

**DATA COLLECTION SURVEY
FOR NEEDS-MATCHING TOWARD
COST SHARE TECHNICAL COOPERATION
REPORT**

MAY 2014

**JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
GLOBAL LINK MANAGEMENT, INC.**

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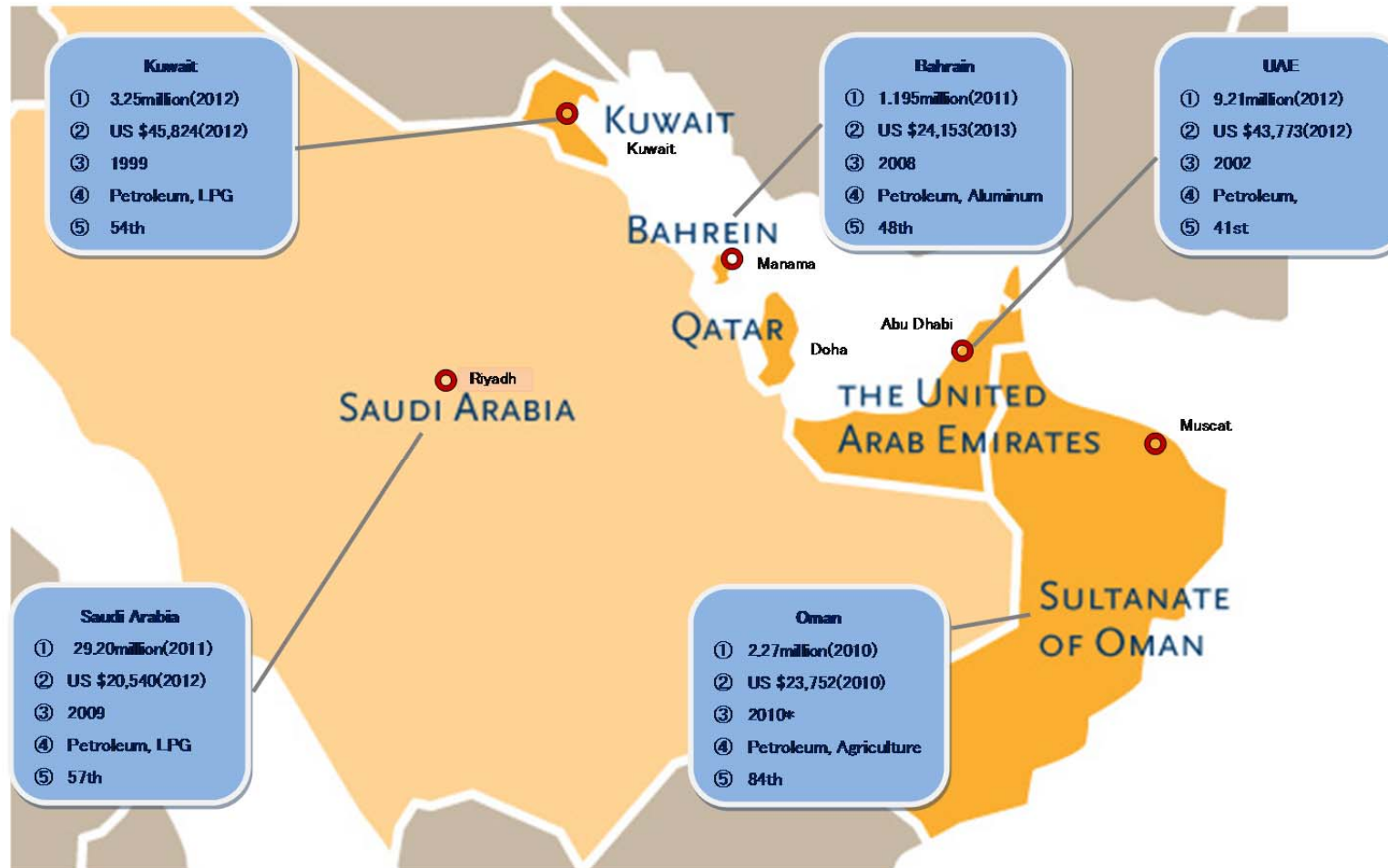
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Acronyms

AC	Air Conditioning
ASEAN	Association of South - East Asian Nations
DAC	Development Assistance Committee
DCA	Development Credit Authority
FS	Feasibility Study
FY	Fiscal Year
GCC	Gulf Cooperation Council
GIZ	Gesellschaft für Internationale Zusammenarbeit
GNI	Gross National Income
HDI	Human Development Index
HRD	Human Resource Development
JICA	Japan International Cooperation Agency
JICE	Japan International Cooperation Center
MP	Master Plan
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
TC	Technical Cooperation
UAE	United Arab Emirates

Map of the target countries and the basic statistics



① Population ② GDP per capita ③ DAC List graduation year ④ Major industry ⑤ Human Development Index

Source: ①-④ MOFA (<http://www.mofa.ae/middleeast.html>)
⑤ Human Development Report 2013

1. Background and Objectives of the Research

In its recent Official Development Assistance (ODA) review exercise conducted in 2010, the Government of Japan announced that it would aim at ‘enhancing enlightened national interest’ through its ODA program. While identifying poverty reduction, promoting peace and stability and promotion of sustainable growth as the 3 priority issues, the Government of Japan noted that mobilization of the private sector was a key to its policy of ‘mobilizing Japan’s human, intellectual, financial and technological resources’ and clarified its intention to actively utilize proposals submitted by the private sector in developing ODA projects. Furthermore, the ‘Priority Policy for International Cooperation FY 2013’ identified ‘Assistance based on the Comprehensive Partnership with Middle East and North Africa for stability and prosperity of the region’ as one of the priority issues. Based on the above background, implementation of Technical Cooperation on Cost-sharing basis (hereinafter ‘Cost-share TC’) has been highlighted in the Joint Statements signed during the Prime Minister’s visits to the Gulf Countries between May 2013 and Jan 2014.

Against the above background in the diplomatic arena, the present Research has been entrusted by the Japan International Cooperation Agency (JICA) to Global Link Management, Inc., a private consulting firm, with the following objectives:

1. To identify needs for Cost-share TC both among the target GCC countries’ Ministries and Institutions as well as among the private sector in Japan, with a view to developing a short-list of candidate projects for implementation where the needs from both sides co-inside; and
2. To assist JICA in developing the ‘new generation’ Cost-share TC Scheme¹ by identifying potential practical issues and proposing ways to solve them, with a view to maximizing potential of the scheme.

The target countries of the Research included: Bahrain, Kuwait, Oman, Saudi Arabia and United Arab Emirates (in the alphabetical order).

The Research was conducted from August 2013 through March 2014. Information was gathered largely through one-on-one interviews with relevant parties in Japan as well as in the above 5 target countries (Ministry officials, business persons, personnel from quasi-public organizations/institutions, academics, etc.), which was supplemented with questionnaire survey conducted among interested Japanese corporations.

¹ JICA has been implementing the Cost-share TC Scheme on a limited scale for some years, as discussed in the 2.2 of the present report.

2. 'Technical Cooperation on Cost-sharing basis': its Rationale and the Overview

2.1. The Rationale

Table 1 below shows the standards for classification of countries developed by the Development Assistance Committee (DAC) of Organization of Economic Cooperation and Development (OECD). While all countries that fall under the 4 classifications given in Table 1 below belong to official DAC List of target countries of ODA. The DAC List gets reviewed every 3 years and those countries and regions which are classified as 'higher middle-income countries' for 3 consecutive years get excluded from that 'DAC List' in the following year. So far, 55 countries have 'graduated' from the DAC List primarily due to enhancement of the income level.

Japan in principle follows the official DAC List in determining the target countries of its ODA program. However, the Ministry of Foreign Affairs, Japan, applies its own policies towards 'DAC List graduates.' For example, Japan generally applies a 3-year 'transitional period' after a country gets delisted from the DAC List, before terminating its ODA programs. For example, Saudi Arabia maintained the income standard of 'high-income countries' (11,456 USD/year) for 3 consecutive years from 2005 to 2007, which resulted in graduation from the DAC List during its review in 2008. Thus, the Government of Japan gradually reduced its ODA over 3-year period before the termination of the program at the end of 2010. The same situation applied to the case of Oman. Oman graduated from the DAC List in 2011 and Japan completed its final ODA project implementation in December 2013.

TABLE 1: STANDARDS FOR DAC LIST COUNTRIES AND REGIONS (2010)

LLDCs	LDCs and Regions	Middle-Income Countries and Regions	Higher Middle-Income Countries and Regions
Individually approved based on GNI per capita, HAI value, EVI value.	Per Capita GNI under 1,005USD (as of 2010)	Per Capita GNI between 1,006 - 3,975USD. (as of 2010)	Per Capita GNI between 3,976 - 12,275 USD (as of 2010)

Source: Produced by the Research Team based on information contained in THE DAC LIST OF ODA RECIPIENTS (OECD, 2012).

As of 2013, the Government of Japan has implemented ODA programs amounting to a cumulative value of over 300 billion Yen (approximately 3 billion USD) to the countries and regions which had graduated from the DAC List. For example, based on the existing data, it is possible that many of the major ODA target countries for Japan, including ASEAN middle-income countries might graduate from the DAC List in the near future. The countries which have already graduated from ODA as well as those which are likely to graduate in the near future are important economic partners for Japan (see Figure 1 and Table 2, for example).

In view of the importance of ODA as a diplomatic tool for Japan, it is important for the

Government of Japan to develop new means for diplomacy, with those DAC List graduates with a view to maintaining and developing desirable diplomatic, economic and political relationship with them. The new generation Cost-share TC is, indeed one of the tools that open up possibilities for Japan to continue tackling developmental challenges for those which have graduated from the DAC List. In this regard, the Research Team identified several examples of other bilateral donors which implement similar schemes during the course of the Research. One representative case is GIZ of Germany, which has had a history of over 30 years of implementing ‘Cost-share TC’ scheme in Saudi Arabia with a remarkable success. At the time of the interview with the GIZ representative in Riyadh (November 2013), 32 GIZ experts had been recruited by 17 Ministries of Saudi Arabia, with full compensation of the costs by the Government of Saudi Arabia.

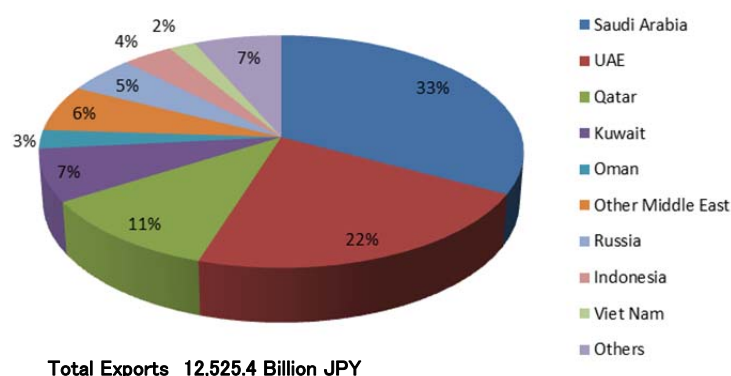


FIGURE 1: MAIN EXPOTERS OF CRUDE OIL TO JAPAN

Source: Produced by the Research Team, based on the Ministry of Finance Trade Statistics

TABLE 2: TOP 10 TRADING PARTNERS FOR JAPAN (2012)

Rank	Country	Total Exports (100million JPY)	Ratio(%)
	All countries	1,360,574	100.0
1	China	266,890	19.6
2	The U.S.	175,071	12.9
3	Korea	82,529	6.1
4	Australia	59,797	4.4
5	Taiwan	57,760	4.2
6	Thailand	54,945	4.0
7	Saudi Arabia	51,214	3.8
8	UAE	43,448	3.2
9	Indonesia	41,885	3.1
10	Malaysia	40,784	3.0

Source: Produced by the Research Team based on the Trade Statistics, Ministry of Finance

ODA Graduates and prospective graduate²

² In this report, a “prospective graduate” refers to a country/area which is expected to be removed from the DAC LIST of ODA recipients, based on GNI per capita, in the near future.

2.2. Cost-share TC in the past and an overview of the proposed Cost-share TC scheme

As stated above, the Ministry of Foreign Affairs, Japan, applies its own policies towards ‘the DAC List graduates.’ As such, the Government of Japan has been implementing for some years a program of technical cooperation on Cost-sharing basis on a limited scale. The recipients, or rather, collaborating countries in that scheme included: 1) those countries which are classified under ‘higher middle-income countries and regions’; 2) graduates from the ‘DAC List’ for less than 3 years; and 3) those countries which have been recognized as ‘developing areas’ by the Ministry of Foreign Affairs, Japan. In reality, due to the rather stringent rules that applied to the program, the total number of the activities that materialized was limited and most of the activities under that scheme took a form of training. Approximately half of those activities (20 cases) took place in collaboration with the GCC countries, primarily with Saudi Arabia (see Figure 2: Cost-share cooperation track-record by region Figure 2 and Table 3).

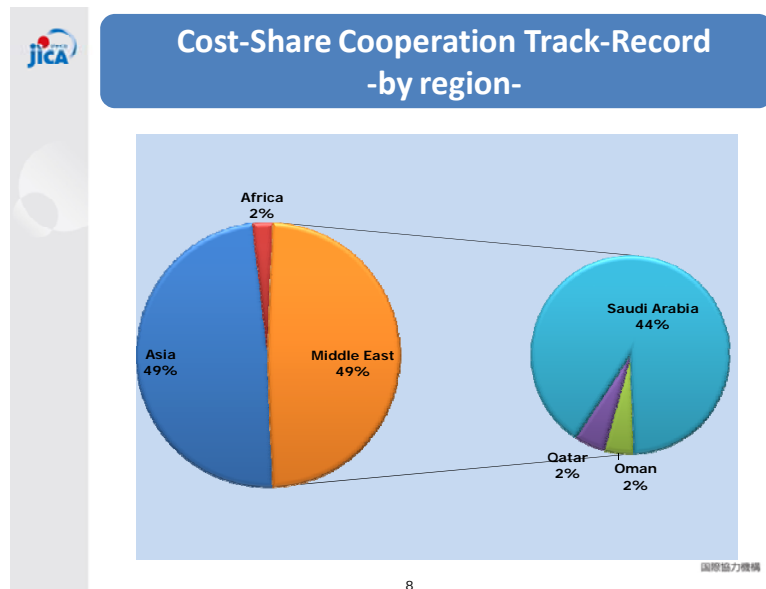


FIGURE 2: COST-SHARE COOPERATION TRACK-RECORD BY REGION

Source: Produced by the Research Team based on information provided by JICA

TABLE 3: COST-SHARE COOPERATION TRACK RECORD IN THE MIDDLE EAST(1998-2013)

Country	Scheme	Cooperation Area	Cases	Person
Saudi Arabia	Training in Japan	Energy	11	14
		ICT	9	17
		Water Resources	5	9
		Education	3	7
		Transport System	2	4
		Disaster Management	1	14
Oman	Dispatching Japan's Expert	Private Sector Development	1	1
Qatar	Dispatching Japan's Expert	Water Resources	1	2
Total			33	68

Source: Produced by the Research Team based on information provided by JICA

2.3. An Overview of the Scheme

Under the proposed 'new generation' Cost-share TC scheme, which is expected to start its implementation in April 2014, the Scheme is expected to take the following 3 forms: 1) training; 2) dispatch of Japanese experts; and 3) implementation of collaborative projects (see Figure 3 and Table 4 below).

Basic CS-TC Schemes

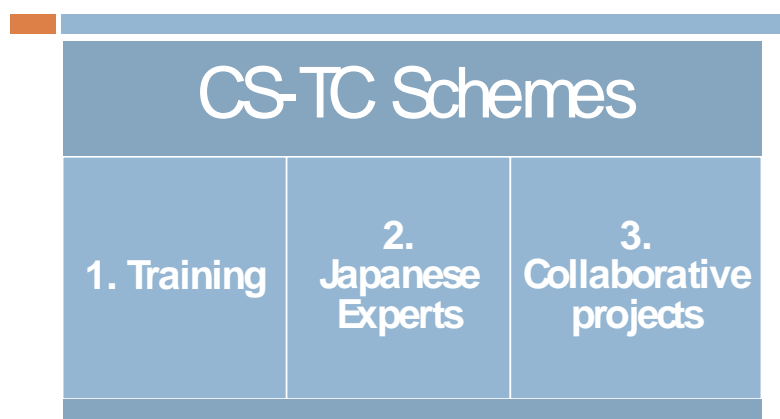


FIGURE 3: BASIC COST-SHARE SCHEMES

Source: Produced by the Research Team

TABLE 4: PROPOSED SCHEMES UNDER COST-SHARE TC

	New/Existing	Cost-share method	Cost-share ratio by JICA(estimate)	Example	Location
Thematic trainings	Existing	By categories	-	Group/Regional trainings	Japan
Custom made trainings	New	By fix-rate sales/Shortage to be covered by the Japanese side	30% of training costs excluding travel costs	Regional/Country trainings (Inviting V Ps, Site visits/ Simplified programs)	Japan, In-country, Third country
Short-term Experts	Existing	By qualification level of the experts	30% of costs of dispatching experts	Technical Advisors	In-country
Long-term Experts	New	By qualification level of the experts	30% of costs of dispatching experts	Governmental advisors, MP production	In-country
Collaborative Projects	New	To be discussed for each project	To be discussed for each project	Collaborative research studies, Pilot projects, Show-case to neighboring countries, FS*, MP **	In-country

* Feasibility studies

** Master Plan

It is intended that the proposed ‘new generation’ Cost-share TC scheme allows flexible implementation of the cooperative activities that are considered mutually beneficial. For example, some of the Cost-share proportions are expected to become negotiable. In short, the ‘new generation’ Cost-share TC is intended to be used as a flexible tool to facilitate mutual support between Japan and GCC as an immediate target (see

Figure 4). It is also possible that the Scheme may be applied to future DAC List graduates.

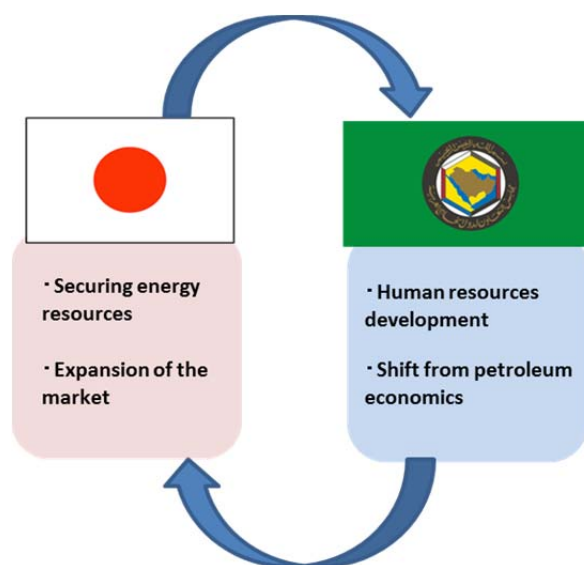


FIGURE 4: MUTUAL SUPPORT BETWEEN GCC AND JAPAN

Source: Produced by the Research Team

3. Summary of the questionnaire survey results among Japanese Corporations

3.1. Information on the respondents

As part of the needs assessment survey among Japanese corporations, a questionnaire survey has been administered. There were 15 respondents to the questionnaire, representing 8 sectors, with 7 companies engaged in energy-related industry, followed by water and environment industry (5 companies) (see Figure 5). 13 out of the 15 respondents are classified as large corporations with capital of over 300 million yen (approximately 3 million USD), over 300 employees and annual turnover of over 50 billion yen (approximately 500 million USD).

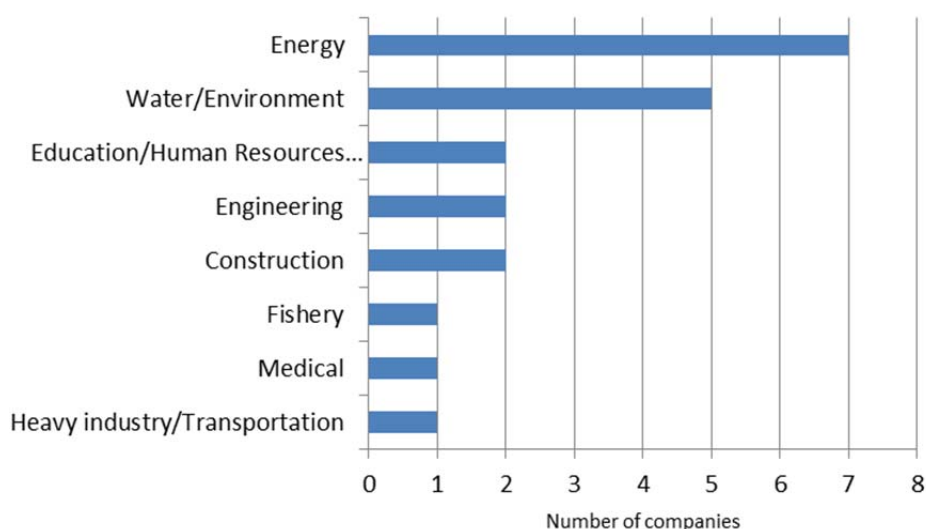


FIGURE 5: RESPONDENTS TO THE QUESTIONNAIRE SURVEY

Source: Produced by the Research Team based on the questionnaire responses

3.2. Challenges faced by the respondents in developing business in GCC

The following challenges were identified by the respondents in the business development efforts in the GCC countries.

- a. **Information:** 4 companies responded that they find obtaining important business information difficult and time consuming (in determining the authenticity of the information). Such information included: information on relevant authorities and other organizations, competitive bidding and its plans as well as existing needs in the country. In addition, the following 2 factors also contribute towards information-related difficulties: 1) some information is only available in Arabic; and that 2) most of the companies in the GCC are not public (i.e. not listing their shares on stock exchange) and thus their financial information is not readily available.
- b. **Rules and regulations:** 3 respondents pointed out frequent changes applied to rules and regulations as an important challenge. These changes are often not announced clearly in black and white. Other regulatory obstacles included: regulations related to employment

of nationals, foreign investment restrictions, foreign remittance restrictions, absence of tax treaties, issues related to visas and existence of off-set program in Kuwait³.

- c. **Business development:** 3 companies responded that identifying trust-worthy local or European Joint Venture partners is necessary in order to survive the cost-competition with the Korean and Chinese companies. Other elements that influence overall decision-making for business development included financing methods, whether to establish R&D and education facilities and security/anti-terrorism measures.
- d. **Human resources:** The respondents pointed out issues related to human resources both among Japanese as well as local staff members. The importance of local human resources was pointed out as a matter of urgency, while acknowledging difficulties in human resources management due to 'brain-drain' triggered by salary-level differences among local employees. The respondents also pointed out insufficient communication capacity and cultural understanding and experience in the Middle East among their Japanese staff members as a challenge. There was recognition among the respondents that upgrading the capacity of the Japanese staff is necessary in order to better develop relationship with important business partners and stakeholders in the GCC countries.

3.3. Expectation towards Cost-share TC as identified by the respondents

The expectations among the respondents for the Cost-share TC and linkage with JICA and other Japanese governmental agencies included the following:

- a. Information provision on each country's needs and relevant JICA schemes;
- b. Partnership with respect to implementation of projects with strong public-sector elements;
- c. Negotiation with the GCC countries' Authorities and coordination among multiple Authorities and Ministries;
- d. Product import/export control;
- e. Funding of demonstration experiments;
- f. Organization of study visits to Japan for the decision makers in order for them to recognize the quality of Japanese technology and human resources; and
- g. Dispatch of Japanese experts to the relevant Authorities and Ministries in the GCC countries.

Some respondents also expressed overall positive views toward public-private partnership in that the private sector benefits from expanded opportunities for business through involvement of the Japanese Government. At the same time, the Japanese Government also benefits from stronger ties with the GCC countries through strengthened business relationship among the private sector.

The Research Team also followed-up with one-on-one interviews with 12 companies (out of the 15 respondents) to gain in-depth understanding of their business strategies and expectations for Cost-share TC. The following summarizes the overall trend of the interviews with the 12 companies:

³ Since July 1992, the Government of Kuwait has been imposing requirements to all foreign companies with successful bidding of Governmental projects to reinvest 30% of the total value of the bid in Kuwait.

- a. It needs to be understood that private corporations prioritize profit-making activities over projects that generate ‘public goods,’ which might be expected from JICA;
- b. It is necessary to consider the contribution of the Cost-share TC Scheme in relation with the funding needs of the companies (e.g. for implementation of demonstration experiments).;
- c. It is difficult for the corporations to come up with ideas to utilize the Cost-share TC Scheme at the moment;
- d. Most companies expect JICA to play the roles as identified under a. and f. above (a. Information provision on each country’s needs and relevant JICA schemes; and f. Organization of study visits to Japan for the decision makers in order for them to recognize the quality of Japanese technology and human resources.); and
- e. A few companies also expressed expectations for JICA’s contribution towards creating demand for Japanese products through supporting development of various organizational and other systems among the GCC governmental agencies and institutions.

4. Potential sectors and areas for development of Cost-share TC projects

As Table 5 on the next page shows, based on the results of the interviews and discussions conducted with the relevant authorities in the 5 target GCC countries, the following 5 sectors (environment, water resources, education and HRD, health and others) and areas with 19 specific themes have been identified as the highest potential sectors and areas for development of Cost-share TC projects in GCC. The following captures some of the salient features of these sectors, areas and themes: 1. the sectors/areas and themes are often found common among more than one country among the target 5 GCC countries; and 2. the sectors/areas and themes represent those which render themselves for materialization of ‘Japan’s signature value’ through public-private partnership.

All 5 target GCC countries have experienced an exponential growth within a span of as short as 40 years in accumulating their wealth primarily based on oil. They also share such developmental challenges as ‘development of non-oil industries,’ HRD and employment creation for the youth. It would be thus useful for JICA to consider dispatching ‘regional experts’ who serve several countries which share common issues and to link-up with regional organizations such as the GCC Secretariat in tackling such issues through the Cost-share TC scheme.

TABLE 5: POTENTIAL AREAS FOR DEVELOPMENT OF PROJECTS ON COST-SHARING BASIS IN GCC

The most important areas to follow-up					
Important areas to follow-up					
List of Sectors/areas	Saudi Arabia	UAE	Oman	Kuwait	Bahrain
【Environment】					
① Energy-saving (particularly AC)	○		◎	○	◎
② Renewable energy		◎	◎		○
③ Waste-management	◎	◎		◎	◎
④ Sewage treatment	◎				◎
⑤ Marine and coastal area conservation		◎	◎		
⑥ Aquaculture		◎	○		
【Water resources】					
⑦ Desalination, Reuse of sewage and industrial waste	◎			◎	○
⑧ Treatment of Oil-associated water					
【Education and HRD】					
⑨ Vocational Training	○		◎		
⑩ HRD for SMEs			○		◎
⑪ Higher education/teaching methods				○	
⑫ Training of public sector personnel	◎			○	
【Health】					
⑬ Health promotion/anti-NCD measures			◎	◎	○
⑭ Emergency medical systems			○	○	
【Others】					
⑮ Tourism development			○		
⑯ Industrial sector development			○		
⑰ Transportation	◎		○		
⑱ Food safety				○	
⑲ Urban planning				○	

Source: Produced by the Research Team based on the results of interviews with relevant parties in the target countries

5. Summary of the Recommendations and Challenges

The following summarizes the key recommendations and challenges that need to be tackled in the future:

Recommendation 1: Common recognition of the intended diplomatic goals of the Cost-share TC Scheme among Japanese Governmental authorities

It is possible that the ‘new generation’ Cost-share TC may be applied to prospective ODA graduate countries, in addition to the immediate target 5 GCC countries. These prospective ODA graduates include those countries with high diplomatic stake from the Japanese point of view, including the ASEAN countries. As such, introduction of the ‘new generation’ Cost-share TC provides Japan with a timely opportunity to review ODA as an important diplomatic tool. Such review might include strategic aspects such as overall exit strategies of JICA’s operations under the ODA program. The ‘new generation’ Cost-share TC should be implemented with full cooperation of all parties concerned as an ‘all Japan’ effort, including concerned Ministries and agencies, the private sector and JICA, with each party playing necessary roles in a timely manner with a view to

ensuring early establishment of the Cost-share TC Scheme and implementation of the projects under the Scheme.

Recommendation 2: Broad dissemination of a clear objective of the Cost-share TC Scheme

In developing the ‘new generation’ Cost-share TC Scheme, it is important for JICA to widely disseminate its clear objective of the Scheme both within Japan as well as among the international stakeholders. From the perspective of the Research Team, the objective of the Scheme is to strengthen friendship and diplomatic linkages with the ODA graduates, such as the GCC countries, through contributing towards achieving national policies and tackling developmental agenda (e.g. in the case of the GCC countries, issues such as human resources development and development of non-oil industries) (see Figure 6). Public-private partnership with the Japanese private sector should be positioned as ‘a necessary ‘means’ to achieve the end and not as an end in itself.

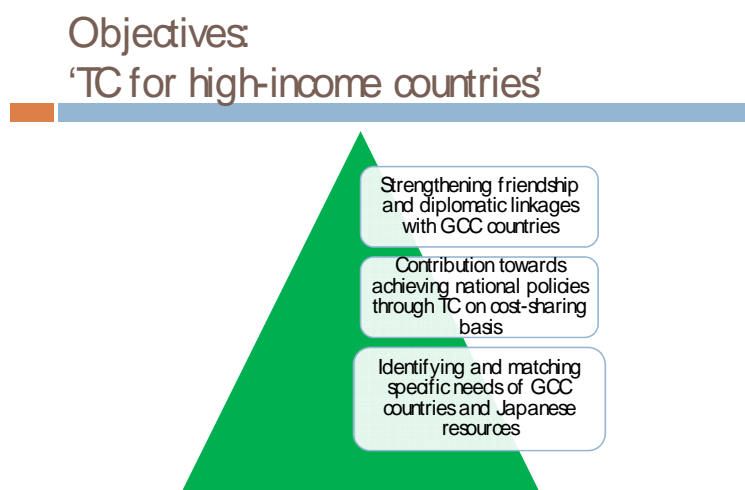


FIGURE 6: OBJECTIVES OF COST-SHARE TC SCHEME

Source: Research Team

Recommendation 3: Offering sufficiently differentiated ‘Japan’s signature values,’ which is worth the price tag from the perspective of the ‘clients’

It goes without saying that, for the success of the Scheme, JICA or Japan needs to provide ‘value’ to the counterpart governments/organizations, which is worth paying for from their perspective. For example, the traditional selection process of the Japanese Experts at JICA may require a review in order to reflect the preference of the counterpart governments and organizations.

In addition, the services to be provided under the Cost-share TC Scheme should be sufficiently cost-effective. From that point of view, thoughts should be given how to reduce the relatively high cost of Japanese experts. One possible way might include considering dispatching ‘regional experts’ to tackle common themes and developmental challenges shared among several countries of GCC (see Table 5).

In this connection, it should be also noted that, in general, Japan maintains generally high reputation in the GCC countries, for its quality, honesty and discipline among its population, etc. For example, ‘Kaizen’ is widely appreciated as a Japanese management system. It is therefore necessary for the Cost-share TC Scheme to market ‘Japan’s signature values’ in such manner that is possible for the GCC decision makers to understand clearly. This requires presentation, explanation and discussion with a logic that is comprehensible from their point of view. JICA may be able to play a role to provide ‘value addition’ in coming up with ways to present ‘Japan’s signature values’ to the GCC counterparts.

Recommendation 4: Best balance of clarity/simplicity in Cost-sharing formula and some room for flexibility

From the view point of transparency as well as from practical ease of implementation of the Scheme, it is necessary for the Cost-sharing formula to be relatively simple and clear-cut. On the other hand, the size of the economy, per capita GNI, years since graduating from the DAC list, etc. vary rather widely among the target 5 GCC countries (see ‘Map of the target countries and basic statistics’). From that point of view, it would be desirable for JICA to consider leaving some room for flexibility in negotiating Cost-sharing formula for part of the Scheme (e.g. ‘collaborative project implementation’).

Recommendation 5: Full mobilization/utilization of (human) asset from the past

In developing the ‘new generation’ Cost-share TC Scheme, it is important for JICA to utilize and mobilize human and other assets built-up during the period ODA programs had been implemented in the counterpart country.

In particular, it is important for JICA to consciously maintain and strengthen ties with the JICA ex-training participants and those who studied in Japan for their university degrees. The Research Team is of the view that Cost-share TC Scheme should include specific activities which contribute towards such a goal. As Table 6 shows, over 3,000 people took part in JICA training from the 6 GCC countries.

TABLE 6: JICA TRAINING PARTICIPANTS FROM GCC

Country	Period	Trainees
GCC		
UAE	1975~1998	149
Oman	1975~Present	515
Qatar	1969~1998	99
Kuwait	1966~1998	208
Saudi Arabia	1960~Present	1,960
Bahrain	1976~2006	183
GCC Grand Total		3,114

Source: Produced by the Research Team based on information provided by JICA

In the present Research, Oman is the last graduate of ODA and thus JICA was implementing the last technical cooperation project until as recently as December 2013. As such, the Research Team was often welcomed in their interviews by ex-participants of JICA training. These people approach JICA and Japan based on the overall attitude of ‘acceptance’ and ‘trust.’ Clearly, that opens the door to numerous opportunities for project development and other forms of cooperation. It is also clear that such ‘human assets’ may not be built over night. They represent important assets for JICA, which have been generated from the over half-a-century history of JICA’s training and dialogue program. The Research Team recommends concrete activities, which may be reasonably simple and small, such as holding annual gathering with JICA ex-training participants hosted by the Embassy of Japan or JICA, to be implemented as part of the Cost-share TC Scheme development activities.

Recommendation 6: Establishment of a ‘transitional period’ in the process of developing full-implementation system of Cost-share TC within JICA

A wide-range of needs for Cost-share TC has been identified in the target 5 GCC countries (see Table 5). On the other hand, considerable bureaucratic red-tape and other issues commonly found among the Authorities tend to prevent potential projects from development. It is thus important for JICA to take pro-active approach in following-up the discussions held during the present Research. Such follow-up should be logical, concrete and conducted in a step-by-step fashion, precisely in line with what was discussed and agreed upon during the interviews conducted under the present Research.

On the other hand, recruitment of personnel as well as an appropriate organizational set-up both at the JICA Headquarters as well as in the GCC Region would be required for a full-fledged implementation of the ‘new generation’ Cost-share TC Scheme. This might require 2-3 years. It is thus suggested that the next 2 years be recognized as a ‘transitional period’ or ‘pilot period’ and JICA’s rules and regulations pertaining to the Scheme should be used for ‘trial run,’ allowing rooms for adjustments as required.