basis of an awareness of the importance of interdependence, i.e. the realization that economic and social development and security of developing countries are essential for global peace and prosperity.

Economic cooperation is not restricted to official development assistance provided by the governments of developed countries. It may be provided between developing countries themselves, by international organizations, by private companies, or by non-governmental

organizations (NGO*) and other voluntary bodies. It is thus implemented by a wide variety of organizations and its form and content differ accordingly.

Official development assistance (ODA) falls within the category of economic cooperation and denotes the funds and technology supplied by national governments to developing countries.

In 1969 the Development Assistance Committee (DAC), which forms a part of the Organization for Economic Cooperation and Development (OECD), issued a set of recommendations concerning the conditions under which aid should be provided. It defined economic cooperation as "the flow of funds to

developing countries" and classified it into three sectors, namely ODA, other official flows (OOF), and private flows (PF).

The DAC defines ODA as aid fulfilling the three conditions given below. These conditions have in recent years been supplemented by a fourth, namely the provision of aid by NGOs.

(1) The aid should be supplied to developing countries or to international organizations by governments or the implementing organs of governments;

(2) The main purpose of the aid should be to contribute to economic development and welfare improvements in developing countries;

(3) The grant element* of any financial cooperation should be at least 25 percent.

The roles of JICA in ODA

JICA is the core implementing agency for Japanese technical cooperation on the governmental level. Together with human resources development, the technical cooperation being implemented by JICA is aimed at building institutions in developing countries, the importance of which has been much emphasized in recent years. JICA projects, as transparently visible forms of aid of real human significance, constitute key elements of the personalized contribution to the international community which is strongly demanded of Japan today.

To the end of March 1998, JICA had dispatched a total of about 200,000 technical cooperation experts, study teams and Japan Overseas Cooperation Volunteers to developing countries and had trained more than 160,000 administrative officials and technicians from developing countries. The effectiveness of this training is evident from the fact that many government ministers active on the front line of nation-building in the developing world are former participants in JICA training programs.

JICA's technical cooperation programs are implemented on the basis of a thorough awareness of the priority issues facing a particular nation and avoid excessive dependency on specific fields and technologies in the recipient nation. The programs are implemented with due consideration given to the comprehensive development plans of each nation, in accordance with country-specific aid guidelines formulated by the Japanese government.

JICA is also closely connected with the yen loans which account for about 30 percent of Japan's total general account budget for ODA. JICA carries out development studies to support the public development planning which provides the foundations for nation-building in developing countries. Some of the plans involving projects such as improvements in economic and social infrastructure which are incorporated into the study reports are realized with yen loans.

By taking in training participants and dispatching technical cooperation experts to other countries and by implementing projects on a yet larger scale, JICA provides technical support after

completion of grant aid and yen loan programs for the operation, maintenance and administration of these projects, thereby increasing the number of trained personnel and improving operational capacity in the recipient country.

JICA is thus playing an important role in raising the qualitative levels of Japan's ODA programs as a whole and in accurately grasping the aid requirements of developing countries.

The Official Development Assistance Charter and JICA

In order to satisfy the expectations of the international community, the Japanese government approved the Official Development Assistance Charter (also known as the ODA Charter) on June 30, 1992. The aims of this Charter are to clarify the basic philosophy and principles of ODA and, with the understanding and support of people in Japan and abroad, to create the conditions under which ODA can be provided more efficiently and effectively.

There are three basic ideals underlying the provision of aid specified in the Charter, as follows:

(1) Humanitarian considerations: As a member of the advanced world, Japan can ill afford to disregard the famine and poverty which occur in developing countries;

(2) Recognition of interdependence: Political stability and economic development in developing countries are indispensable for maintaining peace and prosperity in Japan and throughout the world;

(3) Conservation of the environment: A topic facing mankind as a whole which must be tackled jointly by both advanced and developing countries.

On the basis of this approach, Japan is resolved to provide aid rooted in the idea of assisting developing countries to become self-reliant.

The Charter proposed the following basic principles in connection with the implementation of aid: (1) pursuit of environmental conservation and development in tandem; (2) avoidance of the use of ODA for military purposes or for the aggravation of international conflicts; (3) focusing on trends in military expenditure by recipient countries, their development and manufacture of weapons of mass destruction and

missiles, and their import and export of arms; (4) full attention to progress being made with the introduction of democratic institutions and a market-oriented economy, and to the situation regarding the securing of basic human rights and freedoms in the recipient country.

Other priorities relating to aid include approaches to global issues*, basic human needs*, human resources development as well as research and other cooperation* for the improvement and dissemination of technologies, infrastructural improvement, and structural adjustment*.

Japan's ODA: achievements and tasks

The total value of ODA provided by the 21 DAC member states in 1997 amounted to 47.58 billion dollars, down by 14.2 percent from the previous year. The total amount of ODA provided by Japan was 9.358 billion dollars. This figure represents 19.7 percent of the total DAC figure and makes Japan the main donor within DAC. There was, nevertheless, a decrease of 0.9 percent from the previous year's figure of 9.43923 billion dollars. But the extensive fall in the amount of aid provided by other leading countries meant that Japan continued to maintain the position it has

■ Table 1-5: ODA of DAC countries in 1996 and 1997 (net disbursement)

1996							1997						
Position	Country	Total (\$m)	Share (%)	Growth rate from previous year (%)	% of GNP	Ranking	Position	Country	Total (\$m)	Share (%)	Growth rate from previous year (%)	% of GNP	Ranking
1	Japan	9,439	19.8	-34.9	0.20	19	1	Japan	9,358	19.7	-0.9	0.22	19
2	USA	9,377	19.7	27.3	0.12	21	2	France	6,348	13.3	-14.8	0.45	6
3	Germany	7,601	16.0	1.0	0.33	10	3	USA	6,168	13.0	-34.2	0.08	21
4	France	7,451	15.7	-11.7	0.48	5	4	Germany	5,913	12.4	-22.2	0.28	12
5	Netherlands	3,246	6.8	0.6	0.81	4	5	UK	3,371	7.1	5.4	0.26	14
6	UK	3,199	6.7	-0.1	0.27	14	6	Netherlands	2,946	6.2	-9.2	0.76	3
7	Italy	2,416	5.1	48.9	0.20	19	7	Canada	2,146	4.5	19.6	0.36	7
8	Sweden	1,999	4.2	17.3	0.84	3	8	Sweden	1,672	3.5	-16.4	0.81	4
9	Canada	1,795	3.8	-13.2	0.32	11	9	Denmark	1,635	3.4	-7.7	0.97	1
10	Denmark	1,772	3.7	9.2	1.04	1	10	Norway	1,306	2.7	-0.4	0.86	2
11	Norway	1,311	2.8	5.4	0.85	2	11	Italy	1,231	2.6	-49.0	0.11	20
12	Spain	1,251	2.6	-7.2	0.22	16	12	Spain	1,227	2.6	-1.9	0.23	18
13	Australia	1,074	2.3	-10.1	0.28	13	13	Australia	1,076	2.3	0.2	0.28	12
14	Switzerland	1,026	2.2	-5.4	0.34	7	14	Switzerland	839	1.8	-18.2	0.32	9
15	Belgium	913	1.9	-11.7	0.34	7	15	Belgium	764	1.6	-16.3	0.31	10
16	Austria	557	1.2	-27.4	0.24	15	16	Austria	531	1.1	-4.7	0.26	14
17	Finland	408	0.9	5.2	0.34	7	17	Finland	379	0.8	-7.1	0.33	8
18	Portugal	218	0.5	-15.5	0.21	17	18	Portugal	251	0.5	15.1	0.25	16
19	Ireland	179	0.4	17.0	0.31	12	19	Ireland	187	0.4	4.5	0.31	10
20	New Zealand	122	0.3	-0.8	0.21	17	20	New Zealand	145	0.3	18.9	0.25	16
21	Luxembourg	82	0.2	26.2	0.44	6	21	Luxembourg	87	0.2	6.1	0.50	5
DAC total		55,438	100.0	-5.9	0.25		DAC total		47,580	100.0	-14.2	0.22	

* This table excludes aid to Central and Eastern Europe and to graduate nations.

* The DAC total may not tally with the total of individual countries owing to rounding off of figures.

* 1997 figures are provisional.

held since 1991 as the leading donor country.

On the other hand, in terms of the proportion of GNP devoted to ODA, the Japanese figure is only 0.22 percent, placing Japan nineteenth among the 21 DAC nations.

The grant element and the grant ratio are considered to be among the main indices of the quality of aid. The figures for Japan remain low among the DAC nations as a whole and improvements are required. JICA will need to make further improvements in its technical cooperation in order to raise the quality of Japan's ODA.

1997 was the final year of the 5th Medium Term Targets. However, the gradual decrease in the growth rate of the ODA budget over the seven years since 1991 has meant that total ODA for the five years to 1997 amounted to only 58.687 billion dollars (provisional value). It thus proved impossible to achieve the target value of between 70 and 75 billion dollars.

The situation regarding ODA in Japan is becoming more and more difficult. Central government ministries and agencies are being merged or abolished, special government corporations are being subjected to renewed scrutiny, and efforts are being made to cut back on government spending, all as parts of the ongoing process of administrative and financial reform. Formulation of medium-term ODA targets has been deferred and a review of the very nature of ODA is being considered. The Japanese government is also currently examining ways in which ODA might be reformed. (For further details, see Part I, Chapter 1, "ODA at a Turning Point and JICA's Response".)

Under these conditions, JICA is more than ever aware of its responsibility as an aid implementation agency to respond to the expectations of the Japanese people and to provide aid more efficiently and effectively than ever before.

■ Table 1-6: Japan's ODA in 1997

Type of aid		In dollars (\$m)		In yen (100m yen)		Constituent ratios (%)		
		Amount	Change from previous year (%)	Amount	Change from previous year (%)	ODA total	Bilateral	
ODA	Bilateral ODA	Grant aid	2,017.98	-15.8	2,441.75	-6.3	21.4	30.5
		(excluding Central and Eastern Europe and graduate nations)	2,014.81	-12.8	2,437.92	-3.1	21.5	30.8
		Technical cooperation	3,021.03	-5.0	3,655.45	5.6	32.0	45.7
		(excluding Central and Eastern Europe and graduate nations)	2,989.78	-5.0	3,593.43	5.6	31.7	45.3
	Total	5,039.01	-9.6	6,097.20	0.5	53.4	76.2	
	(excluding Central and Eastern Europe and graduate nations)	4,984.58	-8.3	6,031.34	1.9	53.3	76.1	
	Government loans, etc.	1,573.58	-43.4	1,904.03	-37.1	16.7	23.8	
	(excluding Central and Eastern Europe and graduate nations)	1,567.59	-43.4	1,896.78	-37.1	16.8	23.9	
	Bilateral total	6,612.59	-20.9	8,001.23	-12.0	70.1	100.0	
	(excluding Central and Eastern Europe and graduate nations)	6,552.17	-20.2	7,928.12	-11.2	70.0	100.0	
Subscriptions and contributions to international organizations	2,822.67	125.5	3,415.43	150.7	29.9			
(excluding contributions to EBRD)	2,805.88	127.7	3,395.11	153.2	30.0			
Total	9,435.26	-1.8	11,416.66	9.2	100.0			
(including Central and Eastern Europe, graduate nations and EBRD)	9,358.04	-0.9	11,323.23	10.2	100.0			
(excluding Central and Eastern Europe and graduate nations)								
GNP (provisional)	(1 billion dollars, 1 billion yen)	4,245.78		513,739.00				
% of GNP	(including Central and Eastern Europe, graduate nations and EBRD)	0.22	-8.6	0.22	1.7			
	(excluding Central and Eastern Europe and graduate nations)	0.22		0.22				

* DAC exchange rate for 1997: 1 dollar = 121.00 yen (weakening 12.18 yen from 1996)

* Due to rounding off of figures, subtotals for each category may not tally with the total.

* EBRD: European Bank for Reconstruction and Development. Assists the countries of the former Soviet Union and Central and Eastern Europe to effect the transfer to a market economy.

* Aid graduate countries (1996): Bahamas, Brunei, Kuwait, Qatar, Singapore, United Arab Emirates.

2. An Overview of JICA Projects in FY1997

Statistics on Japan's ODA and JICA activities

Japan's ODA in 1997 totaled \$9.43526 billion (including Central and Eastern Europe and the European Bank for Reconstruction and Development), of which technical cooperation accounted for \$3.02103 billion (32.0% of Japan's total ODA) and JICA's activities in this area amounted to \$1.534 billion (50.8% of Japan's total technical cooperation). Compared with the previous year, these figures represent a 5.0% decrease in technical cooperation as a whole and a decrease of 6.9% for JICA projects. A breakdown of technical cooperation expenditure is shown in Table 1-7.

JICA's initial budget for FY1997 was 189.6 billion yen, a 1.8% increase on the previous year, of which grants accounted for 175.8 billion yen, investments for 3.7 billion yen, and funds in trust for 10.2 billion yen. Programs expedited by JICA accounted for 178.4 billion yen (67.7%) of the grant aid budget of 263.5 billion yen entrusted to

the Ministry of Foreign Affairs. JICA budgets since 1974 are shown in Figure 1-2.

Proportions of activities per region

Looking at project activities per region in FY1997, the proportions of the total value of technical cooperation provided by JICA were as follows: Asia 42.1%, Middle East 8.8%, Africa 15.3%, Latin America 19.8%, Oceania 2.9%, and Europe 4.7%. Figure 1-4 shows proportions by region and how they have changed since last year.

Proportions of activities per sector

Looking at project activities per sector in FY1997, the proportions of the total amount of technical cooperation provided by JICA were as follows: planning and administration 10.8%, public works and utilities 20.5%, agriculture, forestry and fisheries 21.6%, mining and industry

Table 1-7: Japan's ODA and JICA programs

(\$m)

Item	Calendar year	1996	1997	Growth rate over previous year (%)
Official development assistance		9,608	9,435	-1.8
Technical cooperation costs (proportion of ODA)		3,181 (33.1%)	3,021 (32.0%)	-5.0
JICA portion (proportion of technical cooperation costs)		1,648 (51.8%)	1,534 (50.8%)	-6.9
Itemization of technical cooperation costs	Training participants (JICA figures in brackets)	398 (242)	364 (221)	-8.5 (-8.7)
	Experts, members of survey missions (JICA figures)	887 (781)	851 (747)	-4.1 (-4.4)
	Volunteers (JICA figures)	137.37 (137.36)	139.00 (138.99)	1.2 (1.2)
	Foreign students	414	408	-1.4
	Provision of equipment and materials, research cooperation, etc. (JICA figures)	1,345 (488)	1,260 (427)	-6.3 (-12.5)

Figure 1-2: Changes in JICA budget

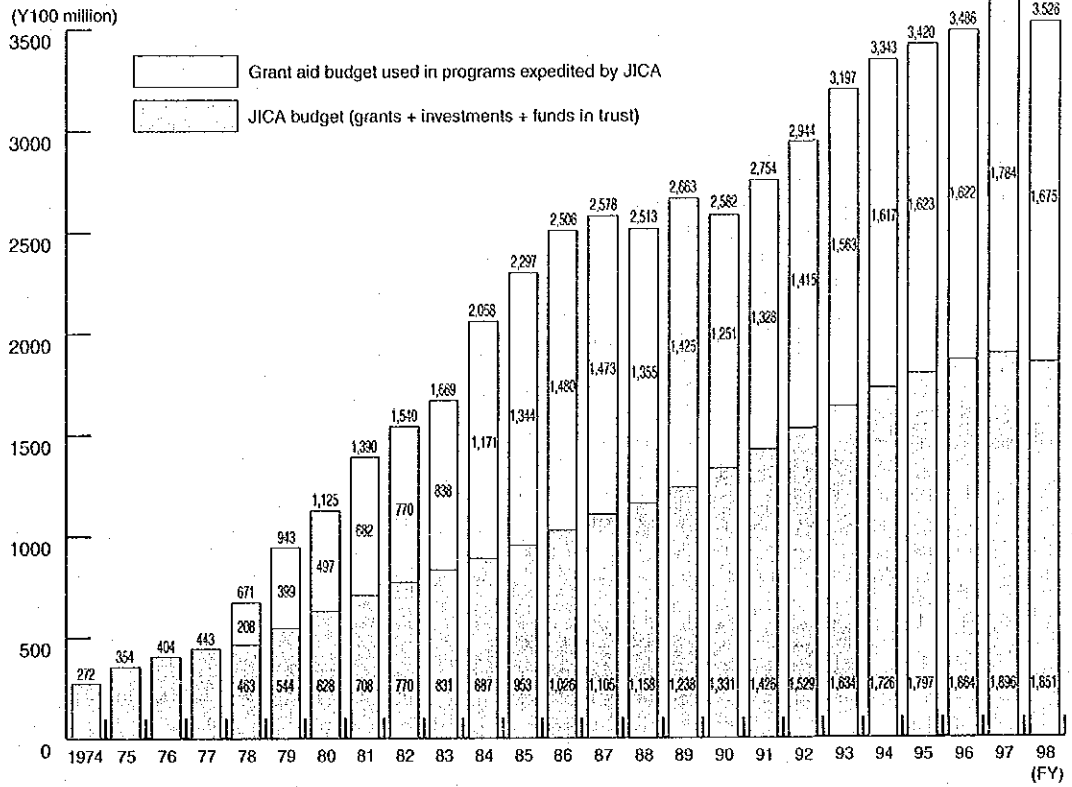
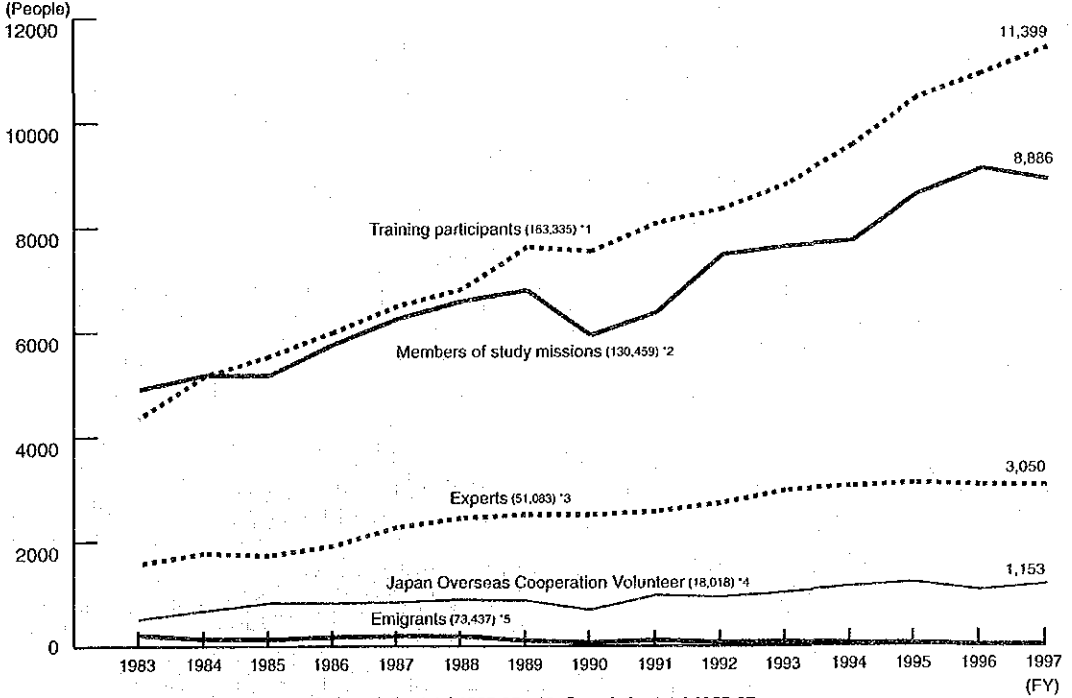


Figure 1-3: Changes in number of persons per type of cooperation



*1: Cumulative total 1954-97 *2: Cumulative total 1957-97 *3: Cumulative total 1955-97
 *4: Cumulative total 1965-97 *5: Cumulative total 1952-97

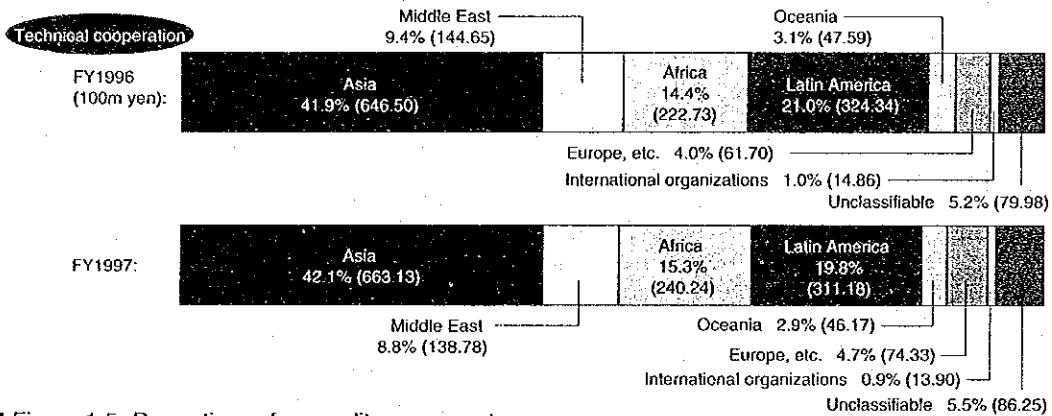
10.8%, energy 2.8%, commerce and tourism 1.4%, human resources development 12.2%, health and medical care 11.2%, and social welfare 1.1%.

As to JICA's proportion of grant aid, the figures were as follows: health and medical care 12.4%, education and research 13.8%, improvements in welfare, living conditions and the environment 22.8%, agriculture, forestry and fisheries 30.3%, and transport and communications 20.4%. Proportions per sector and comparisons with the previous year can be seen in Figure 1-5.

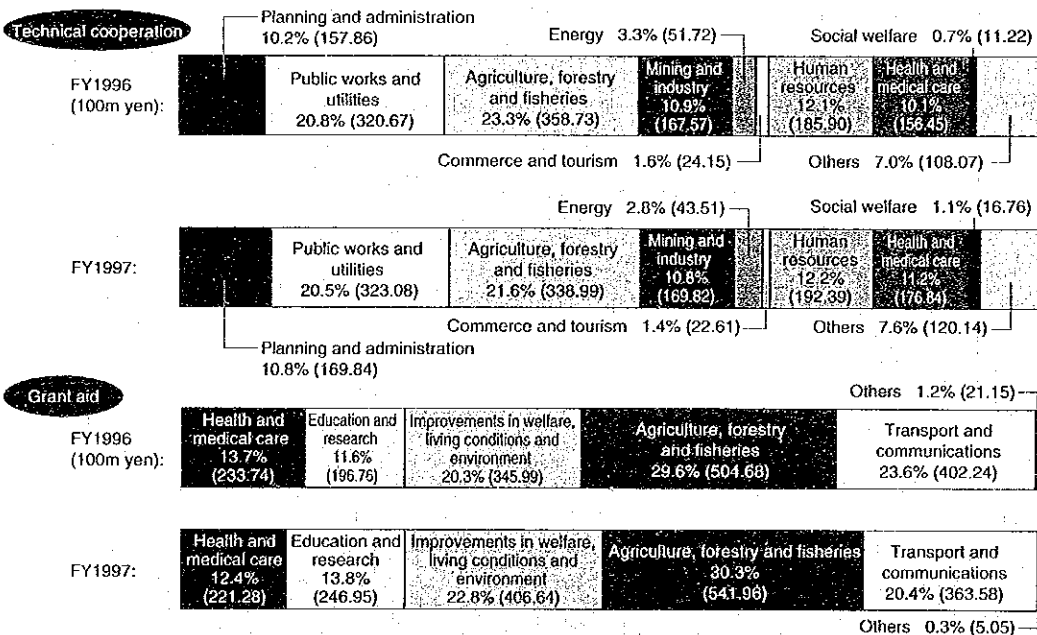
Personnel numbers per type of cooperation

Examining JICA's activities in FY1997 in terms of the numbers of people involved, there were 11,399 participants in training programs, while 3,050 experts, 8,886 members of study missions and 1,153 Japan Overseas Cooperation Volunteers were sent overseas. Figure 1-3 shows the numbers of people involved per type of cooperation since 1983.

■ Figure 1-4: Proportions of expenditure per region



■ Figure 1-5: Proportions of expenditure per sector



*Results based on Cabinet decisions concerning JICA shares (general project grant aid, grant aid for fisheries, food aid, and aid for increased food production) for fiscal 1996 and 1997.

*JICA charged with basic design studies and expediting the execution of grant aid within these results.