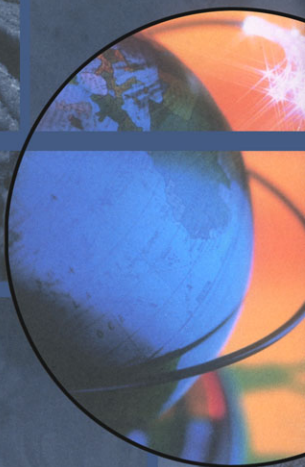

Japan's System of Official Development Assistance

Profiles for Partnership #1



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Micheline Beaudry-Somcynsky and Chris M. Cook

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CONTENTS

| | |
|---|-----|
| Preface | v |
| Acknowledgments | vii |
| Chapter 1. Introduction | 1 |
| Aid policy | 3 |
| ODA volume and breakdown | 8 |
| Cooperation with international organizations | 14 |
| Public education and support for ODA | 20 |
| Chapter 2. The ODA System | 23 |
| Introduction to the ODA system and its players | 23 |
| Policy-making | 25 |
| Project identification and formulation | 27 |
| Project implementation | 33 |
| Project evaluation and follow-up | 38 |
| Chapter 3. The Government | 43 |
| The four entities under the four-entity system | 43 |
| Public corporations | 47 |
| Other ministries | 85 |
| Government-affiliated organizations | 98 |
| Chapter 4. The Private Sector | 103 |
| The trading companies | 103 |
| Private-sector organizations | 104 |
| Corporate philanthropy | 112 |
| Chapter 5. Aid Through Nongovernmental Organizations | 121 |
| Citizen-led NGOs | 121 |
| The activities of citizen-led NGOs in development | 123 |
| Government policies on NGOs in development | 124 |
| Government support for NGOs in development | 125 |

| | |
|--|------------|
| Japanese NGOs: Examples of citizen-led NGOs involved in ODA | 133 |
| Chapter 6. Municipal Governments and ODA | 137 |
| Local governments' own activities | 138 |
| Activities in collaboration with the central government | 139 |
| Appendix A. Organization and Finance | 141 |
| Appendix B. Official Development Assistance Processes | 201 |
| Appendix C. Acronyms and Abbreviations | 217 |
| Bibliography | 221 |

PREFACE

The Partnership and Business Development Office (PBDO) of Canada's International Development Research Centre (IDRC) was founded in 1992. Its mission is to increase, through partnership, the funds available for the development research of IDRC's Southern partners. As IDRC's work in this area has progressed it has become obvious that an understanding of the foundations, philosophies, and mechanisms of the various forms of official development assistance (ODA) would be essential. It would enable IDRC to confidently approach its partnership work with every expectation of success and benefits for its Southern partners. This series of publications — *Profiles for Partnership* — presents background, descriptions, and analyses of development-assistance systems around the world.

Partnership with developing-countries institutions — and particularly with nongovernmental organizations (NGOs) — is a founding principle of the "IDRC approach" to development assistance. Larger bilateral and multilateral donors have for many decades cofinanced large infrastructure projects, because any single donor or development financier would be unable to assume full financial responsibility and the entire risk. However, it is only recently that larger donor organizations have significantly expanded the use and scope of partnering to work together in a more systematic fashion. In April 1997, for example, the World Bank created its Partnership Department, and now most organizations have partnership units, albeit using many different monikers, including resource mobilization, revenue generation, resource expansion, and cofinancing.

To its critics, however, partnering is simply the latest trend in a long series of tested and discarded ODA practices. I disagree with these critics. Two factors have made the pursuit of partnerships an essential part of development work, both of which seem to have become permanent fixtures of the development landscape. First, the 1990s have born witness to rapidly dwindling financial resources for ODA. Second, both stakeholders and beneficiaries have demanded that aid be more efficient and that duplication and overlap be avoided. These issues are no secret to even the most inexperienced aid practitioner, but they can be addressed through effective partnership.

This first book in the *Profiles for Partnership* series describes Japan's ODA system. We begin with Japan for a number of reasons: some obvious, others less so. Japan is currently the largest contributor of ODA. In the area of partnership, however, Japan is generating little in the way of new models or approaches. To increase its output in this area might significantly affect the supply of aid to a large portion of the developing world, not to mention making the already powerful nation of Japan an even stronger and more relevant actor in the development arena. With this background and with IDRC's mission to support development through research, PBDO initiated a dialogue on partnership with the Research Institute for Development Assistance (RIDA) of Japan's Overseas Economic Cooperation Fund (OECF). Oddly enough, at about the same time, and actually overtaking us in this initiative, RIDA's Managing Director, Kizumu Goto, visited IDRC, in June 1997. With support and assistance from a number of sources, including the authors of this book and Charlie Manger (a lawyer from Seattle, Washington), IDRC and RIDA have undertaken detailed discussions on priority areas for joint research and are planning a number of collaborative initiatives. This publication is a direct result of partnership work between IDRC and RIDA and between the Canadian International Development Agency and the Japan International Cooperation Agency.

IDRC has embarked on a serious long-term quest for sustainable partnerships to expand resources for the benefit of our Southern partners. Along the way, we continue to collect and update information on the ways and means of current and potential partners. It was only a modest step for PBDO to decide to share this information with development workers and colleagues around the world in a series of publications, which I hope will both be informative and stimulate better partnerships for better development.

Alain Berranger

Series Editor

Alain Berranger is the Director of IDRC's PBDO. Mr Berranger has more than 30 years of experience in international development. He obtained his experience in project management primarily in the private sector (heavy industry and engineering consulting) and through management consulting for CIDA, the World Bank, and the United Nations Development Programme, and his work has focused on the development of the private sector, small-business joint ventures, human-resource development, small- and medium-scale industries, and the informal sector. Mr Berranger's current interests include building partnerships for international development, improving the efficiency and effectiveness of development assistance, and private financing of development research.

ACKNOWLEDGMENTS

This book is the result of the patience and assistance of the many Japanese colleagues who have shared their knowledge with me during my stay in Japan from 1992 to 1996 and since then, during my numerous visits to Tokyo. They are too numerous to name without offending those whose names might be left out. I would like however to single out the officers of the Japan International Cooperation Agency (JICA) who participated in the exchange program of JICA and the Canadian International Development Agency (CIDA) and with whom I have spent many hours discussing our respective approaches to official development assistance (ODA) — Ms Yoshie Yamashita and Ms Setsu Miyawaki. They read the first draft of this book and provided valuable comments. But most of all, this book would not have been written if it had not been for the foresight of the leaders on ODA on both the Japanese and the Canadian sides who envisioned the need for joint cooperation and the benefits it would bring to developing countries. My thanks especially go to Mr Marcel Massé, the President of CIDA, who selected me to go as the first exchange officer to JICA, and to Mr Julian Payne, who worked tirelessly, first as Director General and then as Vice President of Asia Branch, to start the process of joint cooperation between CIDA and Japan and guide my first steps in the Japanese ODA system. I am also deeply indebted to Ms Huguette Labelle, the President of CIDA (who is a strong promoter of joint cooperation with Japan) for her support for my efforts to promote joint cooperation between Canada and Japan on ODA; to Mr Jean Marc Métivier, Vice President of Asia Branch; and to Mr Mario Renaud, Director General. As my supervisors, Ms Labelle, Mr Métivier, and Mr Renaud have, without fail, been very supportive of my work and of the idea for this handbook. I am grateful to the International Development Research Centre (IDRC) for providing this opportunity to join hands and work together to prepare and publish this book as a guide to assist in joint collaboration between Canada and Japan on ODA.

Micheline Beaudry-Somcynsky

Several people were instrumental in the preparation of this publication. I thank Alain Berranger, from IDRC, for commissioning and providing direction for the original report that was the precursor to this publication. I am grateful to Louise Behan and Heather Cook for their valuable help and encouragement. I am indebted to CIDA and IDRC for funding the research for this book. In addition, I thank Martha Stone, Senior Partner of Moenston Associates, for her advice and guidance. I also express my gratitude to Paul Scott and Brian Cook for their patience and encouragement.

Chris M. Cook

CHAPTER 1

INTRODUCTION

Japanese official development assistance (ODA) has drawn a lot of interest because of Japan's meteoric rise from recipient of ODA in the 1960s to the top donor country since 1989. In 1997, notwithstanding an announced budget reduction of 10% (from the general account budget, described later on), the overall disbursements totaled 1 132 billion Japanese yen (JPY) (9.36 billion United States dollars [USD]),¹ an increase of 10.2% from the year before, which was due mainly to the cycle of replenishment to multilateral development banks (MOFA 1998). Japan remains the top donor, providing 17.1% of the total ODA flows to developing countries, followed by France (6.35 billion USD) and the United States (6.17 billion USD). Japan is the top donor in 50 developing countries. In many developing countries, Japanese ODA provides an important portion of the overall government budget and Japan's decisions on the allocation of funds have an important bearing on the recipient government's policies and programs. Japan has also become an increasingly important player in the international community, not only through its ODA but also through its own economic growth and its membership in the Group of Seven.

Because of the impact of Japanese ODA flows on developing countries and the increasing role of Japan in the international community, many donors have started to establish joint cooperation with Japan on ODA. Since 1984 the Canadian International Development Agency (CIDA) and Japan have held consultations on policy issues and undertaken joint cooperation at the project level. Recently, the International Development Research Centre (IDRC) initiated discussions with Japan on possibilities for cooperation.

The people in CIDA, IDRC, and elsewhere who are actually working with the Japanese ODA system have no tool at their disposal to serve as a guide to its complex, often confusing underlying structure, the respective roles and responsibilities of the profusion of organizations, and the various types of ODA used as inputs into joint cooperation. Frustrations arise because of unmet expectations and

¹ USD conversions are calculated using the following DAC exchange rates: 1995, 94.07 JPY = 1 USD; 1996, 108.82 JPY = 1 USD; and 1997, 121 JPY = 1 USD.

misunderstandings. For Canadians especially, the situation is difficult. The Canadian ODA delivery system is very simple. Although the approach is constrained by the total budget available for a project or program, it is flexible in terms of the content and inputs of projects and programs. This is very different from the Japanese system, which has many players who all seem to get involved at some point or other in projects, but their role is unclear. Canadians (and Japanese) tend to think that the Japan International Cooperation Agency (JICA) is like CIDA, which is not the case. Canadians do not understand the roles of the various Japanese ministries in JICA's projects. They do not understand the nature of the Japanese nonprofit nongovernmental-organization (NGO) sector or the relations between the private and public sectors. They do not appreciate the depth of the difference between a Canadian team leader who is under contract to CIDA and a Japanese project team leader who is a government official. There are constraints no Canadian would imagine, as a result of the different sets of rules and regulations. Assumptions are made based on the system each side is familiar with, and these assumptions turn out to be misleading when applied in dealing with the other system.

Many publications are available on Japanese ODA. Japanese government publications are numerous, but each one is narrow in focus. The description of the actual delivery system tends to focus on the various types of inputs Japan provides to developing countries — grant aid, technical cooperation, and concessional loans. At first, it seems simple enough, but it becomes more and more complicated and convoluted in the actual process of joint cooperation. For example, the Ministry of Foreign Affairs (MOFA) is responsible for grant aid, but JICA administers its implementation. Technical cooperation is under JICA, but MOFA actually makes the decisions; the Overseas Economic Co-operation Fund (OECF) is responsible for yen loans, yet decision-making rests with a group of ministries. JICA projects require the support of the relevant ministry to go ahead. Because, by regulation, the various ministries provide experts for planning and implementation of JICA's activities, the availability of ministry personnel largely determines the scope and type of activities that can be included in a project design. All decisions require consensus among various players who may be unknown to outsiders working with Japan on a joint cooperation on ODA. Understanding the situation becomes very difficult.

The Japanese government publications neglect to outline the cast of organizations involved in the whole project cycle for everyone of the inputs or "schemes," as they are called in Japan. Every organization reports on its own activities and presents ODA from its own perspective. Even Japan's *Official*

Development Assistance Annual Report, which is published by MOFA and is the official government report on ODA, adopts the perspective of this ministry, with only a passing mention of the total amount of ODA provided to other (non-MOFA) ministries from the general account budget. If one wishes to know about the ODA activities of the other ministries, it is necessary to request their publications. When they are available in English, they draw no distinction between the activities funded through the ministry's own budget and those funded through JICA. The distinction between public- and private-sector participation in ODA is blurred and difficult to understand for non-Japanese people. Official government publications do not even mention the activities of the private sector in Japan's official ODA. The research published by David Arase (Arase 1994) clarified the importance of the role of the private sector in Japanese ODA. This goes beyond financing activities in developing countries. It also exerts an important influence on policy formulation and project identification. Information is also difficult to find on the roles and importance of other players in Japanese ODA, such as Japanese municipal governments and NGOs, and the constellation of organizations created by the various ministries.

This handbook has been written with two objectives in mind: to provide a better understanding of the full range of the Japanese ODA system and to assist those involved in initiating joint cooperation activities with Japan in development. It attempts to bring under one cover, an introduction to the cast of players and the overall framework within which they operate and a description of the range of tools available in Japanese ODA — a sort of “who's who” and “what's what” of Japanese ODA. It does not claim to be all encompassing. Documentation was not available from all the ministries. Also, it is an almost impossible task to do an inventory of all the organizations created by the ministries that receive subsidies from the ministries' ODA budgets to conduct their activities in developing countries; only a sample can be provided here.

This handbook attempts to make available in one publication an insight into the Japanese ODA system and a summary of the activities of the diverse players, as described by various researchers on Japanese ODA and as provided by the publications we were able to get in English, either from the players or from the Internet.

Aid policy

Basis for ODA: economic cooperation

Japan brings a unique approach to development cooperation with developing countries. Western donors have traditionally viewed their relationship with developing

countries as a moral obligation of the rich North to help the poor South. The terminology itself reflects this approach: official development *assistance*, *recipient* and *donor* countries, *aid* to developing countries, etc. To this day, the focus, at least for Canada, is still very much in assisting the poorest of the poor. Interestingly, in the Japanese language, ODA is referred to using the terms *economic co-operation*, *development cooperation*, or *international cooperation*.

Economic cooperation forms the basis of Japan's relations with developing countries. *Economic cooperation* has a wider meaning than Western donors associate with the term *ODA*. It covers all aspects of Japan's economic relations with developing countries, including trade and foreign direct investment (FDI). In this context, funds falling under ODA, as defined by the DAC of the Organisation for Economic Co-operation and Development (OECD) (OECD 1996), are only a part of a continuum of yen flows to developing countries. The Japanese government advocates the view that developing countries need to take responsibility for their own development, choose their own priorities, and mobilize their own efforts. Japanese economic cooperation changes the nature of the donor's relations with developing countries from one based on humanitarian assistance to one based on a partnership for growth. Developing countries have been asking for years for trade, not aid. Japan has been successful in using public-sector financing under the OECD-DAC definition of ODA to leverage financing for, and investment in, developing countries from the Japanese private sector. Japan is very proud to point to its active involvement in bringing about the Southeast Asian miracle as a model for other donors to pursue with developing countries.

For the purpose of this handbook, we will keep using the term *ODA*. But for people working with Japan on development cooperation, the basic philosophy of economic cooperation manifests itself in all aspects of its approach to ODA, colouring even its management system. MOFA has for years emphasized the fact that Japanese ODA is based on requests received, making project identification the responsibility of the developing country. Responses to requests are based on the availability of resources in Japan, rather than on a proactive assessment of developing-country needs, which is the approach often used by donors. JICA mostly does the planning after the project has been approved, by sending a long-term expert to work out with counterpart institutions what they require and what Japan can provide, leaving a much wider latitude for the direction of the project than is possible under most projects undertaken by Western donors. The question of responsibility for achieving results is also approached differently, with a much greater onus on developing countries to effectively and efficiently use the resources provided through ODA.

Economic cooperation originated as a key policy area in Japan with a Cabinet order in 1953 regarding the war reparations to be paid to the Asian countries that had suffered under the Japanese during World War II. This marked the beginning of Japan's ODA. At the time, the private and public sectors were working in close collaboration on the reconstruction of Japan, and the war reparations were seen as a way to promote exports and secure access to resources. The implementation of economic cooperation was based on a close working relationship between the private and public sectors, with the active involvement of every Japanese ministry. At the end of the 1950s, the system was rationalized through the rise to prominence of the Ministry of Finance (MOF), MOFA, and Ministry of International Trade and Industry (MITI) and the creation of OECF and JICA as implementation agencies, with organizational structures incorporating the participation of the various ministries.

With the creation of OECF in 1960, war reparations gave way to yen loans. OECF was combined with the Japan Export-Import (JEXIM) bank, which originally provided loans and equity investments only to Japanese private-sector firms wishing to expand their activities in Asia. In 1965, Japan joined the OECD and, in compliance with the DAC, started to provide loans through OECF to governments of developing countries to enable them to buy products from Japan. The 1970s oil crisis brought forcefully home to Japan its reliance on natural resources for economic growth, and it began to extend economic cooperation for the purpose of securing access to these resources.

The economic growth of the 1980s shifted the emphasis from export promotion and the accessibility of resources to the promotion of Japanese FDI to enable Japanese companies to move production overseas. In the late 1980s, as Japan began to have a greater role in the global economy and an increased stature in the international community, its foreign-policy interests widened to include global issues, issues of concern to the international community as well as to Japan. MOFA gained a greater control over the ODA-policy agenda. Japan's *ODA Charter* (adopted 30 June 1992) gave clear evidence of this shift (MOFA 1997a). The *ODA Charter* made Asia a priority region for Japanese ODA and indicated that Japan would pay particular attention to the least among less developed countries (LLDCs). Japan is committed to working with developing countries in addressing basic human needs (BHN), poverty, environment, human-resource development, social and economic infrastructure, emergency humanitarian aid, support for the private sector, and structural adjustment.

Since then the ODA budget has soared. Japan became the top donor, and its role as a leader in development increased. But it has very much the same delivery system as it established in the early 1960s, based on economic cooperation.

Global issues and Japanese ODA

Japan's ODA plays an increasingly important role in the context of globalization. Whereas some countries have effectively harnessed the benefits of the international trend toward globalization and economic interdependence to power their own economic development, others have not been so fortunate. As the debt crisis in Mexico and, more recently, the financial crisis in Asia have shown, participation in an interdependent economic system can create severe adjustment problems, as well as opportunities. Meanwhile, global problems have emerged that affect peace and security worldwide. The environment, poverty, infectious diseases, and regional conflicts in Africa, Asia, and the former Soviet Union all threaten global peace and security.

Self-help efforts of developing countries, with assistance from developed countries, will be decisive in the search for solutions, and in this regard Japan is a strong supporter of the OECD–DAC Development Strategy for the 21st Century. Japan believes that ODA can assist in providing security and peace for the international community, as many of the regional conflicts and much of the ethnic strife are deeply rooted in the problems of poverty and broad disparities in income. Poverty and efforts to achieve rapid economic development also contribute to an increasing deterioration of the environment locally and globally, jeopardizing the future of the human community. Economic growth, environmental conservation, and poverty alleviation are interlinked, and assistance from the industrial world will be decisive in tackling these issues. Accordingly, Japanese ODA will become more important, not less so.

Most industrialized nations prefer the direct approach, that of assisting the poorest of the poor to eradicate poverty, and have moved away from financing infrastructures. Japan is unique in its provision of ODA to assist developing countries. Whereas some Japanese ODA is provided through the direct approach, most takes the form of loans intended to assist the recipient country build economic and social infrastructure. Japan's view is that many developing countries require capital to build infrastructure for continuous economic development and that the countries cannot build enduring democratic systems, with continuous improvements in living standards, unless economic growth backs their efforts. Sustainably improving the living standards of the poor through their own self-help efforts is possible only when the economy of the country is fundamentally sound. The general belief

in Japan is that its support for development in Southeast Asia — through a combination of ODA, trade, and private investment — played an important role in the region's economic development and increased standard of living.

Investment in infrastructure provides the additional benefit of attracting FDI from the private sector, which the international community increasingly sees as a crucial element in the sustainable development of developing countries. According to the World Bank, between 1.2 and 1.5 trillion USD will be needed to finance projects in infrastructure in the Asia-Pacific region (World Bank 1997). ODA and public revenues available to developing countries will be insufficient. It will be necessary to harness private-sector capital. In view of the risk confronting infrastructure investments in developing countries, the pragmatic approach adopted by Japan is to fund projects initially with ODA and thereby encourage more investment from the private sector.

Assistance in addressing environmental issues is also seen as crucial to development. Japanese ODA has been instrumental in helping many developing countries tackle their pollution-related ills and address issues in biodiversity, among other environmental problems. At the 1992 meeting of the United Nations Conference on Environment and Development in Rio de Janeiro, Japan pledged between 900 billion and 1 trillion JPY in environmental ODA over the next 5 years. It eventually exceeded this amount by about 40%. Japan provides aid for forest preservation and reforestation, pollution control, the protection of natural habitats and species, improvements in living environments (for example, building water supplies), and disaster-prevention (for example, teaching disaster-prevention techniques, building shelters). Japan sends environmental missions to developing countries to emphasize the importance of environmental policies and to encourage environmental assistance projects. Environment-related projects are also on the agendas of Japan's annual consultations and regular high-level diplomatic missions to recipient countries. In June 1997, the Prime Minister of Japan announced the government's Initiatives for Sustainable Development toward the 21st century, a set of policy guidelines to enhance future Japanese ODA in the environmental sector.

Where regional conflicts have erupted, Japan has been attentive in providing assistance in conflict resolution, through working with the international community and using both its diplomatic sources and the potential impact of its provision of ODA. Japan also provides assistance to help reconstruct and rehabilitate countries after conflict. Its ODA activities include sponsoring ministerial conferences, chairing international committees on rehabilitation and reconstruction, implementing development projects, providing humanitarian aid and refugee relief,

providing aid for reconstruction and emergency imports, and contributing to the efforts of international organizations, such as the programs of the World Bank and the United Nations Development Programme (UNDP); recently, the government announced a fund for landmine removal.

ODA volume and breakdown

Total ODA Budget

According to *Japan's Official Development Assistance Annual Report 1997* (MOFA 1997c),² the total ODA budget for 1997 was 1 676.6 billion JPY (13.9 billion USD). In 1996, the net disbursement of Japan's ODA (including Eastern Europe and the European Bank for Reconstruction and Development [EBRD]) was 9.6 billion USD. Excluding Eastern Europe and EBRD, the figure was 9.4 billion USD. Japan's ODA spending represented 0.20% of its gross national product (excluding Eastern Europe and EBRD), earning it a DAC ranking of 19th among developed countries (see Appendix A1).

Japan sends other financial resources to developing countries, in addition to ODA. On a net disbursement basis in 1995, other official flows (OOF) totaled 5.75 billion USD; private flows amounted to 22.97 billion USD; and private voluntary agencies provided 215 million USD in grants (see Appendix A2).

Sources of the ODA budget

Japan's ODA budget was funded by various sources in 1997:

- 1 168.7 billion JPY (9.7 billion USD) from the general account budget (that is, the government's budget proper);
- 238.5 billion JPY (2 billion USD) from government bonds;
- 589.9 billion JPY (4.9 billion USD) from the Fiscal Investment and Loan Program (FILP);
- 17.6 billion JPY (145 million USD) from special account budgets; and
- 338.1 billion JPY (2.8 billion USD) from repayments of ODA loans (by governments and private sector).

² All figures pertaining to ODA volume and breakdown are from this issue.

This total budget is referred to as the operating budget. Confusion sometimes arises with the general account budget. For example, when the government mentioned that for 1997 there would be a reduction in the ODA budget, this referred only to the general account budget, which is the government's budget proper. See Appendix A3 for a view of both the general account budget and the operating budget.

The FILP is often characterized as the secondary government budget. Constituted by the savings mobilized through the postal system (in Japan, the post office provides banking services) under the Ministry of Posts and Telecommunications (MOPT), the FILP is used by the government to provide loans to government agencies to finance a range of activities nationally and internationally, especially in the provision of infrastructure. The postal savings system is considered a major competitor with Japanese banks, and FILP constitutes one of the sources for the OECF budget. According to the *OECF Annual Report 1997* (OECF 1997a), FILP represented 52.5% of the OECF 1997 fiscal budget.

ODA breakdown by type of ODA

Out of a total of 1 676.6 billion JPY (13.8 billion USD), the ODA allocated by type of ODA in fiscal year 1997 was as follows:

- Grant aid, 281.4 billion JPY (2.17 billion USD);
- Credits ensured, 179 million JPY (147 million USD);
- Technical cooperation, 388.1 billion JPY (3.20 billion USD);
- Contributions to international organizations, 368.5 billion JPY (3.04 billion USD);
- Loans, 9.767 billion JPY (8.07 billion USD); and
- Repayments, 338.1 billion JPY (2.79 billion USD).

See Appendixes A4 and A5.

Note that here the term *grant aid* refers specifically to a scheme administered by MOFA, with the assistance of JICA. Sometimes, the term is used to cover all the donated Japanese ODA.

There is no attempt in the annual report to match the sources of financing with types of ODA. It would appear that funds for bilateral grants are allocated entirely from the general account budget; technical cooperation funds are shared between 19 government offices and are appropriated from the general account and other budgets (for example, the special account budgets of the ministries). No mention is made of whether the technical cooperation budget includes the salaries of the government employees, whom JICA has, by regulation, to use as experts for planning and implementation of its activities. JICA's budget only covers the expense of their dispatch overseas.

Total OECF commitments for fiscal 1996 amounted to 1 271.3 billion JPY (11.68 billion USD). Total disbursements amounted to 616.3 billion JPY (5.63 billion USD).

The outstanding balance of total ODA loans and private-sector investment finance reached 9 072.3 billion JPY (83.36 billion USD) at the end of fiscal 1996. This balance is nearly half that of the World Bank group (International Bank for Reconstruction and Development [IBRD] and International Development Association [IDA]) and ranks with the combined balances of the four regional development banks: the Asian Development Bank (ADB), the Inter-American Development Bank (IDB), the African Development Bank (AfDB), and EBRD. (OECF 1997a).

ODA breakdown by region

In fiscal year 1996, total ODA (on a net disbursement basis) was allocated as follows among the regions:

- Asia, 4.11 billion USD (49.6% of total ODA);
- Middle East, 560.89 million USD (6.7%);
- Africa, 1.06 billion USD (12.8%);
- Latin America, 985.90 million USD (11.8%);
- Oceania, 197.69 million USD (2.4%);
- Eastern Europe, 200.30 million USD (2.4%); and
- Unclassifiable 1.1 billion USD (14.4%) (see Appendix A6).

Major recipient countries of Japan's ODA.

In fiscal year 1996, the top 10 recipients of total bilateral ODA from Japan were (in descending order):

- Indonesia, 965.53 million USD;
- China, 861.73 million USD;
- Thailand, 664.00 million USD;
- India, 579.26 million USD;
- Philippines, 414.45 million USD;
- Pakistan, 282.20 million USD;
- Mexico, 212.84 million USD;
- Egypt, 201.32 million USD;
- Bangladesh, 174.03 million USD; and
- Sri Lanka, 173.94 million USD (see Appendixes A7 and A8).

In fiscal year 1995, the last year for which statistics were published on this topic in the 1997 annual report, Japan was the largest donor to 55 countries (see Appendix A9).

ODA breakdown by income group

Most of Japan's bilateral ODA is allocated to lower middle-income countries (LMICs) and low-income countries (LICs). In fiscal year 1996, Japan extended

- 3.21 billion USD (39.2% of its bilateral ODA) to LMICs;
- 2.70 billion USD (33%) to LICs;
- 1.17 billion USD (14.4%) to LLDCs;

- Minus 85.7 million USD to upper middle-income countries; and
- Minus 121.6 million USD to high-income countries.

Sixteen percent was unclassifiable (see Appendix A10).

ODA breakdown by sector

In fiscal year 1996, Japan committed

- 6.78 billion USD (40.7% of ODA) to economic infrastructure and services — transport, communications, energy, banks, and financial, commercial, and other economic services;
- 3.47 billion USD (20.9%) to social infrastructure and services — education, health, population programs, water supply and sanitation, public administration, and other social infrastructure and services;
- 2.92 billion USD (17.5%) to the production sector — agriculture, fisheries, forestry, mining, manufacturing, construction, trade, and tourism; and
- 819.31 million USD (4.9%) to multisector projects — environmental conservation, Women in Development (WID), etc.

The rest was for items such as commodity assistance, assistance for structural-adjustment programs, food aid, debt relief, disaster relief, NGO expenses, and administrative and similar costs (see Appendix A11).

ODA breakdown by organization

It is interesting to note that *Japan's Official Development Assistance Annual Report 1997* focuses on the allocation of ODA by type of inputs, regions, sectors, etc., while providing no information about the allocation by delivery channel. Only the budget for MOFA is specifically mentioned in the report; MOFA receives 585.0 billion JPY (4.83 billion USD) out of the total ODA operating budget of 1 676.6 billion JPY (13.84 billion USD) (see Appendix A5). MOFA's budget includes the budget for JICA.

Appendix A4 indicates that out of 388.1 billion JPY (3.20 billion USD) for technical cooperation, JICA received 179.5 billion JPY (1.48 billion USD), less

than half of the technical-cooperation budget. Who got the rest, that is, 208.6 billion JPY (1.72 billion USD)? The English version of the report for fiscal year 1997 for JICA had not yet been distributed. In 1996, JICA reported expenses totaling 154.2 billion JPY (1.27 billion USD). This includes 1.01 billion JPY (8.38 million USD) for their loan program.

Appendix A4 also indicates that from the 1997 ODA operating budget of 1 676.6 billion JPY (13.9 billion USD), OECF received 939.7 billion JPY (7.76 billion USD); this was part of the budget of 976.7 billion JPY (8.07 billion USD) allocated for loans. OECF's *Annual Report 1997* indicates its budget for fiscal year 1997:

- 386.5 billion JPY (3.19 billion USD) in capital subscription from the general account budget;
- 8.7 billion JPY (71 million USD) in grants from the government's general account budget;
- 493.4 billion JPY (4.07 billion USD) in treasury investments and loans (FILP); and
- 51.4 billion JPY (424 million USD) in OECF's resources.

The total was 940 billion JPY (7.76 billion USD).

Appendix A5 shows that 18 government offices received 583.6 billion JPY (4.82 billion USD). The report gives no explanation of the allocation by government office or the use of the funds by government offices.

In its March special edition on the government's general account budget for ODA, published only in Japanese, the *Kokusai Kaihatsu* journal (Kokusai Kaihatsu 1998) does indicate the allocation of the general account budget by ministry. For 1997, out of a total general account budget of 1 168.6 billion yen (9.7 billion USD), the major recipients were

- MOFA (including JICA), 585.0 billion JPY (4.83 billion USD);
- MOF (including OECF), 441.9 billion JPY (3.65 billion USD);
- MITI, 55.8 billion JPY (461.4 million USD);

- Ministry of Education, Science, Sports and Culture (MOE), 48.2 billion JPY (398.7 million USD); and
- Ministry of Agriculture, Forestry and Fisheries (MAFF), 9.9 billion JPY (82.3 million USD).

See Appendix A12.

Cooperation with international organizations³

Overview

Japan has channeled substantial aid through international organizations to complement its bilateral activities. In fiscal year 1997, contributions and subscriptions to international organizations amounted to 368.5 billion JPY (3.04 billion USD). Japan provides several types of assistance to multilateral institutions: dispatch of experts under technical cooperation, assessed contributions (the amount given by each member of an international organization is outlined in the agreement by which the organization is established), voluntary contributions (the organization requests an amount from Japan, and Japan decides how much to contribute), and subscriptions (these amounts are decided based on the adjusted allotment rate between the member countries, with consideration of the organization's future activities).

The provision of funds to multilateral organizations enables Japan to address problems that would be difficult for one donor to remedy or would require a neutral implementing agency. Some of the other advantages are access to the expertise and experience of the various members of the organizations to support and complement Japan's activities, assistance to developing countries in areas in which Japan does not have experience or an established implementation system, and coordination of aid across many countries and regions. Japan's bilateral aid is rigidly structured to assist on a country-by-country basis; multilateral channels allow Japan to support regional programs.

Japan is actively involved not only as a financial contributor but also as a player at the policy level. It strongly supports the need for reform within the United Nations system and the move to increase the efficiency and effectiveness of its programs. Japan brings a perspective in international forums different from that adopted by Western donors. For example, Japan has been highly critical of

³ All figures cited in this section are from the *Kokusai Kaihatsu* journal (Kokusai Kaihatsu 1998), unless otherwise specified.

the structural-adjustment programs of the International Monetary Fund (IMF); it promotes its experience in being instrumental in the Southeast Asian miracle; and it advocates a clarification of the respective roles of the private and public sectors, the use of ODA to support private-sector initiatives and export-led growth, and the recognition of the need to address poverty reduction through strong economic growth, etc.

Responsibility for the various international organizations rests with different ministries. Each one formulates the position to be taken, presents the budget requests to the MOF and provides disbursements directly to the institution for which it is responsible:

- MOFA is responsible for contributions to the United Nations multilateral organizations in accordance with the quotas assigned to Japan. These include UNDP, the United Nations Fund for Population Activities (UNFPA), United Nations University, United Nations High Commissioner for Refugees (UNHCR), United Nations Children's Fund (UNICEF), International Committee of the Red Cross (ICRC), United Nations Relief and Works Agency (UNRWA), and United Nations Environment Program (UNEP).
- MOF is responsible for contributions to the international financial institutions for development, including the IMF, the World Bank group, ADB, IDB, AfDB, EBRD, and the Middle East and North African Economic Cooperation and Development Bank (MNECDB). It is also responsible for contributions to the Customs Cooperation Council, OECD, Asia-Pacific Economic Cooperation (APEC), Multilateral Investment Guarantee Agency (MIGA), and United Nations Conference on Trade and Development (UNCTAD).
- The Ministry of Health and Welfare (MOHW) is responsible for contributions to the World Health Organization (WHO).
- MAFF is responsible for contributions to multilateral organizations related to agriculture, forestry, and fisheries cooperation, such as the Food and Agriculture Organization of the United Nations (FAO), World Food Program (WFP), International Fund for Agricultural Development (IFAD), and other organizations, such as the International Tropical

Timber Organization (ITTO), Consultative Group on International Agricultural Research (CGIAR), and the Asian Productivity Organization.

- The Ministry of Labour (MOL) is responsible for financial contributions to the International Labour Organization (ILO).
- MOE is responsible for the United Nations Educational, Scientific and Cultural Organization (UNESCO).

Aid through United Nations organizations

In fiscal year 1997, Japan contributed 76.1 billion JPY (628 million USD) to United Nations organizations (see Appendix A3). Japan has continued to contribute to the following organizations:

- FAO, 53.073 million USD in fiscal year 1996 (MOFA 1997c);
- ICRC, 7.52 million USD for fiscal year 1998;
- UNICEF, 25.62 million USD for fiscal year 1998;
- UNDP, 91.32 million USD for fiscal year 1998;
- UNESCO, 636 364 USD for fiscal year 1998 (MOE 1997);
- UNEP, 5.29 million USD for fiscal year 1998;
- UNFPA, 66.45 million USD for fiscal year 1998;
- UNHCR, 77.52 million USD for fiscal year 1998;
- UNRWA for Palestinian Refugees, 11.6 million USD for fiscal year 1998;
- WFP, 19.26 million USD for fiscal year 1998; and
- WHO, 63.24 million USD in fiscal year 1996 (MOFA 1997c).

Cooperation with IFIs

In fiscal year 1997, Japan contributed 292.4 billion JPY (2.41 billion USD) to IFIs (see Appendix A3).

Cooperation with the World Bank group

In fiscal year 1996, Japan provided 12.4 million USD to the World Bank group, and in fiscal year 1998, Japan contributed

- 19.553 billion JPY (161.6 million USD) to IBRD and IDA (CIDA);
- 643 million JPY (5.3 million USD) to the International Finance Corporation; and
- 545 million JPY (4.5 million USD) to MIGA.

The World Bank has a Consultant Trust Fund (CTF) program, established by donors to finance consulting services for World Bank assignments. Most of the funds support the activities of the World Bank's lending program (for example, project appraisal and implementation) but are also used to finance consultants to engage in economic and sector work, policy research, and policy-oriented studies. The CTF program comprises several types of trust funds: general consultant trust funds; trust funds for special studies or targeted sectors, and regional trust funds.

The funds usually finance consultants whom the World Bank hires from the donor country, but some funds from CTF are untied (that is, consultants may come from the recipient country or other donor countries). Twenty-six donors, including Japan, have provided 52 such funds within CTF. At least 25% of Japan's contribution to CTF is untied. In 1996, Japan was the third highest donor of CTF allocations, with 9.3 million USD. With respect to contributions (to replenish the CTF) in fiscal year 1996, Japan contributed 12.18 million USD, making it the largest donor (the total contribution was 72.4 million USD in fiscal year 1996) (World Bank 1997).

Cooperation with regional development banks

Japan makes contributions to the following regional development banks:

- *ADB* — In fiscal year 1998, Japan budgeted 10.493 billion JPY (86.72 million USD) for ADB, which administers the Japan Special Fund (JSF), established in 1988. JSF is used to provide grants to finance or

cofinance technical-assistance projects and, to a lesser extent, to invest equity in private-sector projects. JSF is the largest single ADB fund for financing technical assistance on a grant basis, and the funds are untied. Japan provided 9.03 billion JPY (82.981 million USD) to JSF in fiscal year 1996.

- *Asian Development Bank Institute* — The Asian Development Bank Institute (ADBI) is a subsidiary of the ADB, with separate funding and staff. The government of Japan financed the establishment of ADBI in 1997 and will fund its annual operating expenses. The ADB Board of Directors must review and approve ADBI's strategy, policies, work program, budget, accounts, and annual reports. ADBI's professional and support staff comprise personnel from the World Bank's member countries. ADBI will invite visiting scholars to participate in, and contribute to, ADBI research projects. The ADBI office is located in central Tokyo, and programs will be conducted in member countries of the World Bank. In addition, some activities will be located at the ADB headquarters in Manila, the Philippines. ADBI has two main objectives: to identify development strategies tailored to the particular socioeconomic circumstances of each ADB developing member country (DMC) and to enhance the capacity of DMC development agencies and organizations to effectively design and implement development programs and projects.

ADBI will focus on broad policy issues of concern to policymakers and the managers of public- and private-sector development organizations and issues of critical importance to the Asian-Pacific region. It will gather information to be used to provide development-management training to DMC policymakers and senior managers. ADBI will enable scholars, development practitioners, and decision-makers from developed member countries and DMCs to discuss, interact, and share lessons and experience in development policy and management. To this end, ADBI will sponsor seminars and conferences on current development issues and lectures by scholars or development practitioners.

- *IDB* — Japan budgeted 2.286 billion JPY (18.89 million USD) for IDB for fiscal year 1998.

- *EBRD* — Japan budgeted 2.889 billion JPY (23.88 million USD) to contribute to EBRD for fiscal year 1998.
- *AfDB* — In fiscal year 1997, Japan donated 200 million JPY (1.754 million USD) for AfDB.
- *MNECDB* — Japan budgeted 68 million JPY (561 983 USD) for MNECDB for fiscal year 1998.
- *Cooperation with the IMF* — For fiscal year 1998, MOF budgeted 11.373 billion JPY (93.99 million USD) for the IMF.

Multilateral–bilateral aid cooperation

Multilateral–bilateral aid cooperation occurs when a country implements bilateral aid in conjunction with a multilateral organization. Examples of this type of cooperation are OECF and JICA support for the structural-adjustment programs of the IMF, cofinancing of projects between OECF and the World Bank, and joint cooperation between JICA and the UNDP. The sections on JICA and OECF describe this kind of activity.

Cooperation with organizations and regional development institutions not affiliated with the United Nations

Japan also contributes to the following organizations not affiliated with the United Nations:

- Asian Pacific Telecommunications Community;
- Asian Vegetable Research and Development Center;
- CGIAR (including the International Rice Research Institute);
- International Center for Diarrheal Disease Research, Bangladesh;
- International Fund for Agricultural Development;
- International Telecommunications Union;
- ITTO;

- Southeast Asia Fishery Development Center (SEAFDEC);
- Universal Postal Union;
- OECD; and
- APEC.

Public education and support for ODA

The public participates in ODA in Japan in many ways. As of July 1995, 18 030 000 people had joined the Postal Savings for International Voluntary Aid (POSIVA) program, whereby 20% of the interest from their post-office savings accounts is donated to international cooperation (see Chapter 5). The donors can read about how their donations are spent through reports on display at the post offices.

The public can also contribute directly to development projects by working abroad as volunteers in programs such as JICA's Japan Overseas Cooperation Volunteers (JOCV) or through public-interest corporations and citizen-led organizations (see Chapter 5). JICA's Japanese Youth Program provides exchanges for young people of developing countries and Japanese youth and their families. The public is also invited to an International Cooperation Day, which is held on October 6 to celebrate the anniversary of Japan's joining the Colombo plan, in 1954. An International Symposium and International Cooperation Festival commemorate the day and enable the public to learn more about development issues and Japan's international cooperation activities.

Various ongoing avenues are available for the public to learn about Japan's ODA. The Association for Promotion of International Cooperation (APIC) (a public-interest corporation under MOFA) opened the Plaza for International Cooperation in 1993, as a place to obtain and exchange information on ODA. A number of ODA-related publications are available to the public (for example, annual reports of MOFA, JICA, and OECF and monthly magazines published by JICA and OECF), and the public can access many ODA-related Internet sites. ODA officials provide information on Japan's international cooperation in television interviews. Japanese embassies and the overseas offices of JICA and OECF organize tours of ODA project sites for journalists. MOFA faxes ODA information to the public, on request. MOFA and JICA hold development-education seminars in Japan to educate teachers and students about ODA and hold ODA teach-ins at universities. In some cities and regions, international development is taught in

schools to foster public support for ODA, and MOFA publishes teaching materials for this purpose. JICA organizes essay contests for junior high-school and university students, with field visits as prizes. High-school teachers organize tours of projects. Seminars are provided across the country for municipalities and local governments.

Japan strengthens international public relations by inviting developing-country government representatives and media to tour Japanese ODA project sites, identifying Japan-funded supplies and projects with a special logo and publishing brochures on Japanese ODA in several languages.

In general, the Japanese public is supportive of Japan's ODA. An opinion poll conducted by the Prime Minister's Office in 1996 found that 32.9% of respondents believed that Japan should increase its assistance to developing countries; 46.9% believed that assistance should be maintained at the current level; 12.9% believed it should be reduced as much as possible; and 1.8% believed it should be stopped (12.9% had no comment) (MOFA 1997c).

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CHAPTER 2

THE ODA SYSTEM

Introduction to the ODA system and its players

Japan has become increasingly active within the donor community at the policy level, as well as being proactive in seeking donor coordination and joint cooperation. As a result, knowledge of the Japanese ODA system has become increasingly crucial. Whereas at the policy level, discussions, exchanges of views, and mutual support for positions of mutual interest between Japan and other donors are ongoing, the implementation of joint-cooperation activities tends to be more complicated and difficult than anticipated. Very little is actually known about the delivery system. David Arase (Arase 1994) noted that because MOFA is the main spokesperson on ODA policies, foreigners tend to forget the role played by other powerful actors in ODA: MOF, MITI, and to a lesser extent EPA, each one pursuing its own economic agenda in ODA. Also active in ODA economic cooperation are the other ministries, the private sector, and a wide range of public corporations sponsored by the ministries (including associations and foundations in the private sector), all with ODA funding.

The concept of economic cooperation outlined in the previous chapter helps in understanding this system and how it works. It includes the full range of Japan's relationships with developing countries (as explained earlier). Even though the policy focus has shifted over the years, the delivery system has remained relatively unchanged to date. As remarked earlier, the creation of the present-day system dates back to the cabinet order of 1953 that established economic cooperation as the policy area governing ODA. From a council of 11 ministries initially working on war reparations and economic cooperation, the system was streamlined to comprise the four-entity system of today: MOF, MOFA, MITI, and EPA. In 1961, the Foreign Economic Cooperation Advisory Council (chaired by the Prime Minister and comprised of prominent business leaders) established the present-day system of supporting organizations: JICA, OECF, and the Institute of Developing Economies (IDE). This was intended to rationalize the involvement of the multiple players in economic cooperation.

MOF, MOFA, MITI, and EPA meet regularly to discuss overall policy and to review project proposals and decisions on the use of OECF loans. In addition

to providing bilateral loans to developing countries, OECF, along with the Japan Export-Import Bank (JEXIM), provides export loans and equity financing to encourage and support the activities of the private sector in developing countries, with the focus mainly on Asia. The IDE conducts economic-policy research and analyzes the economies of developing countries. JICA implements technical cooperation. These are the main and most visible players in Japan's ODA system.

OECF is formally under EPA; JEXIM, under MOF; JICA, under MOFA; and IDE, under MITI (IAM 1994). These are referred to as public corporations (the Japanese term means a corporation with a special status), established by special law as instruments for activities required by the state (IAM 1994). However, in practice, the system provides for the active participation of other players. OECF functions under the four-entity system, comprising MOF, MOFA, MITI, and EPA. But OECF has a management council that includes the vice ministers of EPA, MOFA, MOF, MITI, MOE, MOHW, Ministry of Agriculture, Forestry and Fisheries (MAFF), Ministry of Transportation (MOT), Ministry of Posts and Telecommunications (MOPT), and Ministry of Construction (MOC).

JICA is under the authority of MOFA and serves as an executing agency. It prepares project proposals and submissions to have experts or equipment dispatched to foreign countries or to receive trainees from foreign countries. However, as a result of the way the system is set up, JICA has to work closely with the various ministries for all of its technical cooperation activities. By regulation, experts and training for JICA's technical cooperation activities must come from the ministries. These experts are involved in the whole JICA project cycle, and in practice they play a key role in shaping all of JICA's activities. JICA's senior management mainly comprises representatives from the ministries. The senior manager in charge of each department in JICA is from one of the ministries, and the vice presidents are senior officials from the ministries. Also, according to Arase (1994), interministerial and other forms of personnel exchange cutting across the boundaries of the vertically integrated bureaucratic system are common practice in the Japanese government, and they allow personnel from the various ministries to be assigned as staff to JICA and OECF for 2-3 years, on a regular basis.

In addition to being involved to varying degrees in the activities of JICA and OECF, all the ministries have direct access to the ODA envelope (see Appendix A12). This access is not under the control of MOFA or any of the others in the four-ministry system. It allows each of the ministries to pursue its own agenda according to its own mandate, using its envelope to subsidize its activities in economic cooperation in developing countries. A common practice for

the ministries in Japan is to create and subsidize a range of public-interest corporations, sometimes in partnership with the private sector, and this practice is apparent in the ODA delivery system. In line with the wider meaning of economic cooperation, these organizations sometimes function along a wider band of interest than just ODA, encompassing the range of interests of their sponsors. Public-interest corporations can be subclassified into government-affiliated corporations, other corporations, and citizen-led organizations with legal status. These include foundations and associations established by individuals, corporations, or groups of corporations. Because this phenomenon does not exist in the Canadian ODA system, their identity, roles, and responsibilities are unclear for the CIDA and IDRC people who come in contact with them (see Chapters 3 and 4).

Banded together in powerful associations, private-sector firms can exercise influence in ODA policy-making and project implementation. It is common practice for private-sector firms to provide personnel to government ministries and organizations, including JICA and OECF, while continuing to pay their salaries. Private companies also actively engage in project-finding: they finance preliminary project-design studies for developing countries lacking the necessary resources and lead high-level missions of prominent business leaders to discuss project proposals with developing-country officials. Companies can also obtain support for a project from one of the ministries or agencies involved in decision-making.

Other, less prominent participants in the Japanese ODA system are local-municipal governments and NGOs.

Policy-making

MOF, MOFA, MITI, and EPA are the most important players in the Japanese system for economic cooperation with developing countries. They jointly meet to formulate ODA policy.

MOF has a powerful oversight role because of its authority over the budget and disbursements. MOF desires the conservative allocation of budgetary resources and is critical of staff increases and new programs. MOF exercises constraint through its control of access to the budget and its management of the international balance of payments. MOF also provides each of the other government agencies with the opportunity to pursue its mandate through the use and control of its own ODA budget.

MOFA defines the overall foreign policy, which takes into account Japan's domestic and international interests. According to Orr (1990), ODA is often considered as the most important foreign-policy tool of the government of Japan which is used effectively to promote and support Japanese national interests

abroad (mentioned in the previous chapter). At the same, Orr demonstrated that MOFA has been very skillful in using the response of the international community to Japan's use of ODA as a pressure tactic in pursuit of its agenda within the Government of Japan. The Economic Cooperation Bureau (ECB) in MOFA has the primary responsibility for ODA policy and relations with the international community on ODA. At the same time, because of the interest and activities of the other ministries in ODA, MOFA assumes a coordinating role within the government for matters relating to ODA.

MITI works with Japanese industry in ways that promote Japanese private-sector interests nationally and internationally. MITI approaches ODA from the perspective of private business and international trade and investment; thus, it promotes the combination of official aid with direct private investment and favours countries with close economic relations with Japan. The political weight of its mandate within Japan ensures that the interests of the private sector also weigh heavily in the use of Japanese ODA.

EPA is a public corporation under the Prime Minister's Office. EPA describes its role in the following way:

The forms and fields of ODA cover a wide range, which in turn implies the involvement of many ministries and agencies in the administration of ODA. This multi-faceted characteristic of ODA calls for intra-governmental coordination in the setting of aid strategies as well as their efficient administration. This is the role played by the Economic Planning Agency.

(EPA 1993, preface)

The Coordination Bureau of EPA plans and coordinates basic policies for economic cooperation. Although the EPA is a coordinator, differences in opinion among MOF, MOFA, and MITI are resolved by higher political authorities.

According to Rix (1989), no single entity is responsible for administering Japan's ODA. The four entities involved in the system have no clear delineation of responsibilities, with the result that overlap and competition occur among them. Also, ODA sometimes lacks focus, as each entity has its own vision and aid-policy definition, and approvals suffer long bureaucratic processes within the Japanese government to achieve consensus.

The private sector also participates in aid-policy formulation. Apart from having its interests defended by MITI and having its voice heard in the ministries, the private sector also has a more direct form of access to policy formulation. The views and policy recommendations of the private sector are included in economic cooperation through officially sponsored advisory councils. For example, Japan's

prominent private-sector leaders stood on the Foreign Economic Cooperation Advisory Council that effectively designed the framework of today's ODA system in Japan. Associations such as Keidanren (Japan Federation of Economic Organizations) play an important role in shaping ODA policies and the structure of the ODA system. Its Standing Committee on Economic Cooperation engages in regular dialogue with the government, and its policy papers often lead the way for changes adopted within the ODA system. Keidanren played an active role in developing the ODA Charter, adopted in 1992. When the government organizes study groups to provide advice on policy direction for a variety of issues (including on country programs), it usually includes prominent people from the private sector and from universities. Keidanren often mounts its own missions with governments of recipient countries and participates in some of the Japanese government's high-level missions to developing countries. This participation of the private sector in Japanese ODA-policy formulation is understandable, given the origins and the context of economic cooperation.

A number of sectoral trade and business associations are each licenced by one or more of the 16 main ministries and agencies (for example, the Engineering Consulting Firms Association [ECFA] under MITI). They serve as intermediaries between the relevant ministry and its private-sector clients. In addition to being involved in project-formulation activities, ECFA studies and proposes ways to improve the system for implementing ODA. The largest and most influential group of ODA-related associations is clustered under MITI, and the second largest is under MOFA. Informal study groups enable government officials and business leaders to discuss policy issues. They are formed as needed to work out the basis for public-private sector consensus to meet new policy needs.

In short, Japan's ODA policy-making can be seen as an ongoing process for the reconciliation and accommodation of various interests. This explains why the delegates in a Japanese mission sometimes stick so closely to their text, formulated through a previous consensus with a variety of players and it may be difficult, at times, for the delegates to engage in a free exchange of ideas.

Project identification and formulation

A key role in the implementation of ODA policies is played by project identification and formulation. Without projects to support the policies, the policies can remain without substance. It is important therefore to understand the process of identification and formulation of projects, who the players are, and their roles.

Request-based approach

Bilateral and multilateral donors are continuously engaged in dialogue with recipient countries to participate in the identification and development of cooperation projects. Until recently, the Japanese government distinguished itself from the other bilateral and multilateral donors in officially adopting a request-based approach to project identification. MOFA presented this approach as both being responsive to the needs of the developing countries and emphasizing developing countries' responsibility for their own development. Only recently has MOFA announced its intention to be more proactive, especially on global issues, such as the environment, poverty, and BHNs. MOFA has created a new department in JICA to carry out project identification and formulation, the Project Formulation Study Department. Training programs have been developed for government employees, and missions to identify the needs for grant aid are being sent to developing countries. OECF has also adopted a more proactive approach.

High-level missions

In major recipient countries, MOFA organizes high-level missions with representatives from the relevant Japanese ministries and agencies. These missions hold discussions with the government of the potential recipient country on the issues it faces in development, as well as the concerns of the Japanese government. The mission reviews with the country's government the potential grant aid, technical cooperation, and yen loan projects to determine which applications this country should submit through official channels. In addition, periodic missions (once every 4–5 years) pursue long-term strategies and policy dialogues.

Participation of the Japanese ministries

Whereas the official approach has been request based, there are unofficial ways for various Japanese organizations to influence the process of project identification and formulation before proposals are presented officially by recipient-country governments to MOFA. Given the interest of the Japanese ministries in ODA, it is normal to see their presence at this stage. Because of their sectorial responsibility, it appears that sectoral strategies for economic cooperation are defined by the respective ministries. As the percentage allocation of Japanese ODA per sector in a developing country changes very little overall, ministries and their representatives in the Japanese embassies can identify the number and size of projects in their sector in a country with potential for Japanese ODA financing, OOF, and private-sector financing within the general context of economic cooperation.

Using their own ODA budgets, they can commission the public-interest corporations under their supervision to undertake sector studies, sectoral planning, and project-identification activities in selected countries of interest. CIDA headquarters and missions in developing countries have received several such missions. Usually, the people in CIDA do not know what these organizations are, what their role is in the development process, or what their relationship is with the Japanese government. Only recently, have they started asking questions along these lines in order to better understand the situation.

The Japanese ministries assign employees to the Japanese embassies in developing countries where they have an interest. Contrary to the Canadian practice, these officials cover both the commercial and ODA aspects of their sector. They work closely with the Japanese private sector in pursuing discussions with developing-country officials. As part of the Japanese embassy, a ministry official may be used as the spokesperson for Japanese ODA in meetings with other donors, as neither JICA nor OECF overseas personnel have official status (they are not government employees). As the ministry officials are not development professionals and cannot speak for other ministries, unless directed to do so, it may be difficult for them to participate in donor-coordination meetings held regularly at the country level in various developing countries, which incidentally, also explains why donor-coordination meetings, as envisaged by Japan, usually involve sizable official missions from Tokyo to developing countries.

Ministries can also assign their personnel as individual expert advisors in selected ministries of developing countries under JICA technical cooperation. Sometimes, the ministry can assign someone from the private sector in such a position, through the process of using someone from the private sector detached to work within the ministry, along the lines described by Arase (1994). Finally, the ministries participate in the development studies undertaken by JICA and, recently, in JICA's project-formulation missions, providing the experts from among their employees as members of the study teams.

The scope and range of the involvement of the ministries in the crucial initial stage of project identification has been very useful in enabling the Government of Japan to use ODA effectively as part of its relations with developing countries on economic cooperation. This approach has not only provided the infrastructure needed for sustainable economic growth but also attracted much-needed private-sector investment in the developing countries, as well as contributing to the development of an active private sector in these countries. With the widening range of ODA-policy interests, the ministries are trying to adapt their participation in the system to respond to this shift. Budget increases are requested to support new

initiatives related to new issues, the best example being the appearance in many ministries of environmental programs related to ODA. Projects have been identified in the social sector in response to BHNs, poverty reduction, health, education, etc. But a closer look at the projects reveals that the approach is still heavily oriented toward the provision of infrastructure, such as building and equipping schools, hospitals, vocational training centres, and research institutes, and its attendant technical cooperation. If one wishes to look at some kind of international division of labour, Japan plays an important role in this context, as it is probably the only bilateral donor still willing to provide financing for infrastructure, and these kinds of infrastructure are as important to the social development of the countries as capacity-building, policy frameworks, community development, NGOs, etc. It is also the bilateral donor most active in seeking joint cooperation with other donors in order, in great part, to complement its range of activities.

Private sector

Given the structure and practices of the Government of Japan, it is very difficult to separate the private- and the public-sector activities in economic cooperation, especially at the project-identification stage. People move freely from one sector to another. Employees from the private sector working within the ministries, JICA, and OECF participate in the day-to-day activities of the regular employees.

The Japanese private sector is very active through its overseas offices in identifying good projects for ODA to finance in part or in whole. As explained by a trading firm at the conference on Access to Japanese ODA for the Canadian Private Sector (December 1995, Vancouver, Canada), firms carry out a sectoral analysis, sometimes with their own financing, sometimes with ministry or JICA financing. Projects are identified and discussed with the relevant ministry in the developing country. The firms provide assistance to the ministry for the preparation of the project. They can support the ministry in presenting an official request to the Government of Japan for the use of JICA's development studies to plan and design the project, or the Japanese firms can use their own financial resources to do so. The firms also assist developing countries in mounting a financial package for the implementation of a project, identifying which components would be eligible for JICA or OECF financing, or both, and which ones would be eligible for financing from one or more of the development banks, such as The World Bank or ADB. The firms may assist in pulling together financing for big infrastructure projects through partnerships with banks or other firms, or both. At the same time, the firms look around the world for potential partners to be used in implementing

various portions of the project, the selection being based on previous partnerships, competitive advantage in terms of price and quality, or expertise in working in a specialized area. In a sense, the firms act as brokers for the governments of recipient countries to develop and market project packages. The firms will use their connections to further the approval of various pieces of the project, including the ones presented as official requests by the developing country to the Government of Japan for OECF or JICA financing. This occurs especially in infrastructure-development projects.

OECF

According to the Japan's *ODA Annual Report 1996*,

If developing countries are to attain economic independence, it is essential that they build up their economic and social infrastructures. To achieve this, developing countries need large amounts of development funds, but their access to such financing through market mechanisms is very limited because of their high risk and the nature of such projects which do not generate immediate returns. ODA loans play a complementary role to the flow of large-scale funds to developing countries — a flow that tends to be insufficient. In addition, by imposing repayment obligations on developing countries, ODA loans are aimed at, and have the effect of motivating these countries to make self-help efforts directed toward achieving economic independence.

OECF (1996a, p. 126)

OECF distinguishes between annual-based countries, target countries, and others. Many developing countries draw up multiyear development plans that outline objectives and strategies and include a prioritized list of projects. For annual-based countries that are major recipients of yen loans, "OECF carries out studies of macroeconomic conditions and of various sectors of a recipient country based on its national development plan and/or its five-year development plan. This information is used to analyze development issues and identify the priority of projects through policy dialogue" (OECF 1997a, p. 32). A developing country's inclusion in the list of annual-based countries for yen loans is decided by the Japanese Parliament. OECF has also developed its own unofficial list of target countries, where it identifies projects more systematically and is responsive to these countries' requests. Other countries are dealt with case by case, according to specific project proposals. According to the *OECF Annual Report 1997*,

In order to make the project more suitable for ODA loans, studies are also conducted on the soundness of the project plan, its technical and

economic feasibility, and its institutional aspects. OECF then appraises the project and examines the soundness of extending ODA loans while providing advice concerning the creation of appropriate, detailed project implementation plans. OECF also carries out studies known as "Special Assistance for Project Formation" ... as necessary to assist loan recipients with project preparation.

(OECF 1997a, p. 32)

Relations have started between the OECF field offices and the CIDA staff at the Canadian embassies to share the analysis of the macroeconomic and social-development situation in the country, conducted by both offices, and explore possibilities for joint cooperation at the project level. The OECF field office appears to function like the CIDA office at the embassy, with the same type of role and responsibility for project formulation and identification. There are natural complementarities in our respective approaches to development, so a number of promising areas exist for parallel planning.

JICA

A few years ago, MOFA created the Project Formulation Study Department in JICA specifically to identify and formulate projects in line with MOFA's expanded aid policies (see JICA's organizational chart in Appendix A13). It was argued that developing countries do not always submit proposals that address global issues, such as poverty or the environment, and that it was therefore proving difficult to identify good development projects in regions outside the traditional sphere of Japanese ODA influence in Asia. Presumably, these new areas had also not yet attracted sufficient interest from the project identification process of the traditional delivery system, which created difficulties for MOFA in pursuing its widened foreign-policy agenda. With the creation of this department, MOFA is now better able to be proactive in the early stages of the project cycle. It also enables MOFA to more effectively undertake joint-cooperation activities with other donors.

But the number of projects from this department represents a small portion of total JICA activities, which still function according to the request-based approach of the Government of Japan. This has meant that JICA's overseas offices have a much more limited role than those of CIDA, as JICA's overseas offices are mainly involved in providing some administrative support for the process leading to official requests to the Japanese government. JICA has also been organizing seminars to train government officials from developing countries on the content and application procedures of the various schemes offered by JICA.

Misunderstandings about the respective roles of the overseas offices have created difficulties and frustrations regarding the process of identification of potential initiatives for joint cooperation between Canada and Japan. As CIDA is a ministry, CIDA officials have diplomatic status as part of the Canadian embassy, and they actively engage in dialogue with the developing-country government; but in the case of Japan, this is the role of the embassy, not that of JICA, as JICA officials are not government employees and therefore have no diplomatic status. So the contacts and dialogue between CIDA and JICA at the local level sometimes proceed no further and in many cases are not even reported back in Tokyo. This difficulty is being resolved through a decision taken recently at the Tokyo headquarters of MOFA and JICA to encourage dialogue on potential joint initiatives between the JICA and CIDA overseas offices.

Sometimes, grant aid or the development studies funded by JICA may lead to project identification, especially through the studies for the development of a master plan for a region or for a sector. However, the results of the studies do not automatically lead to project implementation by JICA or by the Japanese government. Of the total number of loan-aid requests approved in 1994, 33% originated from JICA-financed studies; 40%, from the potential recipient government; and 6%, from project-finding missions (Arase 1994). In some cases, the implementation of grant aid requires technical cooperation, which leads to the formulation of a request to JICA.

Project implementation

After officially receiving requests for ODA, the Japanese embassy screens the proposals, performs preliminary evaluations, ranks the requests according to priorities and sends them to MOFA in Tokyo. MOFA processes grant-aid requests and forwards the other types of requests either to JICA or OECF, with copies to any other appropriate ministry or government agency. Informal rules require consultation with the ministry whose sector of activity is concerned, as the ministries have the technical expertise needed to assess the project, and, in the case of JICA, the eventual implementation of a project will depend on the availability of the ministry personnel needed to execute it. OECF and JICA influence the process through their knowledge of the development needs of a potential recipient country, its national development plans, and its development priorities.

Aid requests are examined on a case-by-case basis. Little is known about the decision-making criteria or process. What is known is that the majority of requests submitted for JICA financing are approved within an amazingly short time frame, from the receipt of official requests at the end of the summer to

approval by the beginning of April of the following year. By then, the Government of Japan is able to indicate which ones it has approved, which ones are retained for further studies, and which ones are not accepted. Presumably, where the requests have originated through the informal process, approval is easier to obtain, as the authorities in Japan are already aware of the project. Others would probably require more studies before a decision would be possible. One interesting point for the CIDA people to note is that the official documents signaling the approval of the various types of JICA projects are very sketchy. They outline what the problem is, identify a general statement of the objective for the use of Japan's ODA (often couched in terms of providing some transfer of technology to resolve the problem), indicate the actual number of long-term experts to be sent, and then state that other inputs will be provided as required, such as short-term experts, equipment, and training. The actual planning in the CIDA sense occurs after the project has been approved, instead of before, as in the CIDA procedure.

MOFA holds decision-making authority over every aspect of JICA's activities, as well as over grant aid, sometimes to a degree of micromanagement that may surprise CIDA people, who are totally unused to having any other authority than what CIDA is delegated from the Treasury Board. ECB in MOFA has specific divisions for every JICA scheme, as well as for grant aid, loans, etc. (see the MOFA organizational chart in Appendix A14). In joint-cooperation activities, CIDA people may find themselves unaccustomed to some of the rigidity of JICA's implementation processes. MOF provides rules and regulations for every type of activity involved in project implementation. Lack of awareness among CIDA people of this characteristic of the JICA delivery system may lead to frustration or even the suspicion that JICA is unwilling to cooperate. However, this is far from being the case, and JICA will do its best to find ways to surmount the difficulties encountered in this respect. Moreover, a positive aspect of this specificity is that in cases in which joint activities do fall into established parameters, delivery can be extremely rapid. This framework for project implementation may have been developed over the years to enable the various players to proceed quickly, without having to resort to extensive consensus-building.

MOFA holds the decision-making authority over JICA but requires the support and approval of the sectoral ministries. JICA does not contract out the project for implementation but is the executing agency for MOFA. JICA has to use personnel from the various ministries for project planning and execution. Availability of personnel from the ministries is the most important factor affecting project design and implementation. For example, planning missions rarely exceed 2 weeks (except in Africa, where it may extend to 3 weeks), as it is difficult for

government officials to be away from their work for extended periods of time. On the positive side, the use of government employees is a distinct advantage, owing to the speed of deployment it affords and the control it provides over the project. On the other, negative side, this means that most of the experts provided have no development experience or experience outside Japan and may even have difficulty speaking English or any other non-Japanese language. This may explain why the focus of technical cooperation has usually been on the transfer of technology to resolve specific problems encountered in developing countries. JICA is working to resolve this problem by giving language training and training in development cooperation to ministry personnel to form a pool of experts for future assignments.

JICA works with the ministries to prepare and conduct training under its schemes for acceptance of trainees and under schemes for project-type technical cooperation. More than 300 group-training courses are offered yearly, covering a wide range of topics, from various aspects of government administration to technology transfer in almost every aspect of economic activities and social development. The course calendar is updated annually and sent to the governments of developing countries. A quota of seats is agreed on, and the developing country sends requests for inscriptions of participants to the various courses, which may last from a few days to a few weeks. Course materials are provided for the participants. Field visits are arranged (the courses are mostly held in Japan). Interpreters are provided to assist with any language difficulties. Participants take up lodging at the various JICA training centres in Japan.

The agency prepares lists for the provision of equipment to be reviewed and decided on by MOFA, with the assistance of the Japan International Cooperation System (JICS), a body created and subsidized by MOFA to assist with the procurement process. (The specific functions of JICS are described later.) Finally JICA contracts out the services of experts to conduct development studies and evaluations. The contracts can only be awarded to Japanese firms, which are allowed to include foreign consultants to form up to 50% of the team of experts conducting the study.

Whereas only sketchy information is available on the process for loans under private-sector investment finance (see Appendix B1 for the procedure for implementing loan and equity investments), information about the process accompanying loans for governments is quite detailed (see Appendix B2 for the loan procedure for project loans). In summary, for the loans to governments, MOF, MOFA, MITI, and the Economic Planning Agency (EPA) study the loan request. OECF may conduct further studies, if required, or provide a Special Assistance for Project Formation (SAPROF) study, or JICA may be requested to

dispatch a survey team. The ministries concerned may attend the studies if necessary. MOF, MOFA, MITI, and EPA review the results of the studies and jointly decide on the type of loan, amount, interest rate, and repayment period. MOFA signs an Exchange of Notes with the government of the developing country. At this point, the Japanese government ceases to be directly involved, and OECF is responsible for the project. OECF negotiates and signs a Loan Agreement with the developing country, and the recipient country is responsible for the execution of the process, including the procurement of goods and services, using the international competitive bidding process. OECF monitors the process to ensure compliance with the rules. Whether the rules apply to the informal process preceding the presentation of a formal request is unclear, although the participants from Japanese firms who attended the series of seminars on Access to Japanese ODA for Canadian companies, in 1995 and 1997, indicated that participation in the informal process of project formulation did not disqualify a firm from the bidding process, as the process only applies after a formal request has been received by the government.

Recently, through regular consultations, OECF and JICA have started to coordinate ODA loans with technical cooperation. MOFA also links grant aid and technical cooperation by providing technical cooperation to facilities financed by grant aid.

The administration and coordination of ODA are successful in the Japanese system, despite the large number of ODA actors following informal rules and agreements. According to Arase (1994), this is because personnel transfers (cross-ministry postings, secondments, exchanges) are prevalent in the ongoing operations of the Japanese government. They enable horizontal linkages in what is predominantly a vertically integrated system and ensure that relevant ministries are consulted. When these transfers occur between public and private organizations, it enables the private sector to learn about the public sector's policy-making processes and enables the government to form a better understanding of business priorities and to use this understanding in developing policy. Arase estimated that about 30% of government employees are on loan from the private sector, with their salaries paid by their firm. They are indistinguishable from regular government employees, unless one specifically asks them for the name of their home office.

The main ministries and agencies place their own personnel on JICA and OECF boards of directors and, together with their private-sector clients, second their personnel to OECF and JICA line operations. OECF members also serve on JICA's supervisory committees to monitor development studies. MOFA relies on

personnel from other ministries, agencies, and private-sector firms to process official requests for grant and loan aid. Similarly, MOF, MITI, and EPA rely on loans of private-sector personnel, as well as secondments from municipal governments. The system for assigning personnel, combined with the variety of players involved in identifying and formulating projects, plays a very useful role in Japanese ODA. It brings not only valuable knowledge and experience to bear on issues but also allows the government to function with a much smaller contingent of ODA personnel than in other donor organizations.

Budgetary system at the implementation level

In contrast to the Department of Finance in Canada, the MOF in Japan delegates very little spending authority for the implementation of ODA. The use of the envelope is itemized to the micro level and the financial system allows no flexibility. In JICA, the budget for grant aid and technical cooperation is set up according to schemes, rather than geographic areas. For example, there is a specific budget for equipment, for training, and for the dispatch of experts. Even distinct subdivisions are given for each kind of local cost. If a local cost occurs that is unidentified in the established regulations covering local costs, then that local cost cannot be covered. No specific budget is given for a project; the agreement signed with a recipient country for technical cooperation mentions no budget amount. It only states the number of experts required for the life of the project. The agreement only commits to providing other inputs as required.

Project budgetary planning is based on estimates of inputs required to implement the activities in the work plan, which is submitted annually for each project. The requirements for each type of input across all the activities for all the JICA projects are summed. If the total requirement is greater than the allocated budget for this type of input, then discussions are held to determine how to reduce the demands for that input. This means that, for example, if the budget for experts is insufficient to meet the needs of all JICA activities planned for that year, then discussions are held to determine which projects can have their number of experts reduced. This partition of the budget sometimes creates difficulties for project management. For example, there might be enough budget to dispatch the experts required for a project but not enough to provide the equipment they require. The Japanese system does not have the flexibility that CIDA has in switching funds, for example, to reduce the number of experts used in one year to provide for their equipment and make up the difference in both items from the next year's budget.

However, OECF's budgetary process is more like that of CIDA, giving each project its own budget. OECF disburses the loan to the various contractors

as requested by the recipient country, according to the progress made. The execution of the project is essentially the responsibility of the borrower.

The processes for allocating the ODA budget by country, sector, type of ODA, and government agency are unknown.

Project evaluation and follow-up

MOFA, JICA, and OECF regularly evaluate their own aid activities. MOFA's evaluations tend to focus on its ODA activities at the policy level, whereas JICA and OECF focus on technical and operational aspects. JICA and OECF are exploring ways to conduct joint evaluations. MITI and the other ministries and agencies also evaluate their own ODA activities, and members of the Foreign Economic Cooperation Advisory Council inspect projects.

MOFA's evaluations

MOFA's evaluations are called *ex post facto* because they are conducted several years (usually 2–4 years) after the completion of a project, during the time when the recipient country is operating and managing it. MOFA's Evaluation Division, which is part of MOFA's ECB, performs the evaluations. The Evaluation Division sets evaluation policy, reviews results, and manages MOFA's evaluation program. MOFA has an Aid Evaluation Reviewing Panel, comprising outside experts, to study evaluation frameworks and methods and dispatch members to on-site project inspections and evaluations. MOFA annually reviews 140 projects in 50 countries.

Currently, MOFA evaluates project aid but is also examining ways to evaluate nonproject loans and nonproject grant aid. MOFA evaluates various factors, depending on the type of project. In general, it examines the project's relevance, effectiveness (for example, its contribution to the recipient country's economic and social development), sustainability, implementation (that is, efficiency), impact (for example, on the environment), and lessons learned. The lessons learned and problems identified in MOFA's evaluations are used to determine whether the recipient country needs further assistance and to find ways to improve future assistance. MOFA uses the results to guide future aid-policy formation, and JICA and OECF use them to improve the formulation and management of projects. The recipient country also uses these results to make any necessary improvements (for example, it might improve its equipment maintenance if an evaluation revealed that equipment failed because the recipient improperly maintained it).

MOFA conducts the following ex post facto evaluations:

- *Country evaluations* — MOFA sends survey teams, comprising policy and administration experts, to the major ODA-recipient countries to conduct overall studies of the assistance provided to specific countries (for example, macroeconomic analyses). MOFA's representatives discuss findings with the recipient during evaluation seminars in the recipient country or during annual consultations.
- *Theme-specific evaluations* — These are performed for specific sectors (for example, the environment) or project categories. MOFA evaluates the effectiveness of particular types of aid by comparing projects in several countries or regions.
- *Joint evaluations* — Joint evaluations are conducted with other donor countries or international aid organizations.
- *Evaluation by experts* — Japanese and foreign experts and those from private NGOs evaluate projects. These include academics, journalists, and people from private business.
- *Evaluation by foreign specialists* — Evaluations conducted by foreign specialists enable MOFA to take advantage of their evaluation methods.
- *Evaluations by Japanese overseas diplomatic offices* — These offices evaluate local ODA projects under their jurisdiction. Embassy personnel involved in an aid project carry out the evaluations to determine a project's social and economic effectiveness and the efficiency of its management.
- *Evaluations by organizations representing the recipient country* — These evaluations are commissioned by MOFA.
- *Evaluations of ODA implementation systems* — Projects in countries with priority for Japanese aid are examined to determine whether funds are used effectively and in accordance with Japanese aid policy and to examine the suitability of projects and implementation procedures. As

well, experts in policy and administration identify problems and make recommendations.

MOFA publishes the results of its evaluations in the *Annual Evaluation Report on Japan's Economic Cooperation* in English and Japanese and holds evaluation-results seminars in Japan and in the recipient country. In addition, the recipient country also learns of evaluation results during annual consultations with MOFA. MOFA presents evaluation results during meetings with other Japanese government divisions and circulates evaluation reports to the relevant divisions.

OECF's evaluations

Either OECF or a third party evaluates completed OECF projects. The Post-Evaluation Division of OECF's research institute, the Research Institute of Development Assistance (RIDA), carries out OECF's post-evaluation activities to ensure that the implementation and management of the projects occur as planned and that projects achieve their goals. These evaluations enable OECF to better identify, appraise, implement, and monitor future projects and allow RIDA to study development issues and extract lessons to be applied in other countries and regions.

Most of OECF's evaluations focus on single projects, but impact studies include several related projects in a geographic area or sector. Post-evaluation projects fall into three categories. For detailed evaluations, the group visits the project site with independent experts. Sometimes impact studies are performed. Desk evaluations use information at the Tokyo head office (the group does not visit the site). OECF staff located at overseas offices perform representative office evaluations, visiting project sites to gather information. Then RIDA reviews and finalizes their reports.

As of March 1996, OECF had conducted 777 post-evaluations out of 995 projects completed with OECF loans (OECF 1997b). OECF publishes the results of post-evaluations in its annual post-evaluation reports for OECF loan projects.

JICA's evaluations

The Office of Evaluation and Post Project Monitoring conducts several types of evaluation:

- *Evaluation on completion of project* — Notwithstanding this English expression used by JICA, this type of evaluation examines individual projects when they are nearing completion, to ensure that they will meet their objectives and be sustainable after aid is complete. JICA evaluates

a project to determine whether an extension of the cooperation period or follow-up assistance is needed. The departments that implement the projects are primarily responsible for conducting this evaluation, but the overseas offices, in conjunction with local personnel, perform some areas of the evaluation.

- *Ex post facto evaluations* — JICA also conducts ex post facto evaluations of completed projects to examine their rationale, efficiency, and sustainability and to determine whether they achieved their objectives. JICA uses these results to better plan and implement future projects. JICA conducts several types of ex post facto evaluations:
 - *Country-specific evaluation studies* — JICA examines several types of projects in various sectors to uncover aid-execution problems specific to a country. JICA uses the data to formulate country-specific aid-implementation guidelines.
 - *Third-party evaluation studies* — Academics and private-sector experts conduct studies to improve future projects.
 - *Evaluation on specific themes* — Several countries may be examined in terms of a specific theme, such as a specific type of assistance (for example, dispatch of experts) or sector (such as irrigation or forestry).
 - *Joint-evaluation studies conducted by recipient governments, aid organizations, and local study staff* — These evaluations study the effectiveness of cooperation and identify problems arising during the implementation of the project.
 - *Overseas-office evaluation studies* — JICA's overseas staff carry out these evaluations, in conjunction with local personnel (for example, consultants, academics, researchers), to evaluate the sustainability and effectiveness of projects after their completion.

JICA publishes its evaluation results in evaluation reports. Feedback is also provided through seminars, report meetings in Japan, and summaries of evaluation results.

Follow-up

ODA loans

OECD conducts follow-up surveys of completed projects, with a focus on their use, operation, maintenance, performance, and financial aspects. OECD conducts these surveys for every project it funds, at 3 and 7 years after project completion. This process includes a questionnaire and, for some projects, field surveys. In fiscal year 1995, it conducted follow-up surveys of 95 OECD-loan projects (OECD 1996a).

If follow-up monitoring or an evaluation reveals problems, or if the recipient country requests, OECD may provide Special Assistance for Project Sustainability (SAPS). The purpose of SAPS is to study and identify problems that hinder the effective operation or maintenance of a project and suggest remedies. OECD may also provide technical advice to help improve project operation and maintenance.

Grant aid

If evaluation results show it is necessary, or if the recipient requests, JICA conducts follow-up surveys to determine whether the recipient needs more aid (that is, repair teams) to repair facilities or equipment. If MOFA's evaluation of a project's grant aid reveals deficiencies, it may implement a new project, dispatch experts, accept trainees, supply spare parts, repair broken equipment, extend the project period, or sponsor an evaluation seminar in the recipient country (to further explain Japan's ODA policy and encourage self-reliant development), or any combination of these.

Technical cooperation

JICA follows up on training, project-type technical cooperation, development studies, and the provision of equipment for technical cooperation. If necessary, it dispatches additional experts, provides spare parts, repairs equipment, or asks the recipient to improve the operation and management of implementation organizations, or any combination of these.

CHAPTER 3

THE GOVERNMENT

Chapter 2 described the four-entity system, along with the roles of each entity in the system. This chapter adds a few elements on each entity and then concentrates on the other government participants in Japan's ODA system.

The four entities under the four-entity system

MOF

MOF is often referred to as the most powerful ministry in the Government of Japan. MOF's regular budgetary processes determine the total volume of ODA, long-term plans, annual levels, and breakdown into categories, such as grant aid, loan aid, and technical cooperation. Each government ministry or agency presents its ODA budget proposal to MOF. When applying for their ODA budgets, the ministries and agencies strive to introduce new programs to respond to the most recent issues of concern to Japan in order to justify requests for increases. For example, after the Rio conference on the environment, all the ministries included new activities related to the environment in their budget proposals. MOF prepares the government budget to be approved by the Diet. When determining ODA volume and breakdown, high-level politicians consider factors such as the appropriate level for Japan to contribute to the total effort of the international community, support for specific issues, such as the environment, and for certain countries or regions, foreign-policy interests, the balance with the rest of the government budget, and the ability of the aid institutions to implement the aid. MOF's control over the annual budget gives it power over aid spending. When high-level political decisions are made, MOF may help guide the orientation of aid policy (see Chapter 2). It also helps coordinate ODA with MOFA, MITI, and EPA. In general, MOF is conservative in its allocation of budgetary resources and critical of staff increases and new programs. MOF is also responsible for contributions to IFIs and development banks and for the FILP budget. MOF supervises JEXIM and administers ODA loans, in cooperation with MOFA, MITI, and EPA.

Three MOF bureaus act on official aid: International Finance, Budget, and Financial (see Appendix A15 for an organizational chart of MOF). The International Finance Bureau has exclusive jurisdiction over issues with respect

to multilateral financial institutions. It communicates and negotiates with its counterparts in advanced countries while considering Japan's responsibilities in international financial affairs. The Budget Bureau is mainly concerned with ensuring that aid expenditures are made as efficiently and cost-effectively as possible. It sets ceilings for ODA funds and examines the budget requests of other ministries. The Financial Bureau administers FILP and issues government bonds.

MOFA

MOFA is the most important entity in the four-entity system in setting the tone and direction of aid policy. An indication of its influence is the major shift in the focus of Japan's ODA from chiefly promoting the country's commercial interests and access to resources to such major ODA-related issues as BHNs, the protection of the environment, poverty reduction, population and AIDs, conflict prevention, and assistance in post-conflict reconstruction. The geographic focus is also shifting (albeit slowly), with an increase in allocations to Africa and to Latin America and the Caribbean and the inclusion of countries of the former Soviet Union. Japan is using its ODA to support its role as a member of the OECD and responsible citizen of the international community.

The major ODA-related activities of MOFA were described in Chapter 2. MOFA officials head delegations to negotiate with recipient governments and to consult with other donors. MOFA's Evaluation Division examines completed projects, as described in Chapter 2. One of MOFA's important responsibilities is to explain Japan's ODA to foreign and Japanese audiences. It collects data and compiles statistics on international cooperation and provides information through seminars and publications.

MOFA hosts donor meetings to coordinate aid policies with other donors and international organizations (for example, the Consultative Group Meeting for Mongolia, Tokyo International Conference on African Development), as well as coordinating its efforts with those of other donors on individual projects. It holds annual aid-policy dialogues with Australia, Canada, the European Union, France, Germany, the Scandinavian countries, and the United States.

Within MOFA, the responsibility for ODA rests with ECB, but various other bureaus also act on ODA, such as Foreign Policy, with its Multilateral Cooperation Department; Economic Affairs; Asian Affairs; Latin American and Caribbean Affairs; and Middle Eastern and African Affairs. The head of ECB is also the head of Japan's ODA and its chief spokesperson. ECB is responsible for the full range of Japan's ODA-related activities (see Appendix A14 for an organizational chart of MOFA).

Apart from fulfilling its responsibility at the policy level, MOFA provides grant aid and technical cooperation to developing countries, in line with ODA policy directions. In 1997, 46.2% of Japan's technical cooperation was allocated to JICA, under the ODA portion provided to MOFA. Under JICA's technical cooperation, in the 1996 calendar year, 11 807 persons from developing countries received training; 14 419 persons were involved as experts and members of study teams; and 3 408 persons were sent as volunteers (JICA 1997). JICA is a public corporation created under MOFA to provide technical cooperation (see the section "Public Corporations," below). Under MOFA's guidance, JICA plays a very important role, especially in its ability to address front-runner issues in ODA, such as poverty reduction, pollution control and environmental protection, assistance to economies in transition, grass-roots development, and, recently, the challenges of bringing sustainable peace to countries torn by civil conflict. (JICA's programs will be described later on. Decisions for JICA's activities rest with the ECB of MOFA, which includes divisions for every JICA scheme.) It oversees JICA's activities to a level of micromanagement that would be surprising to anyone familiar only with the Canadian ODA system. In fact, working on joint cooperation with JICA involves the *de facto* inclusion of MOFA at the decision-making level.

MOFA is also responsible for grant aid for the provision of facilities and equipment. JICA provides support for the implementation of some of the grant-aid schemes. According to JICA's 1997 annual report (JICA 1997), these were general project grant aid, fishery grants, and aid for increased food production. (See the section on JICA in this chapter for further details.)

MOFA uses another of its public corporations, the Japan Foundation, in the provision of technical cooperation and grant aid in the area of culture, social sciences, and humanities (see the section on the Japan Foundation in this chapter). In addition, many government-affiliated organizations assist MOFA in a variety of ways. These are nonprofit organizations with the legal status of public-interest corporations (see the section "Government-affiliated organizations," in this chapter). For example, the Foundation for Advanced Studies on International Development (FASID) was set up with MOE, as a kind of development university to train government staff on economic development, prepare experts for overseas assignments, and conduct research to improve the delivery of Japanese ODA. JICS and Japan International Cooperation Center (JICE) were created under JICA to facilitate the provision of services and the procurement of equipment, and APIC was created for the provision of information and public-education programs about Japan's ODA.

MITI

MITI's role in the implementation of ODA was described in Chapter 2. MITI approaches ODA from the perspective of private business and international trade and investment.

The business community is interested in aid-generated business opportunities, as well as economic security, favourable international relations, and a strong global economy. MITI favours combining official aid with direct private investment, distribution of aid to countries in close economic relations with Japan, and qualitative and quantitative aid increases. MITI also administers insurance for Japanese corporations to mitigate the risks of overseas investment, export, and supply of technical services overseas. Like the other ministries and agencies, MITI has its own ODA budget to finance its ODA-related activities.

Like MOFA, MITI also provides technical assistance to developing countries, especially in areas related to infrastructure and private-sector development. In 1997, MITI was allocated 55.8 billion JPY (461.4 million USD) from the general account budget (Appendix A12). MITI can use this budget to conduct surveys and exploratory missions for project identification and development, sponsor seminars and workshops, dispatch experts overseas, provide training in Japan for public- and private-sector employees from developing countries, etc. MITI works in close relation with the Japanese private sector through a large number of government-affiliated organizations that receive subsidies from MITI for their ODA-related activities. For example, MITI and the private sector work in close collaboration with developing countries to provide training for private-sector personnel through the Association for Overseas Technical Scholarship (AOTS) (see the section on AOTS in this chapter), with financing from MITI and the private sector; 4 882 persons from developing countries benefited from this program in 1996 (JICA 1997). Likewise, for the dispatch of experts under the Japan Overseas Development Corporation (JODC), 428 experts were sent to developing countries in 1996 (JICA 1997). MITI also subsidizes ECFA, another public-interest corporation, for the provision of engineering consulting services from its member consulting engineering firms for the conduct of studies and projects in developing countries — this is but a sample to indicate the range of opportunities provided to developing countries through the use of ODA to leverage Japanese private-sector participation and financing.

EPA

EPA plans, drafts, and carries out basic policies and plans for Japan's economy, which are then submitted, first, to the Prime Minister and then to the Cabinet for

approval. EPA delineates the basic directions of Japan's ODA in its economic plans, and it participated in drafting the 1992 *ODA Charter*. EPA conducts basic research on economic development and ODA policies, either through its own staff or through the institutions it commissions to do research. The Coordination Bureau of the EPA is responsible for economic cooperation (see Appendix A16 for an organizational chart of EPA). EPA plans and coordinates basic economic-cooperation policies and programs with MOF, MOFA, and MITI. It promotes policy-based nonproject assistance. However, according to Yanagihara and Emig (1991), EPA's coordinating role may only be theoretical, because higher political authorities actually resolve differences of opinion among MOF, MOFA, and MITI. OECF is officially under EPA, whereas EPA shares the responsibility for review of, and decisions on, the ODA loans with MOFA, MOF, and MITI. EPA also provides experts to send to developing countries through JICA to train officials on economic planning and development, statistics, economic modeling, etc., and conducts training programs in Japan for trainees funded by JICA. EPA's portion of the ODA budget for fiscal year 1997 was 8.8 billion JPY (73.3 million USD) (see Appendix A12).

Public corporations

According to the *Organization of the Government of Japan*, a 1994 publication by the Institute of Administrative Management, under the supervision of the Management and Coordination Agency of the Prime Minister's Office,

public corporations ("Tokushu-Hojin" in Japanese, which literally means a corporation with a special status) are established by the national government by special law as instruments for activities required by the state.

A public corporation is established primarily when particular activities are better managed in the form of a profit-making enterprise, when efficiency in performance is more likely to be achieved than under direct operation by the national government agencies, or when more flexibility in financial or personnel management is required than is normally possible under the laws and regulations pertaining to government agencies.

(IAM 1994, p. 100)

The Japan External Trade Relations Organization (JETRO), JICA, OECF, JEXIM, IDE, and the Japan Foundation are public corporations, not to be confused with public-interest corporations, which are legally registered entities created by the government, the private sector, or citizens' groups, including

- Government-affiliated corporations described later in this chapter;

- Corporations described in Chapter 4; and
- Citizen-led NGOs with legal status, described in Chapter 5.

JICA

JICA was established under MOFA on 1 August 1974. MOFA appoints JICA's president and auditors. JICA has representatives from other ministries on its executive board; usually one of the vice presidents is from MOF. The vice presidents responsible for the three technical cooperation departments in JICA are usually from the corresponding ministry; for example, the vice president responsible for the three agriculture-, fisheries-, and forestry-related departments comes from MAFF. The vice presidents' role in JICA is to advise the president, as well as providing a link to their own ministries (see Appendix A13 for an organizational chart of JICA).

JICA functions like an executing agency for MOFA. As it is a public corporation, its staff are not considered government employees for purposes of salary or compensation. In contrast to CIDA, it establishes its overseas offices separately from the Japanese embassies, and JICA staff, like those of OECF, have no diplomatic status. As in OECF, JICA's employees are the career development professionals of the Japanese government. JICA has no involvement in policy and programing, as this is considered the prerogative of MOFA. However, it covers the full range of activities at the project level after Japan receives a project request from a developing country. Recently, with the creation of the Project Formulation Study Department, JICA has been more active in project identification. MOFA bases its decisions on the analyses and recommendations of JICA.

The proposals are reviewed in JICA's Planning Department, which consults with other parts of JICA before preparing recommendations to MOFA for approval or for further study. The process follows an interesting time line. Every developing country must submit its official proposal for a scheme to the Japanese embassy by a set date in the summer. The project is reviewed; consultations are made; and recommendations are prepared by the end of the spring in time for their inclusion in the budget for the coming fiscal year (Japan's fiscal year starts 1 April). Agreements for accepted proposals are elaborated and signed between spring and summer so that in the majority of cases the recipient-country government has a signed agreement for funding its proposals within about 1 year after presenting the official request.

However, in contrast to CIDA's process, in which the agreement is signed after the project is planned and the overall budget is set, in JICA's process, an

agreement is given at the very preliminary stage. The agreement essentially states Japan's intention to implement the project, the duration of the assistance, the area of technology transfer, a general overview of objectives, and a general indication of inputs to be provided. The agreement contains no mention of a budget. The magnitude of Japan's contribution to a project will be known only when the project is finished. The only fixed numbers concern the long-term assignment of experts. After the agreement is signed, a fairly senior person is recruited from the relevant ministry to fulfill the long-term assignment. He (women are scarce in this function) is under no contract to JICA; rather, for him, this is simply part of his work in the ministry. He acts as project team leader, and his first responsibility is to work with counterparts in the developing country to develop the actual work plan for the project and identify the required resources. This work plan is updated yearly and serves as the basis for the mobilization of resources. The project team leader does not have contractual control over the work of other Japanese experts assigned to the project; rather, the relation is similar to that of a supervisor and employees within the government, because the other experts will most probably be from his own ministry. This should be kept in mind when working in joint cooperation with Japan. In some situations, it may be difficult for these people to relate to nongovernmental or private-sector experts contracted to work in the implementation of CIDA projects. Their relationship with JICA would be different than with CIDA. Some Japanese officials on JICA projects might feel uncomfortable with the difference in status and prefer to work with CIDA officials at the embassy.

To assist in the process of joint cooperation with other multilateral and bilateral donors, JICA created the Joint Cooperation Promotion Division (JCPD) within its Planning Department. JCPD is also in charge of relations with local governments and nonprofit organizations. Joint collaboration with other donors (bilateral and multilateral) is done through consultations (for example, World Bank-sponsored consultative group meetings), joint studies, expert meetings, joint projects (for example, with UNDP, the United States, and CIDA), the joint sponsorship of symposiums and seminars (for example, the Joint CIDA-JICA Seminar on Southern Africa), and placement of persons, such as in UNDP, the World Bank, or ADB. From September 1992, JICA has had an ongoing personnel-exchange program with CIDA, with the assignment of personnel for 3-year terms.

JCPD is in charge of the planning and implementation of joint-cooperation activities with other bilateral and multilateral donors, from initial discussion to implementation and mobilization of resources. This may create difficulty, as it does not have a specific budget for the implementation of joint collaboration. For this

reason, it has to gain the support and approval of the other departments in JICA to implement joint-cooperation activities.

JICA manages the technical cooperation program of the Government of Japan and assists MOFA in the administration of grant aid. JICA also manages a loan program for private-sector activities in developing countries.

Technical cooperation

JICA manages the following forms of technical cooperation:

- Training of trainees from developing countries;
- Dispatch of experts;
- Provision of equipment and materials related to the experts' work;
- Project-type technical cooperation;
- Development studies;
- Dispatch of volunteers; and
- Disaster relief.

TRAINING OF TRAINEES FROM DEVELOPING COUNTRIES — JICA develops a series of training courses to offer to developing countries. Trainees are accepted for training in Japan, the recipient's country, or a third country. Training is conducted individually or in groups. The group-training courses focus on the general needs of developing countries, whereas individual training is designed to meet a particular country's needs and includes training in specialized fields, as requested by the recipient country. The trainees are technicians, researchers, and administrators from developing countries.

In fiscal year 1996,

- 3 182 trainees were from Asia (44.4%);
- 1 630, from Latin America (22.7%);

- 943, from Africa (13.2%);
- 732, from the Middle East (10.2%);
- 240, from Oceania (3.3%); and
- 444, from Europe and North America (6.2%).

Sectorally,

- 1 721 were trained in planning and government policy (24%);
- 1 401, in public-works projects (19.5%);
- 1 202, in agriculture, forestry, and fisheries (16.8%);
- 757, in health and medical services (10.6%);
- 623, in manufacturing and mining (8.7%);
- 615, in human resources (8.6%);
- 463, in commerce and tourism (6.5%)
- 211, in energy (2.9%); and
- 178, in social welfare (2.5%) (MOFA 1997c).

JICA undertakes this form of technical cooperation through the following means:

- *Acceptance of trainees to train in Japan* — In Japan, personnel from the relevant ministries, government agencies, universities, research institutes, hospitals, and private enterprises directly instruct participants. The trainees have the support of interpreters, training supervisors, travel agencies, hotel staff, and JICA International Centres. JICA conducts follow-up studies after the trainees return to their home countries, to examine the results and efficacy of training. JICA also provides aftercare

by dispatching follow-up teams to the recipient country, providing literature and technical information, and supporting the establishment of alumni associations. (See Appendix B3 for the procedure for acceptance of trainees to train in Japan.)

- *Third Country Training Program* — Under the Third Country Training Program, trainees receive individual or group training in another developing country. This type of training helps to transfer technology to the trainees in ways that are compatible with local conditions, as the host and recipient countries are in similar cultural, environmental, and social situations. The host country manages the training program, and JICA covers the cost of the trainees. Usually, the trainees take the course at an institution established by JICA or one that JICA assisted in the past. When required, JICA also provides the host institution with equipment and Japanese experts.
- *In-Country Training Program* — Under the In-Country Training Program, personnel from developing countries who have been trained through Japan's technical cooperation implement training programs for people in their home country.

DISPATCH OF EXPERTS — In contrast to CIDA, JICA has the flexibility to provide experts not only as part of a project (referred to as project-type technical cooperation) but also on individual assignments, as needed by a developing country. They are assigned to government-related organizations, research centres, and educational institutes in developing countries to provide advice at a senior level or transfer technology to their counterparts (for example, administrative officers and technicians in the recipient country). They may perform activities such as advising on policy-making; education, training, and joint research; and using, maintaining, and supervising machinery and facilities. Some individual experts are sent as a result of a request from an international organization (for example, the Economic and Social Commission for Asia and the Pacific or SEAFDEC). In these cases, they work at the organization's headquarters or at its projects site. Individual experts are also provided to help resolve problems encountered by a private-sector firms under JICA's Development Cooperation Program.

In the context of project-type technical cooperation, the number and the areas of specialization of the long-term experts needed for a project are identified in the agreement between the two governments on the project. One long-term

expert (1 year or more) is usually assigned as the project team leader and sent to start the project. His first task is to work with counterparts in the recipient country to identify needs and develop the first of the annually revised project-implementation work plans, including the requirements for other experts. JICA, unlike CIDA, contracts out no part of the execution of a project. JICA manages the process. Also, unlike CIDA, the various ministries provide experts. The ministries thereby have a significant impact on project planning and implementation. Their capacity to free personnel to fulfill the requirements for a specific expertise may affect the choice of projects and the ways implementation is conducted. It may be difficult to free someone for 1 year or longer for a long-term assignment or even for more than 2 or 3 weeks for a short-term assignment. However, there are no lengthy delays associated with the contracting process, as sometimes occurs in CIDA, and the response to a need can be very prompt.

Experts can also be categorized by the method of their selection, as follows:

- *General experts* — These people are recommended by the ministries and can be from the ministries themselves or from related organizations, local governments, or private-sector firms.
- *JICA-recruited experts* — These are recruited from either a roster of consultants at JICA or through an open competition.
- *JICA-directed experts* — Through its Institute for International Cooperation (IFIC), JICA has developed its own in-house development specialists; they are not considered JICA employees, as they are on contract to IFIC. JICA also recruits associate and junior specialists on contract through IFIC to help identify and plan projects, development studies, evaluations, etc. They can also be assigned to JICA projects overseas. JICA staff can be seconded to IFIC, with expert status. (See Appendix B4 for the procedure for the dispatch of experts by JICA.)

PROVISION OF EQUIPMENT AND MATERIALS RELATED TO THE EXPERTS' WORK — With this type of technical cooperation, JICA facilitates the transfer of technology by providing equipment and materials for the activities of individual experts, senior volunteers, and JOCV volunteers. JICA provides equipment and materials to enable trainees to continue their work after the experts leave and to use and disseminate their newly acquired skills in their own country. JICA also provides

technical information and literature to the trainees. In addition, it may dispatch teams to help install or repair equipment. The cost of this equipment has been about 17 million USD a year. About 60% of this is procured in Tokyo; the remaining 40% is procured locally.

Although most equipment-supply contracts go to Japanese companies, the supply is not confined to Japanese products; Japanese suppliers can purchase equipment from non-Japanese sources. JICA can also purchase equipment of non-Japanese origin from suppliers in developing countries, including suppliers from industrialized countries established there. The Japanese also have a tendency to use a reliable supplier with a good international reputation already established in a developing country as a preferred source for local procurement. JICA pointed out that in a number of instances it has purchased equipment from Canadian suppliers in developing countries. (See Appendix B5 for the procedure for provision of equipment and materials related to the work of experts.)

PROJECT-TYPE TECHNICAL COOPERATION — Possibly because the budgetary process is set up according to schemes, a project-type technical cooperation scheme was set up to allow MOFA-JICA to combine three forms of technical cooperation: recipients are trained in Japan; experts are dispatched to the project centre in the developing country; and equipment and materials are provided. JICA also provides funds to facilitate the transfer of technology. JICA has five project-type technical cooperation departments: Social Development; Medical; Agricultural Development; Forestry and Fisheries Development; and Mining and Industrial Development.

The recipient must provide the project base (for example, land, buildings, local experts) and pay for the local costs of the project (for example, operating expenses). Increasingly, grant-aid programs are used to construct the project base when the recipient is unable to provide the necessary facilities. (See Appendix B6 for the procedure for implementing project-type technical cooperation.)

DEVELOPMENT STUDIES — JICA has three development-studies departments: Social Development; Agriculture, Forestry and Fisheries Development; and Mining and Industrial Development. Development studies are used to gather data needed to develop plans for roads, ports, electric-power systems, telecommunications systems, sewerage and water-supply systems, agricultural development, and other economic and social infrastructure. Study teams are dispatched to gather information, and the resulting reports are submitted to the governments of developing countries, which can then use them to guide social and economic development. Development study reports provide important guidelines to recipient-country governments to

help draft policy. They can also be used as sources of basic data in writing requests for financial and technical assistance to implement development plans. In recent years, JICA has carried out a new type of development study, which offers policy recommendations and other institutional assistance for medium- and long-term economic-development planning, promotion of the transition to a market economy, and human-resource development. In conducting development surveys, Japan puts itself under no obligation to provide funding for the implementation of the project for which the survey is conducted. About 30% of JICA-funded surveys receive Japanese ODA funding for implementation. JICA also conducts follow-up and aftercare studies.

Technical knowledge (that is, about planning methods, studies, analytical techniques) is transferred throughout the duration of a study. Workshops and seminars are often held concurrently with development studies to train personnel in the recipient country to conduct such studies (for example, to improve the administrative skills of government officials).

The study teams comprise consultants under contract with, and selected by, JICA. Japanese ministries and JICA also provide experts as advisors to the teams. JICA only contracts with independent suppliers, manufacturers, or general contractors (that is, not individuals) registered with JICA and incorporated in Japan. The firm must have been financially sound for the previous 2 years, and the project manager must be a Japanese national. So must at least 50% of the study team. Currently, 574 firms are registered with JICA (JICA Procurement Department 1995). According to JICA, about 20 of these receive around 70% of the contracts. Fourteen of these 20 firms are members of ECFA. Government-affiliated organizations from the various ministries can also be used to conduct the studies.

Non-Japanese people may constitute up to 50% of the study team. They are subcontracted by the Japanese firms bidding for a JICA contract. From November 1988 to March 1997, a total of 502 non-Japanese consultants from 59 countries were members of 278 JICA study teams. About 60% were locally engaged from developing countries. The donor countries that provided the largest number of foreign consultants to JICA study teams were the United States (66), the United Kingdom (64), France (21), and Australia (12). These arrangements employed 9 Canadian consultants during this period (Derouin 1997).⁴

JICA conducted 320 development studies in fiscal year 1996, with the following sectoral distribution: manufacturing and mining (26.9%), agriculture,

⁴ Derouin, R. Japan International Cooperation Agency (JICA): contracting of non-Japanese consultants. Canadian International Development Agency, Ottawa, ON, Canada, 1997. Internal document.

forestry, and fisheries (19.4%), transportation (16.9%), public-works projects (13.4%), construction (9.1%), telecommunications (1.3%), and other sectors (13.1%) (MOFA 1997c). (See Appendix B7 for the procedure for implementing development studies.)

The various types of development studies are as follows:

- *Master-plan survey* — Master-plan surveys examine the development potential of projects for regions or specific sectors, the relation between individual projects, and their investment priority. JICA uses these surveys to create comprehensive plans for development (long-term national or regional plans or long-term plans for specific sectors) compatible with a country's other development plans. These surveys also clarify the priority and implementation strategies for the plans. The recipient government uses development plans to create development strategies and search for funding. Japan uses them as a reference for future financial cooperation (to plan projects).
- *Feasibility study* — Feasibility studies account for more than half of development surveys. These studies analyze the technical, economic, social, organizational, environmental, and financial feasibility of specific projects. They are used to determine the best implementation plan for the project.
- *Detailed design survey* — A detailed design survey is the next step toward the implementation of a project, after the feasibility study. Detailed design studies are conducted for projects for which Japan has arranged financial cooperation and authorized implementation. These studies prepare a detailed design on which to base the project construction and bid-related documents (for example, design blueprints, material specifications) and calculations of cost.
- *Surveys to collect basic data to adopt development studies* — Such surveys may collect data for topographical maps, evaluate natural resources, such as water or forestry and fishery, marine, and mineral resources, or demonstrate technological possibilities (for example, the experimental cultivation of crops to analyze cultivation methods before forming an agricultural development plan).

- *Follow-up and aftercare studies* — These studies review and complement other completed studies. JICA implements follow-up studies to examine the progress of projects previously studied. It uses the results to improve future development studies.

JICA implements aftercare studies years after development studies have been completed to update the studies when the social, economic, and natural conditions in the developing country have changed. This ensures that development plans based on a development study take such changes into account.

- *Studies to support the transition to a market economy* — JICA may send a study team to help a country to devise implementation plans to promote its transfer to a market economy, examine the feasibility of its privatization plans, and prepare related manuals and texts.

DISPATCH OF VOLUNTEERS — JICA has two programs to encourage volunteers to work in ODA: JOCV and the Youth Invitation Program. JICA also provides funds to allow organizations to send volunteers to developing countries, such as the Senior Volunteers:

- *JOCV* — JOCV, a secretariat of JICA, provides the opportunity for young people aged 20–39 years, with technical expertise, to work as volunteers in developing countries to help with social and economic development. JOCV conducts its activities in four main areas: village work, educational work, job-site work, and supervision. For village work, the volunteer lives in a village and demonstrates and disseminates technology (for example, agricultural technology). Educational work entails the provision of vocational training and training in science, math, Japanese, and other subjects. With job-site work, volunteers provide on-the-job training for local people in civil engineering, construction, and communications. Under supervision, volunteers supervise project planning and design, experiments, and research at the head office or the experimental workstation. The Japanese government pays for the volunteers' travel, living expenses, essential equipment, materials, and medical supplies. The recipient country must provide their housing and tax exemptions on allowances or supplies paid for by JOCV.

JOCV also disseminates information on overseas cooperation activities in Japan through publications and information to the media. At

the end of 1997, 2 292 JOCV volunteers were working in 59 countries (MOFA 1997c). (See Appendix B8 for the procedure for requesting JOCV volunteers.)

- *Youth Invitation Program (Friendship Program for the 21st Century)* — In 1984, the Youth Invitation Program began, with the aim of inviting junior leaders from developing countries to visit Japan for 1 month. During this month, they receive training in their specialty and experience homestays in various parts of the country. Through broad-based contacts with the Japanese people, these young people deepen their understanding of Japan and forge friendships with the Japanese people. Participants of both genders, ranging in age from 18 to 35 years, are recommended by their governments and have a variety of professions, including those of public officials, educators, farmers, and urban workers.
- *Senior Volunteers* — This NGO sends volunteers within the age range 40 to 69 years. They are recruited from among people who want to work in development cooperation projects in developing countries. JICA works with the Senior Volunteers to help deploy elder persons with expertise and experience in developing countries. JICA funds the volunteers' travel expenses when they are assigned to certain countries.

DISASTER RELIEF — At the request of the government of international organizations or a country suffering a disaster, JICA dispatches a Japanese International Disaster Relief (JDR) team to provide emergency aid to people in large overseas disasters, especially those in developing countries. JICA may also provide equipment and supplies. However, it should be noted that the program only applies to natural disasters.

The JDR team comprises one or a combination of the following elements:

- Rescue teams, which try to leave Japan within 24 hours after a request has been approved to search for and rescue victims and administer first aid;
- Medical teams, comprising doctors, nurses, and medical coordinators registered with the secretariat of the JDR team (they try to leave within 48 hours after a request has been approved, to provide or assist with

medical treatment for the disaster victims and help prevent the spread of disease); and

- Teams comprising experts suited to the type of disaster and recommended by relevant ministries, government agencies, and other bodies to implement emergency measures after disasters and advise on reconstruction.

JICA may also provide equipment and materials for victim relief and reconstruction (for example, blankets, generators, or medical supplies). Supplies are stored in warehouses around the world to be readily available when disaster strikes. Medicines that cannot be stored for long periods are procured from UNICEF's supplies-procurement department. If additional materials are requested, JICA may appeal to the public for donations and pay for the collection and transportation of emergency-aid materials offered by local-government bodies, private groups, individuals, and others. JICA transports these materials to Japanese embassies, which then donate the materials to the government in need. JICA conducts follow-up studies on the supply of materials to monitor their use and the benefit they gave to the victims. (See Appendix B9 for the procedure for disaster relief.)

Development cooperation: JICA loans to the private sector

Constituting only 0.8% of JICA's activity, this type of cooperation supports private-sector contributions to the development of a developing country's society, agriculture, forestry, mining, and industry. To this end, JICA provides investment and financing or technical support, or both, to Japanese companies undertaking projects in developing countries.

INVESTMENT AND FINANCING — JICA offers low-interest, long-term loans to Japanese corporations to implement development programs in developing countries or to fund the development programs of local corporations in a developing country. These loans finance projects for which it would be difficult to obtain loans, credit guarantees, or investment and financing from JEXIM or OECF. The loans may be provided for a pioneering, trial project that is highly unlikely to succeed unless technology is improved or developed at the same time as the project (for example, a cultivation of crops with new technology). JICA also provides this type of development cooperation to improve the public facilities needed by a private company for a development project and to improve the

welfare and living standards of surrounding communities (for example, schools, roads, or water supplies, electric-generating facility).

TECHNICAL SUPPORT — JICA provides technical support to Japanese enterprises as part of its investment and financing system in order to ensure the effectiveness of projects. Several types of technical support may be provided:

- *Studies* — For infrastructure projects, JICA may conduct preliminary studies (for example, to determine the feasibility of a project or examine possible locations) or full-scale studies (to formulate the basic design for a project), or both. For experimental projects, JICA conducts primary basic studies (for example, project feasibility studies and examinations of possible project locations), secondary basic studies (for example, to select a project location and formulate the basic development concept), or development planning studies (for example, to develop an implementation plan and design for a project), or any combination of these.

In addition, field studies may be conducted for agriculture or forestry projects that affect regional development and need data for their implementation. In this case, JICA dispatches surveyors to conduct long-term feasibility studies of these projects; the enterprises interested in developing them receive the data.

JICA may also conduct studies to evaluate ongoing projects to solve any of their problems or to evaluate their impact on the development of the region. In addition, JICA conducts studies to identify and formulate projects suitable to receive environmental investment and financing.

- *Dispatch of Experts* — If an enterprise is unable to solve a technical problem at the project site, it can request JICA to support it by dispatching experts to the developing country to give advice.
- *Acceptance of local staff for training in Japan* — An enterprise may request JICA to support its efforts by bringing local staff (for example, engineers) from a developing country to train in Japan to improve their technical abilities.

- *Consultants to help the enterprises* — JICA has two investment and financing consultants (one for agriculture and forestry and another for social development, mining, and industry) to assist the efforts of enterprises by examining the validity of project plans and avenues for potential financial support.

Relations with other donors

Under MOFA, JICA actively pursues collaboration with other donors to avoid duplication and increase the effectiveness of its activities. Complementarity in the different approaches by various donors is sought. As early as 1984, the presidents of JICA and CIDA have met regularly, and officials from the respective agencies have held consultations on issues of common interest and on the possibilities for joint cooperation. At first, joint activities were undertaken at the functional level: participation in each other's evaluations, provision of speakers for seminars and symposia, exchange of documentation and study missions, joint publication of a lexicon of international development terminology in English–French–Japanese, etc. In 1992, JICA and CIDA started a personnel exchange program, in which officials from each agency were posted for a period of 24 to 36 months in the other agency to develop an understanding of the respective organization. The program has been ongoing since September 1992, with assignments lasting from 3 to 3.5 years. In 1995, joint-cooperation activities at the project level were started in five countries — Indonesia, Kenya, the Philippines, Viet Nam, and Zimbabwe — and their number is increasing yearly.

JICA and USAID have also established joint cooperation within the context of the Common Agenda for Cooperation in a Global Perspective, which was agreed on by both governments in July 1993. Initiatives have been undertaken in such fields as democratization, population, HIV–AIDS, WID, and the environment. JICA has been working together with the British aid agency, the Department of International Development, mainly in Africa, on education and water-supply projects. Exchanges of information and opinions with the German Gesellschaft für Technische Zusammenarbeit (agency for technical cooperation) are taking place, and work is also being carried out with agencies based in Australia and France. Regular discussions on joint cooperation have been held with the World Bank since 1990 and with ADB since 1996. Since 1996, JICA has been holding discussions with recipient countries to promote joint projects with UNDP (JICA 1997).

South-South cooperation

MOFA and JICA are actively promoting cooperation between developing countries, whether within a region or in different parts of the globe. A number of such initiatives have been put in place:

- *New donor nations* — JICA is actively supporting the transition from recipient to donor status of the more advanced developing countries in East Asia, the Association of Southeast Asian Nations (ASEAN), and Latin America. Experts are provided, and joint initiatives are undertaken in which JICA funding allows the new donor to expand the scope and range of its activities in support of other developing countries. This brings new sources of funds for the total ODA envelope, as well as new approaches to ODA, which will no doubt enrich the dialogue and the implementation of ODA into the 21st century.
- *Assistance to regional organizations* — The Southern African Development Community and Mercado Comun del Sur (Southern Core Common Market), for example, are assisted to encourage regional co-operation on trade and investment and the development of common social and economic infrastructure.
- *Third-country training* — As explained earlier, *third-country training* refers to the use of facilities supported by JICA in a developing country to provide training to participants from other developing countries, and *third-country experts* refers to developing-country personnel used in the role of experts.

Grant aid

The term *grant aid* can be confusing. It is used in a general sense to refer to assistance without repayment, by contrast to loan aid. In this sense, Japan's ODA is made up of grant aid and loans. Grant aid covers bilateral grants and contributions to multilateral institutions.

But *grant aid* is also used to refer a specific type of cooperation under Japan's bilateral grants. The various schemes under this definition of grant aid (further described below) are the responsibility of MOFA, which uses JICA to administer some of them: general-project grant aid, fishery grants, and aid for increased food production (JICA 1997). These funds do not have to be repaid and are mostly given to less developed countries (LDCs). Grant aid is intended for

projects with high priority in the recipient country's development plan and with low economic profitability but high public value. These projects would not qualify for an ODA loan, but they contribute to the socioeconomic development of the country and improve the living standard and welfare of the population. Grant aid is provided to fund the construction of buildings or facilities or obtain equipment, materials, or services. Projects must be completed within the same fiscal year in which the Japanese Cabinet approves the grant. But successive grant aid may be approved if the construction spans more than 1 year. The recipient country is responsible for expenses incurred after the completion of the project, such as operating and maintenance expenses and consumable supplies and personnel costs. Thus, the recipient country must have an adequate system to manage the project. The Japanese government favours grant-aid projects related to current or expected Japanese technical cooperation.

Contracts under grant aid can only be allocated to companies registered in Japan or to any Japanese or non-Japanese company registered in the recipient country if the practice of procuring locally is deemed appropriate and cost efficient. If the contracts go to Japanese companies registered in Japan, they are not tied to buying Japanese; they can subcontract if they wish. In 1997, the grant-aid budget totaled 263.5 billion JPY (2.1 billion USD), comprising economic-development assistance, food aid, and aid to increase food production.⁵

ECONOMIC-DEVELOPMENT ASSISTANCE — This type of grant aid comprises general projects, fisheries, cultural grant aid, emergency relief, grant assistance for grass-roots projects (Small Scale Grant Aid Program), nonproject grant aid to support economic structural adjustment, and grant aid for debt relief:

- *General projects* — General projects receive the largest portion of the grant-aid budget; in fiscal 1997, grant aid for general projects accounted for 47.5% (1.251 trillion JPY [10 billion USD]) of the total grant-aid budget (MOFA 1997c). This category includes a wide variety of sectors. It is primarily intended for BHNs, education, population and AIDS, agriculture, primary health care, water supply, the environment, and WID. But it also covers economic infrastructure and development, social development (for example, human-resource development), export promotion; and, for LLDCs, other infrastructure, such as bridges, roads,

⁵ The statistics provided on these various types of grant aid are taken from MOFA (1997c). The 1997 DAC exchange rate of 121 JPY = 1 USD has been used.

and telecommunications. (See Appendix B10 for the procedure for implementing grant aid for general projects.)

- *Fisheries* — Grant aid for fisheries is intended to foster the development of fishing industries in developing countries. This type of aid funds construction of fishery-training and research centres, fishery-training ships, fishing ports, other facilities, and materials and equipment to promote fisheries in developing countries. Grant aid for fisheries received 10 billion JPY (8.2 million USD) from the grant-aid budget in fiscal year 1997 (of the total grant-aid budget). (See Appendix B10 for the procedure for implementing grant aid for fisheries.)
- *Cultural grant aid* — These funds are to maintain cultural assets and historical sites, promote cultural activities, assist theatres and other cultural facilities, provide sports equipment, and purchase materials and equipment for educational and research activities. Cultural grant aid is limited to 50 million JPY for each project. In fiscal year 1997, grant aid for cultural activities accounted for 2.5 billion JPY (20 million USD) of the total grant aid budget. (See Appendix B10 for the procedure for implementing cultural grant aid.)
- *Emergency grant aid* — Emergency grant aid includes three types of aid:
 - *Disaster relief* — Victims of natural disasters, refugees, and displaced people fleeing civil wars receive disaster relief. In some cases, funds are given directly to the governments of the affected countries; in others, they are channeled through the WFP, the UNHCR, other similar United Nations agencies, the Red Cross, or some other international aid-implementing agency.
 - *Assistance for democratization* — Governments or international organizations in charge of implementing elections receive assistance for democratization, which is intended for the provision of ballot boxes, polling booths, ballot forms, etc.
 - *Support for reconstruction and rehabilitation* — Japan provides support for reconstruction and development by channeling funds

through international organizations or through contributions to trust funds set up by, or with, international organizations. In the past year, MOFA has started studying the possibility of providing grant aid bilaterally for reconstruction and rehabilitation.

In fiscal year 1997, emergency grant aid accounted for 3.7% (9.7 billion JPY [80 million USD]) of the total grant-aid budget. (See Appendix B11 for the procedure for implementing emergency-relief grant aid.)

- *Grant assistance for grass-roots projects (Small Scale Grant Aid Program)* — Under this type of aid, up to 10 million JPY (82 600 USD) is donated to small projects ineligible for general project grant aid. The funds are provided to organizations operating in a developing country, including local governments, research institutes, hospitals, and Japanese local or international NGOs. The aid must be used for 1-year projects and for the construction of facilities or provision of equipment. This type of aid does not cover administration, management, or salary costs. In fiscal year 1997, grant assistance for grass-roots projects accounted for 1.9% (5 billion JPY [41 million USD]) of the total grant-aid budget. (See Appendix B12 for the procedure for implementing grant assistance for grass-roots projects.)
- *Nonproject grant aid for support for economic structural adjustment* — These funds are awarded to assist developing countries with worsening economic situations. The funds are provided to ameliorate international balance-of-payments deficits and foreign debt caused by factors such as increased population, slow production, and inefficient fiscal management. The funds are used to import the supplies needed to carry out structural-adjustment programs under the World Bank and IMF. To qualify for this type of grant aid, the recipient country must reserve collateral funds to be spent on social- or economic-development projects, or both. In fiscal year 1997, nonproject grant aid accounted for 8.1% (21.4 billion JPY [176 million USD]) of the total grant-aid budget. (See Appendix B13 for the procedure for implementing nonproject grant aid to support economic structural adjustment.)
- *Grant aid for debt relief* — Grant aid for debt relief started in 1978, owing to the severe debt burden of developing countries, and is applied

to yen loans agreed on in fiscal 1987 or before. An amount equivalent to the total principal plus interest is provided as grant aid when repayment is made by any of the LLDCs. Whereas an amount equivalent to the difference between the real accrued interest and the interest that would have accrued if a lower interest rate had been agreed on is provided to the most seriously affected countries when debt is repaid. The total grant is deposited in the recipient's bank account, and it is used to pay off debt in the fiscal year in which it is awarded. Commodities may be purchased to improve the country's international balance of payments. These commodities may be purchased from OECD member countries or developing countries (but not from the recipient country itself). The Japanese government and the recipient must agree on the list of goods to be procured. In fiscal year 1997, grant aid for debt relief accounted for 17.6% (46.4 billion JPY [383.4 million USD]) of the total grant-aid budget.

FOOD AID AND AID TO INCREASE FOOD PRODUCTION — Aid is given under this type of grant aid to purchase staple foods (food aid) and to purchase farming materials (to increase food production):

- *Food aid* — This aid is given to developing countries faced with food shortages. It is used to purchase staple foods (wheat and grain, although rice and secondary wheat products have been included), and it is implemented in accordance with the Food Aid Convention of 1995. To receive this type of aid, the recipient must reserve collateral funds to be spent on social- or economic-development projects, or both, in the recipient country. Food aid accounted for 5.8% (15.3 billion JPY [126 million USD]) of the total grant-aid budget in fiscal year 1997. (See Appendix B14 for the procedure for implementing food aid.)
- *Aid to increase food production* — This type of aid helps a developing country increase its food production to achieve food self-sufficiency, by providing funds for such items as fertilizers or agricultural chemicals, machinery, or vehicles. The recipient must set aside local currency worth two-thirds of the grant aid's value to contribute to the country's own social- and economic-development projects. In fiscal year 1997, grant aid to increase food production accounted for 10.6% (28 billion JPY [231 million USD]) of the total grant-aid budget.

IFIC

IFIC is JICA's research institute. It is part of JICA and was established by JICA to recruit and train staff to work in technical cooperation programs and to conduct studies for JICA and MOFA. IFIC is responsible for recruiting Japanese experts for JICA, training Japanese-government staff and officials from developing countries, providing information on international cooperation, and conducting studies.

RECRUITMENT OF JAPANESE EXPERTS FOR JICA — IFIC recruits experts for JICA from government departments, local-government agencies, and private companies. IFIC also recruits experts with international cooperation as a career focus. IFIC invites overseas researchers and specialists to assist in IFIC research and training programs.

TRAINING JAPANESE GOVERNMENT STAFF AND OFFICIALS OF DEVELOPING COUNTRIES — IFIC provides language training, information about local conditions, and individual technical training to prepare government employees sent by JICA as experts overseas. Project leaders and coordinators for project-type technical cooperation also receive project-administration and project-management training from IFIC. It trains local-government officials and others on how to administer international cooperation and provides education to NGO members on topics like pollution control, global environment, population, and poverty, in addition to language training. IFIC provides courses on topics such as infrastructure, agriculture, infectious diseases, engineering, and WID and dispatches experts to help overseas universities and research institutes become leaders in their fields. IFIC also conducts training of employees from various ministries to form a pool of resources for future assignments overseas.

PROVISION OF INFORMATION ON INTERNATIONAL COOPERATION — IFIC supplies information to JICA experts and the public and has the JICA library of ODA-related material (especially concerning technology transfer and JICA documents). It publishes country profiles, a biannual Japanese research journal on international cooperation (*Kokusai Kyoryoku Kenkyu*), and an English annual journal (*Technology and Development*) containing articles from the Japanese version. IFIC also prepares technical manuals for equipment and materials. IFIC-Net is a network for information exchange within and between international cooperation organizations, NGOs, universities, and institutes.

STUDIES — IFIC analyzes country or regional situations, cooperation strategies, and previous achievements to ensure that JICA fully understands the situations of each recipient country in order to execute and improve its technical cooperation. To this end, IFIC conducts several types of studies, including

- *Country–regional studies on development assistance* — IFIC conducts macroeconomic, political, social, cultural, and sectoral analyses for major-aid recipient countries and regions. It studies the country's current situation and aid methods by examining the aid implementation structure, amount of aid received, constraints on development, and development problems and objectives and develops case studies of previous assistance. JICA uses the information from these studies to design technical cooperation programs and formulate projects. MOFA also uses this information for policy dialogues with governments of developing countries.
- *Issue studies on development assistance* — These studies are conducted to help resolve global or cross-sectoral aid issues (for example, WID, the environment, poverty, population, education, participatory development). For each issue, IFIC reviews the experiences of major donors and development institutions, previous assistance, and the effects development has had on it. IFIC determines the effective assistance for the issue and recommends ways for JICA to improve the effectiveness of its approach. JICA uses the information to design technical cooperation programs and formulate projects. MOFA uses it for policy dialogues with recipient governments.
- *Studies concerning methods of technology transfer and development* — IFIC analyzes case studies of JICA's technical cooperation projects to develop effective methods of technology transfer and appropriate technology for technical cooperation. The study results are compiled in reports or teaching materials for experts. IFIC also conducts basic studies to develop effective technical cooperation methods, and ways to promote public participation in cooperation.
- *Hosting conferences and seminars* — IFIC invites recipients, donor countries, international institutions, and NGOs to international conferences on development issues and technology transfer. This enables the

participants to discuss their development experiences, approaches to development assistance, and potential collaboration. IFIC also invites members from other aid agencies, scholars, and development-institution researchers to the seminars it holds for Japanese technical cooperation staff.

OECF

As mentioned earlier, OECF is a public corporation established to provide loans to developing countries under the supervision of the four-entity system (MOF, MOFA, MITI, EPA). A Management Council of the vice ministers of the MOF, MOFA, MITI, EPA, MOE, MOHW, MAFF, MOT, MOPT, and MOC discusses OECF management and activities. Several committees also advise OECF. The Advisory Committee on Environmental Issues comprises scholars and OECF members and provides expert opinion on environmental matters. The Advisory Committee on WID and Social Development consists of external specialists. An Advisory Committee of Counsellors advises the OECF president and board members. This committee comprises specialists from NGOs, universities, and financial institutions and journalists. OECF has 16 overseas offices in close contact with recipient-country governments, executing agencies, NGOs, and other aid organizations (see Appendix A17 for a list of OECF overseas offices). The Japanese government decided in 1995 to merge OECF with JEXIM. However, their ODA and non-ODA accounts are to be separate. Cabinet decided to make the change and to have it implemented over 4 years. MOF and EPA will supervise the organization, but the implications of this merger for the aid program are not yet clear (DAC 1996). (See Appendix A17 for the OECF organizational chart.)

The following elements constitute the OECF 1997 fiscal budget (initial base) of 940.0 billion JPY (7.76 billion USD):

- 386.5 billion JPY (3.19 billion USD) in capital subscriptions;
- 8.7 billion JPY (72 million USD) in grants from the government;
- 493.4 billion JPY (4.07 billion USD) in treasury investments and loans; and
- 51.4 billion JPY (4.07 billion USD) in OECF's own resources.

This represented 56% of the total ODA operating budget of 1 676.6 billion JPY (13.9 billion USD).⁶

As of the end of fiscal 1996, capital derived from government budget appropriations amounted to 4 645.2 billion JPY and the balance of borrowings from (owed to) the Trust Fund Bureau amounted to 4 517.8 billion JPY (including 25 billion JPY in OECF bonds):

- Commitments were
 - 1 271.3 billion JPY (11.6 billion USD) for loans to governments, and
 - 6.6 billion JPY (60.6 million USD) for private-sector investment finance;
- Disbursements were
 - 610 billion JPY (5.60 billion USD) for loans to governments, and
 - 6.2 billion JPY (56.9 million USD) for private-sector investment finance;
- Repayments were
 - 331.0 billion JPY (3.04 billion USD) for loans to governments, and
 - 6.2 billion JPY (56.9 million USD) for private-sector investment finance; and
- Outstanding were
 - 8 843.3 billion JPY (81.2 billion USD) for loans to governments, and
 - 188.0 billion JPY (1.7 billion USD) for private-sector investment finance.

Geographical and sectoral distributions of the commitments made in 1996 are as shown in Tables 1 and 2, respectively.

Two types of loan are available for activities in developing countries: loans to governments or governmental agencies of developing countries and financial assistance to the private sector (private-sector investment finance).

⁶ Except where otherwise stated, all figures quoted in this section are taken from OECF (1997a).

Table 1. Geographical distribution of commitments, 1996.

| Loans to governments | | Private-sector investment finance | |
|---------------------------------------|------|---------------------------------------|------|
| Region | % | Region | % |
| Asia | 76.9 | Asia | 6.0 |
| Middle East | 5.2 | Middle East | 0.0 |
| Africa | 6.3 | Africa | 0.0 |
| Latin American and Caribbean | 11.4 | Latin America and Caribbean | 59.0 |
| Central and Eastern Europe and Others | 0.2 | Central and Eastern Europe and Others | 35.0 |

Table 2. Sectoral distribution of commitments, 1996.

| Sector | Loans to governments | Private-sector investment finance |
|--------------------------------------|--------------------------------------|------------------------------------|
| Electric power and gas | 313.2 billion JPY (2.9 billion USD) | |
| Transportation | 395.1 billion JPY (3.6 billion USD) | 29 million JPY (260 000 USD) |
| Telecommunications | 42.3 billion JPY (388.7 million USD) | |
| Irrigation and flood control | 124.2 billion JPY (1.1 billion USD) | |
| Agriculture, forestry, and fisheries | 60.2 billion JPY (553 million USD) | 4.2 billion JPY (38.5 million USD) |
| Mining and manufacturing | 26.1 billion JPY (239.8 million USD) | |
| Social services | 279.8 billion JPY (2.6 billion USD) | |
| Commodity loans | 30.0 billion JPY (275.6 million USD) | |
| Others | 2.3 billion JPY (21.1 million USD) | |

Note: Social services include water supply, sewerage, and sanitation; education; public health and medicine; tourism; urban and rural community infrastructure; strengthening of administrative management; and environmental conservation.

Loans to governments of developing countries

Loan aid comprises long-term, low-interest loans from the Government of Japan to governments, governmental institutions, or other eligible organizations in developing countries. A grant element constitutes at least 25% of loan aid. In 1995, the average interest rate was 2.54%, and the average repayment period was 29 years and 4 months. Types of loan available to the governments of developing countries are as follows:

- *Project loans* — Project Loans are the main form of ODA loan. They provide funds for equipment, materials, and services for social- and

economic-infrastructure projects (that is, to construct roads, power plants, factories, water supplies, or sewerage facilities).

- *Engineering-services loans* — These loans are to pay for the engineering services needed to design a project and prepare the bidding documents.
- *Financial intermediary loans (two-step loans)* — The recipient country's financial institutions implement these loans. Funds are provided to a financial institution in the recipient country, which then lends money to promote small and medium-scale industries in sectors such as manufacturing and agriculture (for example, by lending to farmers or agricultural cooperatives or by assisting regional and local governments to provide social and economic infrastructure). The funds are used to construct facilities to improve living standards and may, in the process, strengthen the operations of the financial institutions involved.
- *Sector loans* — Sector loans provide funds for equipment, materials, and services needed to implement development projects in specific sectors.
- *Structural-adjustment loans* — These loans are awarded to help a country improve its economic policy and implement economic reforms. Usually they are used to import equipment and services and hire consultants to help implement reforms. OECF sets the conditions for the loan after examining a country's structural-reform plan. The recipient country normally receives the loan in segments as each condition is met. These loans are often cofinanced with multilateral financial institutions.
- *Commodity loans* — Commodity loans are provided to help improve the international balance of payments and stabilize the economy. They are used to import commodities on an emergency basis when the country does not have enough foreign reserves to import them. The imported commodities may include industrial machinery and raw materials, fertilizer, agricultural machinery and chemicals, and other machinery. The local currency importers pay to obtain the foreign currency to import commodities under the loan; the counterpart funds are used for

economic and social development. The commodity loans are short term (usually 2 years).

- *Sector-program loans* — This type of commodity loan supports development policy in a priority sector. The counterpart funds generated by the loans are used to make sector-specific improvements.
- *Sector-adjustment loans* — Whereas a structural-adjustment loan is used to improve economic policy and implement the structural reform of an entire economy, sector-adjustment loans are used to improve the policies and reform the institutions of specific sectors in the recipient country. The Japanese government sets loan conditions after examining the recipient's sector-adjustment program. These loans may be granted in segments as conditions are met.
- *Mixed loan* — When other countries extend mixed loans to developing countries to promote their exports, Japan may match these loans to equalize competitive conditions for its own exporters. In addition, it may provide export credits with ODA loans for deserving aid projects not covered by the ODA loans alone.

Financial assistance to the private sector (private-sector investment finance)

OECD provides loans and invests equity in development projects that are initiated by the private sector in developing countries but that may be too risky to implement without government assistance. Such assistance comprises loans to corporations registered in Japan, equity investments in Japanese corporations, and loans to, and equity investments in, developing-country corporations.

LOANS TO CORPORATIONS REGISTERED IN JAPAN — To be eligible for these loans, a project must contribute to the economic development of a developing country, be in agriculture, forestry, infrastructure, environment, social services, or another sector that promotes economic cooperation, and be difficult to implement under the terms and conditions of financing offered by other financial institutions. Particularly desirable are projects involving technical or other forms of assistance from the Japanese private sector, other advanced countries' private sectors or the participation of IFIs.

A maximum of 70% of the funds required to implement the development project may be loaned to the Japanese corporation, and the loan must be repaid

within a maximum of 20 years, with a 5-year grace period. (See Appendix B1 for the procedure for implementing loans and equity investments.) The following are types of loans available to corporations registered in Japan:

- *Financing for agriculture, forestry, and fisheries* — These loans are available to finance activities up to the primary processing stage, such as cultivation, livestock breeding, aquaculture, and afforestation.
- *Financing for prospecting* — These loans provide funds to undertake mineral-prospecting surveys and feasibility studies for projects to develop mineral resources.
- *Loans for the experimental implementation of development projects* — When full-scale implementation of a large development project involves unacceptably high risk, OECF may provide a loan for an experimental project designed to confirm the feasibility of full-scale implementation.
- *Loans for preparatory surveys for development projects* — OECF may provide a loan for a feasibility study or market research, or both, to confirm the feasibility of a development project. Loans are available for surveys carried out at a company's own risk. If ECFA guarantees the survey, then the loan is available regardless of whether the survey's implementing agency is remunerated.
- *Bridge loans* — OECF may offer a bridge loan to a corporation participating in a development project financed by an OECF loan to the government of a developing country to cover a shortage of funds owing to unforeseen circumstances.
- *Other* — OECF may provide other kinds of loan to corporations, for example, if a project is unsuitable to obtain a loan from JEXIM and if OECF confirms that the project will contribute to the economic development of a developing country and its relations with Japan.

EQUITY INVESTMENTS IN JAPANESE CORPORATIONS — OECF makes equity investments in corporations for development projects in all sectors if the project promotes economic cooperation, cannot be implemented solely by the private sector, and requires OECF participation to encourage the private sector to invest

equity. For this type of assistance, the recipient must establish an investment corporation in Japan especially for this purpose, with the participation of at least two private corporations (OECF's share of the investment corporation is a maximum of 50%). This investment corporation, with cooperation from local corporations or government agencies or both, must then establish an implementing entity. OECF may contribute a maximum of 25% of the total equity of the implementing entity. Other investment programs may also be eligible for this type of financing.

LOANS TO, AND EQUITY INVESTMENTS IN, DEVELOPING-COUNTRY CORPORATIONS — OECF may provide loans to, and make equity investments in, corporations registered in developing countries for a development project if it promotes economic cooperation and cannot be implemented solely by the private sector. (See Appendix B1 for the procedure for providing loans and equity investments.)

Other OECF activities

SEMINARS — OECF holds month-long loan seminars annually at the head office to explain loan procedures and project formulation, implementation, appraisal, and supervision to recipients or executing agencies. OECF holds these seminars in cooperation with JICA. OECF also holds seminars in recipient countries for government officials and project-management personnel, as needed (for example, to raise awareness of WID). OECF also holds seminars in developed countries (one was held in Canada in 1995). OECF holds its annual 2-week Local Professional Staff Training Seminars to train local professional staff at the OECF head office.

ADVISORY SERVICES — OECF hires consultants to advise and improve a recipients' project planning and implementation systems and organizations.

RELATIONS WITH JICA — OECF places its personnel on JICA's advisory committee for consultant services; they supervise development studies, as their results may be used to request OECF financing. OECF participated on the advisory committee for seven projects in 1996 (OECE 1997a). OECF meets with JICA experts to discuss sectoral development, project identification, and project formation. In addition, JICA experts may participate in the implementation, management, maintenance, and supervision of projects financed through ODA loans. OECF dispatches personnel to the World Bank, ADB, IDB, and EBRD. Its junior staff also have internships at the IDB, EBRD, AfDB, and Caisse Française Development.

RELATIONS WITH MULTILATERAL INSTITUTIONS —

- *Policy* — OECF coordinates its aid policies and priorities with those of other agencies (for example, IMF and the World Bank). In addition, it consults with developing-country governments and with other donors to coordinate aid.
- *Consultations* — OECF attends annual consultations with the World Bank, IDB, ADB, AfDB, EBRD, and IMF to discuss collaboration and current development-policy issues.
- *Cofinancing* — OECF cofinances projects with multilateral donors with similar aid policies. Cofinancing makes it possible to build larger funds and combine the experience and knowledge of several donors. The expertise of multilateral institutions may supplement OECF's project formation and supervisory functions in areas where OECF's experience is limited (for example, in particular regions [Africa] or sectors [the social sector]). In fiscal year 1996, cofinancing totaled 182.8 billion JPY (1.6 billion USD) (OECF 1997a). During that fiscal year, OECF cofinanced loans with IDB, IBRD, IDA, ADB, EBRD, and IFIs.
- *Personnel transfer* — OECF temporarily transfers personnel to the World Bank, ADB, IDB, and EBRD. In addition, OECF sends staff to the IDB, EBRD, and AfDB for training. These personnel transfers strengthen Japan's relationships with these organizations.

COOPERATION WITH NGOS — OECF cooperates with NGOs to use their knowledge, close relationships, and experience with particular regions to ascertain the opinions of local residents and the socioeconomic characteristics of project sites. OECF collaborates with NGOs to consult with local residents to identify, plan, implement, and evaluate projects and conduct environmental assessments. Examples of OECF-NGO cooperation are expert studies of the environment, afforestation-awareness programs for local people, and project-impact studies.

COOPERATION WITH LOCAL GOVERNMENTS — In cooperation with international agencies, bilateral aid agencies, and environmental NGOs, OECF also cooperates with local Japanese governments regarding issues such as industrial pollution.

PUBLIC RELATIONS — OECF publishes and distributes annual reports, newsletters, videos, displays, and other types of publication to promote understanding of OECF and ODA, nationally and internationally.

RIDA

RIDA is OECF's research institute. It is part of OECF. RIDA comprises four study groups: Development Assistance, Macroeconomic, Sector, and Post Evaluation. (See Appendix A17 for the organizational structure of RIDA under OECF.)

DEVELOPMENT ASSISTANCE — The Development Assistance Studies Group examines the theory of development assistance and methods to assist development, drawing on Japan's development experience, including that of OECF. The group also examines frameworks for development assistance to learn from the experience of other donors, as well as examining global trends in the international donor community. Examples of important themes for RIDA research are

- The role of government in the development of a market economy;
- The role of local government and local finance in India;
- Socioeconomic profiles of South African communities;
- Prospects for agricultural development policy in China;
- Integrated national physical development planning for developing countries; and
- Local participation in the operation and maintenance of small projects.

The Development Assistance Studies Group oversees and supervises planning for RIDA operations and disseminates research results. It organizes symposia and workshops to disseminate research results, which RIDA either sponsors or cosponsors. In addition, this study group publishes a quarterly Japanese journal of development assistance (*Kaihatsu Enjo Kenkyu*), a semiannual English version, the *Journal of Development Assistance*, and the *Post-Evaluation Reports for OECF Loan Projects* (published in Japanese and English), annual economic cooperation handbooks, and discussion papers. The group also maintains links with other research organizations.

MACROECONOMIC — The Macroeconomic Study Group researches the macroeconomic issues of major loan-recipient countries and studies the needs of a country and its ability to apply funding to those needs, to propose tailored development strategies for OECF assistance. For example, the group analyzes regional development, public- and private-sector financing, cross-country issues, and the effects of economic reforms.

SECTOR — The Sector Studies Group examines key issues in major sectors (for example, electricity, transportation, agriculture, human-resource development) that have affected OECF-financed projects and makes recommendations for future project selection and formation. For example, the group studied and made recommendations concerning power shortages in Sri Lanka. It has also studied cross-sector issues (for example, the consequences of urbanization on poverty alleviation).

POST EVALUATION — The work of the Post-Evaluation Division is described in Chapter 2.

JEXIM

It may seem strange to include JEXIM in a handbook on Japanese ODA. But it is part of the range of financing mechanism offered to the Japanese private sector to encourage and support its activities in the economic development of developing countries. Of all the donor countries, Japan is probably the furthest along in terms of support for private-sector-led infrastructure and economic development in developing countries — topics increasingly discussed in international forums. In future discussions on ways to attract FDIs to developing countries, it might be useful for other donors to look at the range of support that the Japanese government provides, including its mix of ODA and non-ODA financing.

JEXIM is an independent governmental financial institution, constituted as a public corporation under MOF. It promotes economic exchange with other countries by providing financial services to domestic and foreign corporations to supplement and encourage financing by Japanese commercial banks and financial institutions. JEXIM has 18 overseas offices (as of September 1997).

Depending on the needs of a project, JEXIM will tailor combinations of its lending schemes (which is often necessary for projects for natural-resource development). JEXIM provides financing for exports, for imports, and for overseas investment and projects, untied loans, bridge loans, guarantees, purchase of public bonds, equity investments, and limited-resource financing:

- *Financing for exports* — JEXIM supplies the following types of export loan:
 - *Supplier credits* — JEXIM extends this type of loan to Japanese exporting corporations that wait to receive their payment from the foreign importer for the export of plants, ships, aircraft, vehicles, equipment, and machinery. JEXIM's policy is to finance the export of Japanese-manufactured goods; however, in some cases, it may finance foreign-manufactured goods if they constitute an essential part of the Japanese-manufactured product.
 - *Technical-service loans* — These are provided to Japanese corporations for the export of technical services (for example, engineering and consulting services for feasibility studies, design, and supervision; civil engineering and construction, such as of railways, water systems). These loans are for longer than 1 year. The terms of the technical-service loans and supplier credits are developed in accordance with OECD guidelines.
 - *Buyer credits* — These are given to foreigners importing plant, equipment, and technical services from Japan (to enable them to buy goods and services needed to implement projects agreed on by the borrower and JEXIM).
 - *Bank-to-bank loans* — These are extended to foreign financial institutions for the same purpose as buyer credits.

In fiscal year 1996, export loans accounted for 23% (340 billion JPY [3.1 billion USD]) of the total value of commitments (including loans, equity participation, and guarantees) (JEXIM 1997).

To mitigate the risks associated with exporting, MITI administers general export insurance, which mainly covers losses incurred before goods are exported. Export-proceeds insurance and technical-services-supply insurance are available when exporters defer their payments or Japanese banks provide foreign importers with buyer credits in conjunction with JEXIM. Export-proceeds insurance covers losses resulting from political or business risks. Export-proceeds, technical-services-supply, or intermediary-trade insurance is mandatory to qualify for supplier credits from JEXIM.

- *Financing for imports* — The following are import loans offered by JEXIM:
 - *Long-term import loans* — These are extended to Japanese corporations to develop and import natural resources that are essential to the Japanese economy (for example, energy, minerals, other raw materials). These loans enable Japanese importers to make advance payments to a foreign exporter. Such loans are also extended to foreign corporations to develop natural resources for export to Japan, and they are untied (that is, the necessary goods and services do not have to be procured from Japan).
 - *Import loans for manufactured goods and technologies* — These are long-term loans (greater than 1 year) extended to corporations in Japan (Japanese or foreign owned) for importation of manufactured goods and technologies or to foreign corporations for the production and sale of manufactured goods exported to Japan. In fiscal year 1996, import loans accounted for 4% (65.6 billion JPY [602 million USD]) of the total value of commitments (JEXIM 1997).
- *Financing for overseas investment and projects* — Overseas investment loans are offered to Japanese corporations for overseas projects and overseas investment activities (for example, to enable them to purchase equity in foreign corporations or to loan money to foreign governments or corporations with which they have business relationships). MITI offers overseas investment insurance for losses resulting from overseas investment. These loans may also be provided to foreign governments or banks to fund investments in, and loans to, joint ventures with Japanese corporations. The loans may also be extended to overseas joint-venture corporations (that involve Japanese capital). When it is difficult for JEXIM to provide an overseas investment loan, OECF may extend a loan for investment in agricultural, forestry, fishing, and mining-exploration sectors or for preinvestment studies and experimental projects. In fiscal year 1996, overseas investment loans accounted for 47% (696.7 billion JPY [6.4 billion USD]) of the total commitments (JEXIM 1997).

- *Untied loans* — Untied loans are extended to foreign governments, governmental institutions, financial institutions (including multilateral development banks), and corporations specified by the Minister of Finance. These loans are for high-priority projects and economic-restructuring programs in developing countries. The goods and services for these loans do not have to be procured from Japan. Untied loans accounted for 22% (326.3 billion JPY [2.9 billion USD]) of the total value of loan commitments in fiscal year 1996 (JEXIM 1997).
- *Bridge loans* — Bridge loans are short-term loans extended with the approval of the Minister of Finance. JEXIM provides these loans to foreign governments, government agencies, or banks to help countries with poor international balance-of-payments situations until IMF and other multilateral agencies provide funds to support the economy.
- *Guarantees* — Guarantees are provided to Japanese corporations to enable them to borrow from other financial institutions and to foreign corporations for direct overseas investment. JEXIM also provides guarantees to Japanese private financial institutions for their cofinancing of JEXIM's direct loans to foreign entities (that is, the Japanese financial institution and JEXIM cofinance a foreign entity) and for their own direct import credits, overseas investment loans, and untied direct loans to foreign entities. To qualify for a guarantee from JEXIM, the corporation or institution must use it for the same purpose as required to qualify for a loan. In fiscal year 1996, guarantees constituted 4% (57 billion JPY [523 million USD]) of the total value of commitments (JEXIM 1997).
- *Purchases of public bonds* — Like untied loans, purchases of public bonds raise capital for high-priority projects and economic-restructuring programs in developing countries. JEXIM purchases bonds issued by foreign governments, financial institutions (including multilateral development banks), and corporations specified by the Minister of Finance.
- *Equity investments* — With the approval of the Minister of Finance, JEXIM may make equity investments in foreign entities or Japanese corporations that have as their sole purpose that of making overseas

investments in corporations conducting business overseas. JEXIM made no equity investments in fiscal year 1996 (JEXIM 1997).

- *Limited-resource financing* — JEXIM may extend limited-recourse financing, if warranted, for some projects.

Other activities

Other activities of JEXIM include

- *Research and consulting* — JEXIM exchanges information with and cofinances projects with multilateral financial institutions (for example, IMF and the World Bank). It also exchanges information and cooperates with other export-credit agencies. JEXIM sends advisors and receives observers to help the governments of developing countries or countries moving to a market economy establish export-credit agencies. For example, as part of Japan's technical cooperation, JEXIM dispatches employees to developing-country banks, as JICA experts. JEXIM also sends people abroad to lecture and receives people from developing and advanced countries who wish to study.

JEXIM's Research Institute of Overseas Investment researches the overseas investment activities of Japanese firms and the political and economic conditions of foreign countries. JEXIM uses this information to formulate policies and to make loan decisions. Some of this information is published monthly. The institute's Overseas Investment Consulting Office provides information and advises Japanese firms on overseas investments, as well as advising foreign corporations that seek JEXIM financing.

- *Seminars and conferences* — JEXIM sponsors training programs and seminars to help people from foreign governments, central banks, and financial institutions understand JEXIM and Japan. The bank organizes study programs and sponsors international conferences to enable governmental, financial, business, and academic leaders around the world to exchange ideas and explore possibilities for cooperation.

Budget

JEXIM's capital, which is completely subscribed by the Japanese government, totaled 985.5 billion JPY (8.14 billion USD) as of 31 March 1997 (JEXIM 1997).

The sources of JEXIM's funds are capital from the Japanese government, borrowings from the government's Trust Fund Bureau, and bonds issued on international capital markets. As of 31 March 1997, JEXIM had made 1 428.6 billion JPY (11.8 billion USD) in loan and equity-participation commitments and had disbursed 1 198.9 billion JPY (9.9 billion USD); it had made guarantees worth 55.1 billion JPY (455 million USD) (JEXIM 1997).

JETRO

JETRO is a public corporation, founded in 1958. Its main function is to assist countries, including developing countries, to increase their exports to Japan. JETRO brings officials responsible for trade policy and private-sector executives from developing countries to Japan and provides training on rules and regulations governing imports into Japan, packaging and shipping, customs clearance, quality controls, market development, financing, etc. It supplies information about Japanese consumer tastes, requirements, and distribution systems. In short, it is an invaluable tool for developing countries to use in developing their export industry through access to Japanese markets.

IDE

IDE is a public corporation within the Japanese ODA system and was, until 1 July 1998, a research branch of MITI. IDE then became part of JETRO, a public corporation under MITI. IDE is funded by MITI and MOF. They subsidized 90% of its fiscal year 1995 budget of about 53.8 million USD (Medhora 1995).⁷ IDE is one of the largest development institutes in the world (Bhalla 1995).⁸ As of 1 July 1996 (IDE 1995), it employed 253 people, of whom 170 were engaged in research (including 32 stationed overseas). Its activities include

- *Training* — The IDE Advanced School trains Japanese and foreign development specialists (29 in 1996; JICA 1997).

⁷ Medhora, R. TR-4/95 Yangon, Myanmar Nov. 15–22, 1995. International Development Research Centre, Ottawa, ON, Canada, 1995. Internal document.

⁸ Bhalla, A. Travel report, September 25–November 11, 1995. International Development Research Centre, Ottawa, ON, Canada, 1995. Internal document.

- *Workshops and symposia* — IDE organizes about 20–25 workshops and 2 or 3 symposia each year (Medhora 1995).⁹
- *Research* — IDE staff conducts IDE research projects in collaboration with outside experts. The institute studies economic and related affairs in Asia and other developing areas. In fiscal year 1994, IDE implemented about 70 research projects, including joint international research programs. IDE also researches ways to strengthen the coordination of ODA with Japan's trade and investment activities.

The Japan Foundation

The Japan Foundation is a public corporation founded in October 1972 to assist MOFA in promoting international friendship and enhancing understanding between nations:

It receives a part of its project budget from the ODA budget managed by MOFA. The Foundation's projects are aimed at both developed and developing countries. Projects involving personnel exchanges with developing countries, dissemination of Japanese language education, and presentations on Japanese culture are financed primarily from the ODA budget.

(JICA 1997, pp. 5–6)

The Japanese government awarded the Japan Foundation an endowment that reached 106.2 billion JPY by fiscal year 1997 (Japan Foundation 1998). It finances its activities through capital gains derived from management of the endowment fund, annual government subsidies (including ODA), and contributions from the private sector. The Japan Foundation's headquarters is located in Kyoto. Outside of Japan, it has 2 Japan cultural institutes, 5 Japan cultural centres, and 11 offices in 17 countries. The branch offices mainly collect local information, conduct surveys, implement programs initiated at headquarters, and cooperate with local groups to introduce Japanese culture. Among other activities, the Japan Foundation dispatches people overseas for economic-assistance projects. The Japan Foundation Dispatch Fellowship Program provides grants for scholars and researchers in the humanities and the social sciences. The Japan Foundation also provides funds to Japanese specialists in the humanities, social sciences, or arts to host or deliver speeches at overseas international conferences or symposia.

⁹ Medhora, R. TR-4/95 Yangon, Myanmar Nov. 15–22, 1995. International Development Research Centre, Ottawa, ON, Canada, 1995. Internal document.

Under the Cultural Cooperation Program, the Japan Foundation dispatches Japanese specialists in all cultural fields in response to requests from developing countries to train personnel and investigate local conditions.

Other ministries

The participation of the other ministries in economic cooperation is a positive feature of Japan's ODA. They bring a variety of viewpoints and experiences to the formulation of policies. Through their use of their own ODA budgets, they can increase the Japanese government's ability to identify, plan, and implement a wide range of development projects. Their active role in the process allows Japan to do much more than would normally be possible with the limited number of personnel assigned to JICA and OECF. Their connections with the Japanese private sector also enable the government to marshal and channel the activities of this sector to developing countries and promote FDI, especially in infrastructure development. As explained in OECF's *The Role of OECF Toward 2010* (OECF 1996b, p. 14),

The cooperation of private business is important in providing public goods such as assistance; but creating a domestic consensus on the extent of their involvement is no easy task. Since more emphasis is being put on privatization and private-sector-led economic development worldwide, the pressure to link corporate activity more closely with ODA will probably also increase.

Japan is often criticized for devoting too much of its ODA to infrastructure and for not paying enough attention to poverty and social issues. Yet, the counsellors of OECF argue in *The Role of OECF Toward 2010* that providing infrastructure development is as essential to development as meeting BHNs. On the one hand, infrastructures are important for economic development. The counsellors cite the example of economic growth eradicating poverty in East Asia. In the 1970s, 400 million people were living in poverty; by 1990, this number had dropped to 108 million. Japan played an important role, through massive transfers of ODA and non-ODA funds. On the other hand, meeting BHNs also requires social infrastructure, such as potable-water systems, public sanitary facilities, and health and education facilities. Infrastructure can increase the productive capacity of the poor, through, for example, loans for local infrastructural development, including the improvement or construction of access roads from villages to markets and trunk highways, construction of water-supply systems (pipe systems, shallow wells, water-collection systems), and microfinance.

Through ODA, the Japanese government is able to offer incentives for the private sector to direct activities into areas relevant to Japan's aid policies, as well as providing the private sector with the tools it needs to add development elements to its investments in developing countries. The sectoral ministries play an important role through their dispatch of experts, training of government officials and private-sector personnel, and provision of expertise on development planning.

As mentioned earlier, sectoral ministries influence every aspect of Japan's ODA activities, as well as having their own ODA budgets to finance their own activities. Ministry reports tend to provide overall statistics on a ministry's activities, without distinguishing the portion of them it finances itself from the portion financed under JICA. This should be kept in mind when viewing the statistics about the number of trainees, experts, etc., provided in this section.

As outlined earlier in this chapter, there are many organizations registered as public-interest corporations that are used by the various ministries to assist in the implementation of Japan's ODA. They are either government-affiliated organizations or foundations and associations established by corporations or groups of corporations. Their activities are financed through subsidies from the sponsoring ministries. According to the 1993 DAC study of NGOs and governments,

Special government subsidies to preferred organisations were, until 1989, the only form of official support to NGOs. In 1986, 1987 and 1988, for example, governmental subsidies to NGOs were reported as US\$ 91.73 million, US\$ 113.03 million and US\$ 64.25 million respectively. Because of the nature of the subsidies, the organisations and their work, a high proportion of these funds was, in reality, bilateral spending related primarily to the needs and interests of the ministries providing the funds. No breakdown of these funds, by ministry or by organisation, is available for these or subsequent years.

(OECD 1993, p. 189)

When one looks at the budget allocation for technical cooperation, as noted in Chapter 1, JICA receives 179.5 billion JPY (1.48 billion USD) out of a total budget for technical cooperation of 388.1 billion JPY (3.20 billion USD). This leaves 208.6 billion JPY (1.72 billion USD) for others. One might presume that this sum represents the amounts provided to the other ministries for technical cooperation (MOFA 1997c). Chapter 5 will address the budget now being allocated by MOFA to NGOs from its grant-aid budget, a sum of about 5.55 billion JPY (45.9 million USD).

The remainder of this section describes the ODA-related activities of the various ministries and mentions some of the government-affiliated organizations

they work with. The following section will expand on the description of some of these organizations to indicate the types of activities they engage in. However, according to the *Kokusai Kaihatsu* journal (Kokusai Kaihatsu 1997, p. 48, cited in Shizawa 1998), "public-interest corporations total some 250,000 organizations," and therefore no attempt has been made to provide a comprehensive list. A list compiled by FASID (1994) in the *Directory of Japanese Institutions in Development Assistance* provides the names of a number of government-affiliated organizations involved in ODA and clearly indicates their authorizing ministry or ministries (see Appendix A18).

The activities described in MAFF's *Outline of Agriculture, Forestry and Fisheries Cooperation* (AICAF 1996) are good examples of the type of ODA-related activities that the ministries undertake. All the statistics on MAFF's activities come from this report, which is summarized in some detail in what follows. A summary of activities of some other ministries completes this section.

MAFF

Cooperation activities in the agriculture, forestry, and fisheries sector have an important role to play in the duty and responsibility of developing countries to support their own independent and self-supporting economic development. Thus, MAFF has actively promoted the viewpoint that it is essential for each country to grow at least its basic food domestically. Japan accounts for some 33% of the total value of bilateral ODA in the field of agriculture, forestry and fishery, excluding food aid.

MAFF focuses on aid for increased food production, contributions to the stabilization of food demand, and the protection of the environment. It provides food aid, rural-community assistance for self-reliant economic growth, and cooperation in the comprehensive development of agriculture, food distribution and processing, market development, and environmental protection (including tropical-forest preservation and the prevention of desertification). MAFF classifies Japan's cooperation in agriculture as bilateral and multilateral. Bilateral cooperation comprises technical cooperation and financial assistance. MAFF's summary of its activities covers the whole sector, without disaggregating the data into MAFF, JICA, and OECF-funded activities.

Bilateral cooperation

TECHNICAL COOPERATION — Technical cooperation in this sector comprises the following:

- *Training* — MAFF accepts trainees from developing countries in the fields of agriculture, forestry, and fisheries (for example, farmers). This sector had 1 715 trainees in 1995, including the following:
 - Training by MAFF, 586;
 - Group training by JICA, 220;
 - Individual training by MOE and others, 407;
 - Third-country training, 402; and
 - Bilateral training, 100.

Host organizations in developing countries conduct third-country training. Individuals trained in the Japanese ODA system conduct bilateral training in the recipient country.

- *Dispatch of experts* — MAFF dispatches experts in the fields of agriculture, forestry, and fisheries, either as individual experts or as part of project-type technical cooperation. Japan sent 1 508 experts in the sector in fiscal year 1995, including the following:
 - Individual experts, long term, 323;
 - Individual experts, short term, 232;
 - Project-type technical cooperation, long term, 455;
 - Project-type technical cooperation, short term 447;
 - Development cooperation projects (of JICA), long term, 24;
 - Development cooperation projects (of JICA), short term 26;

- Guidance to emigrant farmers, long term, 1.

As explained previously, technical cooperation experts are usually personnel from the ministries.

- *Miniproject and research cooperation* — MAFF provides a type of technical cooperation that falls between dispatch of experts and project-type technical cooperation; it is called miniproject and research cooperation. Under miniproject cooperation, MAFF dispatches a team of experts, combined with provision of small-scale equipment, and accepts trainees in Japan, if necessary. Research cooperation involves joint research, involving Japanese and developing-country researchers, to improve research skills and institutions in developing countries. Japan implemented 17 miniprojects in the agriculture, forestry, and fisheries sector in fiscal year 1995.
- *Dispatch of survey teams* — This occurs in all JICA's cooperation projects, such as development surveys, project-type technical cooperation, acceptance of trainees, dispatch of experts, and others. Dispatch of survey teams includes the preliminary survey to collect information and examine the feasibility of cooperation before the activity begins; the regular survey, during the cooperation period; and the evaluation survey, after the project terminates. MAFF dispatched 1 614 experts for agriculture-, forestry-, or fisheries-related survey teams in fiscal year 1995.
- *Project-type technical cooperation* — This is a JICA scheme that combines experts, training, and equipment; MAFF conducted 74 project-type technical cooperation projects in the agriculture, forestry, and fisheries sector in fiscal year 1995. These accounted for about 35% of all such Japanese ODA projects that year.
- *Development surveys* — The objectives of these surveys are to promote the development plans of developing countries and to develop master plans, feasibility studies, and surveys to examine the reserves of various resources (resource-inventory surveys), etc. In promoting these development surveys, the objective is often to improve buildings, facilities, and farmland. These development surveys are also likely to generate

other types of cooperation, such as yen-loan assistance or grant aid, and so on. MAFF conducted 60 development surveys in the field of agriculture, forestry, and fisheries in fiscal year 1995, about 20% of all development surveys in that year in the Japanese ODA system.

- *Dispatch volunteers from JOCV* — JOCV sends young Japanese people as volunteers to developing countries. MAFF provided 597 agriculture-, forestry-, or fisheries-related employees as volunteers in fiscal year 1995, about 18% of all the volunteers dispatched from Japan in that year.

FINANCIAL ASSISTANCE — Financial assistance in this sector comprises grants and loans:

- *Grant aid* — Grant aid is contributed to projects, for example, to agricultural research centres and fishing ports and to develop irrigation facilities. In 1995, grant aid in this sector amounted to 31 billion JPY (329.5 million USD).
- *Food aid* — Food aid worth 2.7 billion JPY (28.7 million USD) was sent to North Korea and Sudan in 1995 for disaster relief.
- *Yen loan* — In fiscal year 1995, 8.3% of the all the yen loans in the Japanese ODA system went to this sector, contributing to the development of industry and economic stabilization of developing countries. The predominance in yen loans in MAFF's sector shifted from project loans to nonproject loans (for example, commodity loans) to improve balance of payments and provide economic support. Two-step loans have also increased (under a two-step loan, a loan is provided to a financial institution in a developing country, which on-lends according to the loan objectives). In fiscal year 1995, 136.9 billion JPY (1.4 billion USD) was provided as loans for 19 projects.
- *Development cooperation projects* — JICA provides these loans to Japanese private companies (see description under JICA). In 1995, 2.1 billion JPY (22.3 million USD) went to projects in this sector.

Multilateral cooperation

MAFF is responsible for providing funds or contributing to the capital of international organizations, such as FAO and WFP, in agriculture, forestry, and fisheries.

MAFF's independent cooperation activities

MAFF's own ODA-budget envelope from the general account budget has increasing steadily, from 6.5 billion JPY in fiscal year 1987 to 10.8 billion JPY (99.2 million USD) in fiscal year 1996 (rates for 1987 were not available). MAFF undertakes a wide range of activities with its ODA budget. Appendix A19 provides details of MAFF's use of its economic-assistance budget, with a description of the activities. The list is too long to summarize here, but it provides a comprehensive view of the range and scope of MAFF-funded activities in Japanese ODA. Almost every MAFF bureau spends on economic-assistance activities.

Main implementing organizations for cooperation in agriculture, forestry, and fisheries

MAFF lists 18 main implementing organizations, including JICA, OECF, and JEXIM (see the list in Appendix A20, which includes a summary description of their respective activities). This is an example of the phenomenon, mentioned earlier, of the use of public corporations and government-affiliated organizations to implement economic-cooperation activities. JICA and OECF are included because of MAFF's role in conducting the activities of these public corporations, as described in the sections dealing with JICA and OECF. Note how the use of these organizations greatly expands the capacity of the government to provide for cooperation in agriculture with developing countries beyond its own human resources.

MOC

MOC's International Affairs Division is within its Economic Affairs Bureau. MOC's ODA-related activities include the following:

- *Construction of training centres* — The training centres are for infrastructure-related projects (for example, training centres for road and bridge construction, use of construction machinery, and disaster prevention).

- *Acceptance of trainees* — Trainees are accepted by MOC's own institutions in affiliated semigovernmental organizations and local governments and in private consulting-construction firms.
- *Dispatch of experts* — MOC dispatches experts to developing countries. As of March 1997, MOC deployed 122 long-term experts (13 of whom were dispatched to international organizations).
- *Development of guidelines* — MOC develops guidelines for construction-related economic and technical cooperation suitable for developing countries' conditions.
- *Seminars* — MOC organizes seminars to transfer knowledge to developing countries.
- *Studies of developing countries and policy seminars* — MOC examines the economic infrastructures (for example, roads) and development plans of several developing countries each year. The information is stored in a database to be used for project identification and formulation. In addition, MOC holds seminars with local people responsible for infrastructure development and helps them to develop relevant policies.
- *Project finding and formulation* — MOC conducts preliminary investigations of construction plans for infrastructure-development projects before JICA conducts feasibility studies of the projects. MOC also provides advice on ongoing projects.
- *JICA surveys* — MOC dispatches experts to join JICA study teams to assist in project formulation, conduct preliminary studies, prepare master plans, conduct feasibility studies, and devise the basic designs of projects.
- *Assistance in international infrastructure implementation* — MOC provides training for, and assistance with, construction for international large-scale infrastructure projects that benefit several countries.

- *Development of overseas construction technology* — MOC develops construction technology suitable for the environmental, social, and economic conditions specific to a recipient country.
- *Project evaluation* — MOC evaluates projects to help formulate future ones.
- *Forums* — MOC organizes international forums for exchange of infrastructure- and construction-related information, such as the Ministers' Forum on Infrastructure in Asia-Pacific Region and the International Forum on Infrastructure.
- *International organizations* — MOC participates in international organizations, such as the United Nations, World Trade Organization, APEC, and OECD.
- *Information exchange with high-level government officials from developing countries* — MOC invites high-level government officials responsible for social infrastructure in developing countries to Japan to discuss modern technology in the construction, operation, and management of infrastructure and development issues such as pollution.
- *Dispatch of MOC officers to Japanese embassies in other countries* — As of fiscal year 1997, MOC had sent 27 officers to 25 countries (MOC 1997).
- *Support for NGOs* — MOC provides subsidies to NGOs to dispatch and train public-works personnel.
- *Support for contributions of Japanese contractors to developing countries* — MOC provides assistance to facilitate the voluntary contributions of Japanese contractors to developing countries (for example, to build a reservoir). MOC provides assistance in collaboration with industry organizations.

The Ministry of Labour

The Ministry of Labour's (MOL's) activities in economic cooperation include the following:

- *Dispatch of experts* — MOL dispatches labour-administration experts to developing countries (for example, experts on vocational training, industrial safety and health). It sends its own experts and those of related bodies to developing countries for project-type technical cooperation.
- *Training* — MOL conducts training programs to teach skills to young people in developing countries and to train workers in developing countries to be future leaders and accepts people concerned with labour from the Russian Federation for exchanges and studies to resolve employment problems in that country.
- *Seminars* — MOL holds annual seminars for administrators from developing countries on labour administration (for example, regarding industrial relations, employment, vocational training, industrial safety and health, women's issues, and labour statistics) and provides them with individual training programs.
- *Multilateral assistance* — MOL is responsible for contributions to international labour organizations.
- *Contributions to international organizations* — MOL contributes financially to the Asian and Pacific Skill Development Programme (APSDEP) and holds seminars and workshops in Japan to help APSDEP develop vocational and technical training in Asia and the Pacific.
- *Assignment of employees* — MOL sends its employees to serve as labour attachés in foreign countries or as staff members of international organizations (for example, the International Labour Organization [ILO], OECD).
- *Studies* — MOL conducts studies and publishes information on the labour conditions and policies of foreign countries, and the Japanese government uses this information to formulate policies. MOL also studies

the way people in foreign countries perceive Japan's labour conditions and holds seminars and distributes information to foreigners to describe these conditions.

- *Technical cooperation with the private sector* — MOL conducts some technical cooperation activities in cooperation with private companies, the Japan Institute of Labour, Central Vocational Ability Development Association, and the Japan ILO Association. MOL subsidizes part of the expenses for seminars on industrial relations, workers' education, and personnel and labour management held by Japanese employers' and workers' organizations for leaders of similar organizations in developing countries. MOL partially subsidizes management training at Japanese industrial companies operating in Asian and Eastern European countries. MOL also subsidizes part of the costs to train members of organizations for labour-accident prevention from developing countries.

Through the Japan International Training Cooperation Organization, MOL advises and provides assistance to enterprises that accept foreign trainees in order to ensure that their training is proper and effective and that the implementation of the Technical Intern Training Program is effective.

MOHW

MOHW is active in international cooperation in health care, pharmaceuticals, population, family planning, water supplies, and waste management. MOHW's activities in economic cooperation include the following:

- *Training* — MOHW accepts participants from developing countries into study programs in Japan, either through the Japan International Corporation of Welfare Services (JICWELS) or in cooperation with MOFA and JICA. In fiscal year 1994, MOHW received 770 trainees (MOHW 1998).
- *Dispatch of experts* — MOHW dispatches experts, either through JICWELS or in cooperation with MOFA and JICA. In fiscal year 1994, MOHW dispatched 289 experts (MOHW 1998).
- *Multilateral assistance* — MOHW is responsible for contributions to international organizations working in this sector.

- *Support for the international disaster relief activities of NGOs* — MOHW provides information and personnel training to NGOs and provides information and liaison committees to enhance the ability of NGOs to respond to natural disasters in developing countries. MOHW cooperates with WHO to provide NGO training programs

MOE

MOE's development assistance activities include the following:

- *Training* — MOE, with the cooperation of national universities and other institutions, accepts foreign trainees in fields such as medicine, engineering, agriculture, and education. MOE accepted 569 foreign trainees in fiscal year 1993 (MOE 1996).
- *Dispatch of experts* — MOE dispatches experts to developing countries in the fields of medicine, engineering, agriculture, and education, with the cooperation of national universities and other institutions. MOE dispatched 685 experts in fiscal year 1993 (MOE 1996). MOE also contributes to experts' training in public and private universities by subsidizing programs of FASID, such as joint development assistance lectures for postgraduate students and training of development assistance personnel in the conduct of overseas surveys.
- *Cooperation through international agencies* — MOE cooperates in various UNESCO programs, such as educational programs for AIDS prevention, the Programme for Assisting NGOs in Developing Literacy Resource Centres for Girls and Women, and intergovernmental joint surveys. MOE contributes financially to UNESCO's literacy education programs and implements various programs of the Asian Cultural Centre for UNESCO. MOE participates in conferences and sponsors international symposia in Japan for education-related OECD programs. MOE also participates in teacher-training and math-curriculum projects with APEC. Japan is also a member of the International Center for the Study of the Preservation and Restoration of Cultural Property and cooperates in this organization's international research projects and its other activities.

- *Exchanges* — MOE sends teachers and researchers overseas and brings foreign teachers and researchers to Japan. MOE accepts foreign students from developing countries and supports and subsidizes international exchange programs for upper secondary-school students. It brings foreign scholars to Japan to lecture on education, science, and culture and to meet with Japanese scholars. Japanese leaders in social education are also sent overseas to discuss social education with foreign experts (for example, to discuss adult education).
- *Women and youth* — MOE subsidizes the women's international exchange activities of local governments and women's organizations and the youth international exchange programs of other organizations (for example, the National Council of Youth Organizations in Japan, the Japan Foundation).
- *Japanese universities* — These also play a role in Japan's ODA. Although the majority of Japanese universities are public, the number of private universities is growing. MOE holds decision-making authority over public-sector universities' allocation of resources to ODA. Universities organize ODA study groups that make recommendations to the government. They also provide experts to JICA projects and instruct trainees from developing countries in Japan. Universities train Japanese experts. Research on the training and reeducation of Japanese experts to make them more effective is done at Saitama University, the University of Tokyo, Yokohama National University, Nagoya University, Kobe University, and Hiroshima University. MOE established the Inter-University Committee for Development Assistance to promote universities' independent international cooperation efforts.

MOPT

POSIVA is a particularly interesting initiative of MOPT to support the development cooperation activities of NGOs. Under the POSIVA system, savings-account holders in the post-office system can donate 20% of their interest to NGO's international cooperation activities. MOPT combines the donations and distributes them to NGOs involved in overseas assistance projects, based on advice from MOFA and the Japanese NGO Center for International Cooperation (JANIC), an umbrella institution for citizen-led organizations involved in ODA. Annually, MOPT solicits grant applications. Grants under POSIVA are used for such purposes as literacy

programs, informal education, women's income-generation projects, construction of wells, medical and health projects, and environmental programs. (See Chapter 5 for further details.) As of November 1997, 23 million depositors had joined POSIVA, and in 1997 the system generated 8.5 million JPY for a total of about 135 million USD since its initiation in 1991 (MOPT 1997).

Government-affiliated organizations

As mentioned earlier, government-affiliated organizations are nonprofit organizations legally registered as public-interest corporations. Ms Shizawa, in her 1998 thesis, reported that to get legal incorporation, an organization must be supervised by a sponsoring ministry, which usually requires that the mandate and activities of the organization be congruent with its own. The organizations must have about 300 million JPY in capital and a large membership base, even though the application of this rule may vary from ministry to ministry (Shizawa 1998). Some of these organizations are established by the ministries in direct support of their activities, including their ODA-related activities. Their number is difficult to estimate, but they seem to appear in every sphere of activity, at least as far as ODA is concerned. In many cases, retired government officials take up well-paying jobs in these organizations, under the prevalent custom of *amakudari* (descent from heaven) in the government of Japan. A number of these organizations were mentioned in the descriptions of the ODA activities of the various ministries in the preceding section. This section will provide a more detailed description of some of the organizations to provide examples to help in understanding the roles, responsibilities, and range of activities of the government-affiliated organizations involved in ODA.

FASID

FASID was established in 1990 as an incorporated foundation with the status of a public-interest corporation and is registered with MOFA and MOE. It engages in several activities:

- *Information services* — FASID provides information about development assistance to government agencies, aid-implementing organizations, and universities. It also provides them with a database of specialists. FASID has started to create a network of the databases of development assistance agencies, research institutions, and international organizations around the world.

- *Training* — FASID provides training on the theory, policy, and practice of development assistance to Japanese development assistance professionals. Most of this training is financed from the ODA budget of MOFA. FASID collaborates with Japanese universities to organize development assistance courses. MOE subsidizes some of FASID's training programs for development-assistance personnel in Japanese universities, such as joint development assistance lectures for postgraduate students and overseas survey training. FASID also provides short-term graduate-school-level development assistance training seminars and courses for government and private-sector aid personnel.
- *Research and education* — FASID promotes development assistance research and education in Japanese universities and research institutes to strengthen human resources for development work. It also researches international development to enable the Japanese government to enhance its economic-cooperation policies. FASID's research focuses on Asian LDCs, particularly Asian transition economies.

FASID provides financial support to enable Japanese development assistance researchers to study overseas and provides fellowships to enable graduate students to conduct research in development studies. FASID also dispatches teachers to foreign universities and research institutions. It dispatches former JOCV members, students who want to be development assistance researchers (mainly in the areas of development management and planning), and others to overseas universities and institutions.

- *International symposia on development aid* — FASID hosts international symposia in Japan for development-aid researchers and administrators from developed and developing countries and international aid organizations.
- *The Keidanren Nature Conservation Fund* — FASID contributes to the Keidanren Nature Conservation Fund (KNCF), which supports nature-conservation projects in developing countries and conducts relevant training.

IDRI

IDRI is an organization registered under FASID. This organization performs several functions:

- *Research and dissemination* — FASID–IDRI researches current international development issues and their future outcomes. The results are disseminated to the public and government through forums and seminars or published documents (for example, the annual *Agenda for International Development*).
- *FASID Academy* — FASID–IDRI organizes the FASID Academy, which aims to strengthen the development leadership of practitioners and scholars. The faculty comprises Japanese, FASID–IDRI, and foreign researchers.
- *Education* — FASID–IDRI develops curricula and teaching materials for Japanese graduate development schools. Topics include gender, culture and development, and development management.

JICS

JICS is a government-affiliated organization established as a public-interest corporation by MOFA. JICS works for MOFA and JICA to support implementation of grant aid and technical cooperation. For grant aid, JICS performs preliminary studies and follow-up surveys and supports project implementation, procurement, and equipment aftercare. JICS undertakes market and equipment-pricing studies to assist MOFA and JICA in negotiating better prices for equipment. JICS prepares equipment specifications and purchases and delivers equipment. It also dispatches experts, on request from JICA and MOFA.

JICE

JICE is a nonprofit organization established to coordinate JICA's training in Japan; that is, JICE works with JICA to orient trainees in Japan when they arrive, provide interpretation services, make travel arrangements, and coordinate training with the Japanese ministries, regional bodies, private firms, universities, and other organizations accepting trainees. JICE also contributes to ODA public relations and holds symposia. JICE has 143 regular staff members, 128 technical staff

members on contract, and 510 firms and organizations as supporting members (DAC 1996).

AOTS

AOTS is a government-affiliated organization registered as a public-interest corporation under MITI. It was established in 1959 for the purpose of providing training for employees of private companies in developing countries. It organizes private-sector training in Japan and overseas, as well as providing subsidies to programs administered through private-based technical cooperation. The training is organized in cooperation with companies in Japan and developing countries and is funded by MITI and leading Japanese companies. AOTS training programs are led by the private sector, which has the main responsibility for planning, administering, and paying for them, although the Japanese government subsidizes some of these programs. AOTS trained 4 882 people in fiscal year 1996 (JICA 1997).

AOTS provides training in areas such as business management and industrial technology. Quality-control training is provided, and the trainees can visit Japanese companies to witness the implementation of quality-control circles (in which every employee is encouraged to make suggestions for improving the company's output). The companies also offer specialized technical training in different locations in Japan after study tours for the trainees. Japanese host companies usually accept trainees from among employees in their overseas joint ventures and plants (this is the main source of trainees). However, trainees may also come from the host companies' customers, sales agents, and others.

AOTS offers correspondence courses in total quality control and workplace improvement for companies that cannot afford to send trainees to Japan and sends the required books and materials to the country's local AOTS alumni society. The alumni society recruits participants, distributes materials, and corrects course work. The alumni society uses the correspondence course fees to fund its own activities. In addition, teachers are dispatched from Japan to facilitate the program.

AOTS has alumni societies in 60 cities and 40 countries (Saito 1998). They are in continuous contact with AOTS, which supports their activities. The alumni societies recruit candidates for AOTS scholarships and recommend trainees for AOTS programs. More than 25% of trainees are invited on the recommendation of AOTS alumni societies (Sato 1998).

The alumni societies often implement their own programs for human-resource development in their home countries. For example, alumni societies have

established training centres in their countries and financed and conducted training activities at their own facilities (with guidance from AOTS). Alumni societies also engage in domestic lecture tours, in which AOTS alumni with training in Japan travel to different cities in their own country to share what they have learned. The alumni societies may also facilitate the exchange of experiences among trainees to help them adapt their new knowledge to their local situations.

CHAPTER 4

THE PRIVATE SECTOR

Chapter 2 mentioned the role of the private sector in Japanese ODA policy-making and project identification, planning, and implementation. This chapter looks at some of the firms and organizations that fulfill that role.

The trading companies

Japan's trading companies are often referred to as some of the world's most efficient marketing channels. Known in Japanese as *sogo shosha*, they have been playing a key role in Japan's extraordinary economic growth since World War II. During the postwar period, they emerged as Japan's primary importers of food and raw materials and were at the forefront of the export drive and the modernization of Japan's extremely complex distribution system. They became organizer-investors in huge natural-resource development projects abroad. Through a global network for information gathering, sales and communication, they have expanded their range of activities to include worldwide trading of commodities, capital, technology, managerial skills, and labour, as well as being leaders in packaging mega-infrastructure projects. Japan's trading companies are among the most significant phenomena of contemporary world trade and finance.

Their influence in Japan's economic cooperation is not surprising. Trading companies are particularly well placed to identify and formulate projects. Their network of offices and the size and range of their activities overseas provide them with access to information and to government officials, as well as giving them the capacity to use their operations in a country as leverage in developing projects. They are also well known for their ability to put together project-financing packages combining ODA with private-sector financing. At a series of seminars organized by the Canadian and Japanese governments in December 1995, on How to Access Japanese ODA by the Canadian Private Sector, various representatives of Japanese trading companies explained that their projects are not necessarily targeted to the use of Japanese ODA exclusively; rather, when putting together a financing package for a project, a company will work with the recipient to identify and formulate a project and determine which components should receive Japanese ODA; which should receive financing from JEXIM, the World Bank, or a regional

development bank; and which should receive private-sector financing. This is especially true of the megainfrastructure projects. This means that the trading companies can play an important role in providing FDI to a recipient country, as well as having an influence in Japan in gaining support for their projects. The trading companies not only benefit developing countries with financing and FDI but also help to identify and formulate projects for Japanese ODA. This may be one explanation for the major allocation of funds to infrastructure projects in the Japanese ODA program.

At the 1995 seminars, representatives of the trading companies indicated that in preparing the project-financing packages, they also prepare bid submissions, using their global network to identify potential partners and subcontractor suppliers. They indicated that this process started at the same time as the financing package was put together, quite some time before the various components make their way through official channels in a request for ODA. How the aid remains untied in this process is unclear.

Private-sector organizations

Public-interest corporations include foundations and associations established by corporations or groups of corporations. To get legal status as a public-interest corporation and receive tax-deductible donations, these private-sector organizations have to register under the sponsorship of a ministry. As such, they provide an additional link between the government and the private sector. Such associations as Keidanren thus play an important role in shaping ODA policies and the structure of the ODA system. Keidanren's Standing Committee on Economic Cooperation is engaged in regular dialogue with the government, and the policy papers of the Standing Committee often lead Japan to adopt changes in the ODA system. Others, such as ECFA and the Japan Consulting Institute (the main association of production plant exporters), can mount project-finding missions, with the sponsorship of MITI. Private-sector organizations engage in government-sponsored policy research through their participation in various councils and study teams, which provide guidance on development issues. Some of these are financed by JICA or OECF. Foundations set up by private-sector companies, such as the Sasakawa and Toyota foundations, are actively supporting development cooperation overseas, as well as promoting it in Japan.

Technical cooperation initiated by the private sector is arranged between the private sectors of Japan and the recipient country. It includes the dispatch of experts and the provision of training in Japan and overseas, with subsidies from the Japanese government ODA budget. For example, as described earlier, the

private sector initiates, plans, and implements training for private-company employees in developing countries through the government-affiliated AOTS, with subsidies from MITI. Likewise, MITI and the private sector work together to dispatch experts on request from companies in developing countries through the government-affiliated JODC. Trade associations, such as the Overseas Construction Association of Japan, which is licenced by MOC, or the Japan Railway Technical Service Association, under MOT, supply personnel as staff to JICA and OECF, as well as experts for JICA's technical cooperation activities in developing countries. The Overseas Vocational Training Cooperation Center, associated with MOL, assists overseas vocational-training activities conducted by private enterprises. The center assists with the development of vocational-training instructors to train local workers, guides and advises Japanese instructors overseas, provides information to, and advises, enterprises conducting training, and develops overseas vocational-training materials.

A number of technical cooperation activities are undertaken with JICA. For example, in a program that began in 1987, ship, steel, and machinery builders are dispatched to government-related organizations and public enterprises in developing countries to give technical instruction, jointly with JICA and the Employment Promotion Corporation. JICA works with economic groups, labour groups, and private enterprises to ensure that volunteers can return to their jobs after volunteering overseas, and partially compensates employers for personnel and indirect expenses resulting from the employee's absence. Many private companies also have arrangements to enable employees to participate in JOCV activities without losing job status. Experts from the private sector accounted for 36% of all experts dispatched by JICA to developing countries in 1995 (JICA 1996).

Japanese enterprises instruct trainees from developing countries in Japan under JICA's training program. In fiscal year 1995, of the 419 group-training and specially offered training courses provided by JICA, 154 were implemented by nonprofit corporations; and 22, by private enterprises (JICA 1996).

Keidanren or other trade associations sponsor project-finding missions led by Japanese business leaders to discuss a number of large-scale preliminary project proposals with local officials and politicians. The objective of these missions is to reach high-level informal agreement about the choice of large aid projects to implement. Business delegations also visit developing countries to discuss preliminary large-scale project proposals with local officials and politicians, again to reach an informal agreement about which aid projects to implement. The recipient country can then present proposals for these projects to Japan through official channels.

Consulting firms and trade associations will often finance preliminary project-design studies for the recipient government or be contracted by JICA to undertake development studies. Currently, 574 firms are registered with JICA, and about 20 of these firms receive around 70% of the contracts; 14 of these 20 firms are members of ECFA. A total of 320 development studies were conducted in fiscal year 1996, with the following sectoral distribution: manufacturing and mining, 26.9%; agriculture, forestry, and fisheries, 19.4%; transportation, 16.9%; public-works projects, 13.4%; construction, 9.1%; telecommunications, 1.3%; and other sectors, 13.1% (MOFA 1997c). Reports of the development studies are submitted to recipient countries to be used for policy development and planning. According to the Japanese firms at the 1995 seminars, if the recipient country wishes to apply to Japan for financing for implementation, a firm's participation in the development study does not disqualify it from participating in the implementation of a project.

Success is not achieved in all cases, nor are all Japanese ODA projects developed by the private sector. Many projects, especially under JICA, do not involve the private sector in their implementation, and many JICA projects are not part of the design of major infrastructure projects initiated by the private sector.

It would be impossible to describe all the private-sector organizations involved in Japan's economic-cooperation activities. We selected a few as examples to encourage readers to seek information about other associations or organizations and their activities in their areas of interest.

Keidanren

Keidanren (Japan Federation of Economic Organizations) is the most important of the cross-sectoral trade associations; it is Japan's most influential business organization. Keidanren is a private, nonprofit economic organization that represents virtually all branches of economic activity in Japan. As of 1 July 1998, Keidanren's membership comprised 1011 corporations and 121 associations (JFEO 1998b). The corporate members are leading Japanese enterprises, along with 52 foreign companies operating in Japan. Association members include trade associations and regional economic organizations. (See Appendix A21 for an organizational structure of Keidanren.)

Keidanren has close contact with both the public and private sectors in Japan and abroad. Its members discuss and reach consensual solutions to problems facing industry and commerce. They give suggestions to the government and other influential bodies. Keidanren also has a Standing Committee on Economic Cooperation. Along with the Third Provisional Administrative Reform Council and the

Keizai Doyukai (the Environmental Committee of the Japan Association of Corporate Executives), Keidanren has expressed its desire for more transparency and regularity in ODA decision-making. The private sector is also becoming more competitive and requires little protection or guidance from the Japanese government; however, the private sector will not push for too much reform of the ODA system because it fears losing its influence on ODA policy-making or ODA support for its trade and FDI activities. Keidanren's activities include the following:

- *Japan International Development Organization, Ltd* — The Japan International Development Organization, Ltd (JAIDO) combines OECF and private funds to assist private Japanese companies in joint ventures with developing-country enterprises, encourages Japanese export industries, and promotes foreign-currency-generating projects in developing countries. OECF has a one-third equity in the company. JAIDO has provided assistance for projects in Africa, Central and South America, Asia, and Eastern Europe.
- *Japan International Training Organization* — The Japanese government and Keidanren established this organization to train foreign workers in Japanese companies.
- *KNCF* — KNCF collects donations from individuals and corporations to finance environmental-protection projects led by NGOs based in Japan or abroad. In fiscal year 1996, KNCF gave 132 million JPY (1.2 million USD) to 38 projects (MOFA 1996c).
- *The One-Percent Club* — The One-Percent Club comprises companies and individuals contributing 1% of their profits or incomes to social causes each year.
- *Council for Better Corporate Citizenship* — Keidanren established the Council for Better Corporate Citizenship. It has 348 member companies and assists the efforts of Japanese companies with overseas operations to contribute to local communities.
- *Ditchley International Conference* — Keidanren sends Japanese participants to the international conferences organized by the Ditchley Foundation of Great Britain.

- *FASID* — Keidanren supports FASID (see the description of FASID in Chapter 3).

ECFA

ECFA is a public-interest corporation operating under the sponsorship of MITI and MOC to promote the overseas activities of Japanese consulting firms. Its members come from leading consulting firms; currently, ECFA has 50 regular members, 22 associate members, 35 supporting members, and 2 affiliate members (ECFA 1998). (See Appendix A22 for an organizational chart of ECFA.)

The ECFA (1998) provided the following data on the projects (on a monetary base) it undertook in fiscal year 1996:

- 66% of the projects were undertaken in Asia; 13%, in Africa; 8%, in Latin America; 7%, in Europe, America, the Commonwealth of Independent States, and various countries; 4%, in the Middle East; and 2%, in others (including international organizations, World Bank-affiliated banks, and regional development banks);
- 30% of the projects were in transportation; 15%, in water resources; 13%, in agriculture, forestry, and fisheries; 12%, in energy and electricity; 9%, in the environment; 5%, in regional and urban development; 4%, in telecommunications and broadcasting; 4%, in constructions and housing; 2%, in mining; 2%, in industry; and 2%, in others; and
- 53% of the projects were undertaken for governments of developing countries; in most cases, these projects were financed through OECF loans: 34% are for JICA; 6%, for private entities (other than Japanese enterprises); 2%, for private enterprises (Japanese enterprise groups); and 5%, for others (including the IFIs and various international organizations, mainly those affiliated with the United Nations).

ECFA hires development consultants to conduct master-plan surveys, field surveys, and feasibility studies, prepare design specifications for materials and project construction, advise on the selection of construction companies and supplies, supervise construction and operation of the completed project (engineering companies also supply machinery), and provide educational training (for example, on-site training and project-operation training for those who would take over the operation of the project). ECFA also dispatches teams to find projects in

developing countries, trains developing-country consultants, and collects and provides information on developing countries, international organizations, and foreign consultants. In addition, ECFA holds seminars and training courses, and the ECFA School of Excellence teaches experts about international development. ECFA promotes exchanges of foreign consultants to develop consulting experience.

Japan Development Institute

The Japan Development Institute (JDI) is a nonprofit, private research institute within ECFA. JDI works with experts from ECFA member firms and international organizations (for example, UNDP, ADB, Japanese government agencies, private firms, and NGOs). JDI has research teams for development policy and strategy, integrated regional development, environment and development, social development, and ODA.

DEVELOPMENT POLICY AND STRATEGY — With help from local people, JDI formulates development policies and strategies tailored to a specific developing country in such areas as the transition to a market economy, the private government-owned companies, encouragement of small and medium-sized businesses, promotion of exports, and planning the location of industries.

INTEGRATED REGIONAL DEVELOPMENT — JDI research on integrated regional development involves working with the government of a recipient country to create comprehensive long-term development plans and propose ODA programs to help in implementing the plans. JDI organizes consultants from the ECFA firms. This type of approach is particularly targeted at newly emerging regions, such as ASEAN countries, Central Asia, and Indochina.

ENVIRONMENT AND DEVELOPMENT — JDI surveys environmental problems in developing countries, proposes solutions, and helps write Japan's guidelines for environmental considerations on aid projects (such as for JICA-funded projects). For example, MITI commissioned a JDI study on industrial-pollution problems in Malaysia and Thailand.

SOCIAL DEVELOPMENT — JDI's research on social development helps in developing government-policy guidelines that take into account local inhabitants, gender, and the effects of a project on local people.

ODA-RELATED RESEARCH — JDI studies the implementation of ODA and training development personnel to propose improvements. To this end, it studies other donor countries and international organizations.

ECFA'S FUND FOR BASIC PROJECT STUDY — ECFA's Fund for Basic Project Study enables JDI to study new fields and regions for consulting services.

Japan Federation of Surveyors

The Japan Federation of Surveyors (JFS) was founded in 1987, and it comprises 10 associations. JFS provides a forum for its members to exchange information on surveying and mapping technology and other matters of interest. Its members include the following:

- *Infrastructure Development Institute-Japan* — Before April 1994, the Infrastructure Development Institute-Japan (DIDJ) was called the International Engineering Consultants Association. JICA enlists DIDJ to operate and manage mapping projects, as part of Japan's technical cooperation.
- *Japan Construction Training Centre* — The Japan Construction Training Centre (JCTC) studies training and construction technology and publishes training manuals, periodicals, and other publications. JCTC also provides courses of training and lectures and manages the Sapporo College of Science and Technology. JCTC dispatches Japanese construction trainees abroad and receives trainees from developing countries through JICA and other government bodies.
- *Japan Confederation of Survey and Design Enterprise Association* — This is a national organization, with member associations of the same name in each prefecture.
- *Survey Education Centre* — The Survey Education Centre provides lectures on surveying technology for teachers at survey colleges. It also dispatches two members to developing countries for surveying and mapping through JICA, as part of Japan's technical cooperation.

- *Japan Hydrographic Association* — This association supports JICA technical cooperation pertaining to hydrographic training (for example, by providing training courses).
- *Japanese Association of Surveyors* — This association was founded 1951. It has reviewed JICA's rules for overseas surveys with the Geographical Survey Institute (GSI) and updated them to incorporate new techniques. It also publishes a magazine for its members.
- *Japan Map Centre* — The Japan Map Centre conducts research in mapping and holds seminars for GSI.
- *Japanese Association of Precise Survey and Applied Technology* — This association was founded in 1980 and comprises 133 survey and mapping companies. It studies surveying technology, holds study meetings, performs research, and trains survey engineers.

International Development Centre of Japan

The International Development Center of Japan (IDCJ) is a private, nonprofit institution that encourages Japanese official development cooperation and cooperates with JICA and domestic and international aid organizations. According to the IDCJ 1996 report, its expenditures for the year totaled 4.86 million USD (IDCJ 1996). It finances itself through membership fees from 124 corporate members and the public and through the contract work it carries out for JICA. IDCJ engages in the following activities:

- *Training* — IDCJ provides training courses and education in development planning for developing-country officials and Japanese development personnel. In addition, it trains scholars from Asia and developing countries.
- *Policy consulting* — IDCJ focuses mostly on regional development and planning. It performs macroeconomic and sectoral studies, development planning, prefeasibility studies, and ex post facto project evaluation on behalf of Japanese or developing-country governments.
- *Research* — IDCJ researches development planning and formulates frameworks for development strategy. It conducts international research

exchanges with development-research institutions in developing countries. It collaborates with Asian scholars and institutions.

- *Conferences* — IDCJ hosts international conferences and symposia on development and cooperation

Corporate philanthropy

Toyota Foundation

The Toyota Foundation is a private, nonprofit organization established in 1974 with an endowment from the Toyota Motor Corporation. Its total endowment is about 21.4 billion JPY (roughly 165 million USD) (Toyota Foundation 1998c). It is modeled after the Ford and Rockefeller foundations. The Toyota Foundation has a charter from the Prime Minister's Office and its Board of Directors acts independently of the corporate policies of the Toyota Motor Corporation. (See Appendix A23 for an organizational chart of the Toyota Foundation.) Applications for grants are reviewed by a selection committee, and the grants must be approved by the Board of Directors. The Toyota Foundation awarded 263 grants worth 439 million JPY (3.6 million USD) in 1997, based on approvals by the Board of Directors (Toyota Foundation 1998a). The foundation has several activities:

- *Research Grant Program* — This program awards grants for individual and international joint research projects, focusing on the following areas:
 - Mutual understanding and coexistence of diverse cultures;
 - Proposals for a new social system (building a civil society);
 - The global environment and the potential for human survival; and
 - Science and technology in the age of civil society.

In fiscal year 1997, 200.4 million JPY (1.7 million USD) was awarded for 67 grants under the Research Grant Program (Toyota Foundation 1998c).

- *Grant Program for Citizen Activities* — The Grant Program for Citizen Activities (GPCA) awards grants for projects in Japan to document

grass-roots citizen activities, to publish the results of such research, and exchange information among groups engaged in citizen activities. In fiscal year 1997, 20 million JPY was awarded for 13 projects under the GPCA (Toyota Foundation 1998b). GPCA also conducts a research contest for joint projects of community residents and experts studying the environment in Japan. In 1994, 22 million JPY was awarded for 6 projects for this contest, but no new grants were awarded in 1995, 1996, or 1997 (Toyota Foundation 1998a).

- *Southeast Asia programs* — The Toyota Foundation works through a number of programs in Southeast Asia:
 - *International Grant Program* — This program awards grants, mainly for research projects conducted by indigenous researchers in Southeast Asian countries to preserve indigenous cultures. In 1997, the program awarded 59 grants worth altogether about 66.7 million JPY (Toyota Foundation 1998a).
 - *Southeast Asian Studies Regional Exchange Program* — This program encourages international joint projects to nurture Southeast Asian studies in the social sciences and humanities. In 1997, the program awarded 28 grants worth altogether about 35.3 million JPY (Toyota Foundation 1998a).
 - *Incentive Grants for Young Indonesian Researchers Program* — This program provides grants to Indonesian researchers to conduct research in the social sciences. In 1997, the program awarded 59 grants worth altogether about 12.2 million JPY (Toyota Foundation 1998a).
 - *Know Our Neighbours Translation–Publication Program* — The Translation–Publication Program in Japan provides grants to Japanese publishers to translate, edit, and publish literary works and works by indigenous authors on the culture, society, and history of South and Southeast Asian countries into Japanese. In 1997, the program awarded six such grants, worth altogether 15.3 million JPY (Toyota Foundation 1998a). The Translation–Publication Program in Other Asian Countries provides grants to produce and

publish translations of works of Southeast Asian countries and Japan in the languages of South and Southeast Asia. In 1997, this program awarded 14 such grants, worth altogether about 12.3 million JPY. Usually, scholars in the recipient countries select books for translation, and local or international experts translate them.

The Sasakawa Peace Foundation

The Sasakawa *Heiwa Zaidan* (the Sasakawa Peace Foundation [SPF]) was established by the owner of a motorboat-racing club in 1986 and has the legal status of a public-interest corporation. It uses the profits from motorboat racing to support projects in the humanities and social sciences, welfare, culture, and education, and international activities. According to the DAC report on governments and NGOs, "SPF had in 1990, assets of almost yen 43.5 billion (US\$ 293 million) and expenditures of more than yen 4.4 billion" (OECD 1993, p. 182). SPF has established various funds. For example, in 1992, it established the Sasakawa South-east Asia Cooperation Fund (SSACF), which is primarily directed to addressing the development issues of Cambodia, Laos, and Viet Nam. SSACF provides grants to NGOs and other implementing agencies for various kinds of development projects and organizes its own projects, such as conferences, seminars, and exchanges of people (SPF 1993).

The Sumitomo Foundation

The Sumitomo Foundation is an incorporated foundation established by the Sumitomo Corporation. Its activities include

- Subsidizing basic scientific research, including environmental research;
- Acting as a member of the One-Percent Club, donating 600 million JPY (Sumitomo Corporation 1997); and
- Conducting training (the Sumitomo Foundation trains people from foreign countries); in 1992, it ran 27 programs for 361 trainees (Sumitomo Corporation 1997).

Matsushita Electric Industrial

The activities of the Matsushita Electric Industrial (MEI) include the following:

- *The Japan Prize* — The annual Japan Prize goes to scientists whose creative achievements have contributed to the advancement of science.
- *The Matsushita Professorship* — This fund subsidizes university research and makes other contributions to local communities where MEI operates.
- *Material donations to developing countries* — MEI donated air conditioners to a Cambodian hospital that was established by an NGO and Japanese private-sector donations to provide free medical care.
- *Human-resource development* — MEI contributes to human-resource development in Indonesia, Malaysia, Peru, Taiwan, Tanzania, and Thailand.
- *Japan-Malaysia Friendship Afforestation* — MEI supported a joint project involving 11 Japanese corporations for the afforestation of land in Malaysia. MEI will create and donate a 30-ha artificial forest to the local community.
- *Water supply* — When local wells dry up, MEI supplies water to the Nepalese village of Tada, the location of one of MEI's factories.
- *Schools in Thailand* — MEI provides funding for school buildings in Thailand. Since 1992 MEI has funded the construction of six school buildings in Thailand annually.
- *The Matsushita International Foundation* — This foundation grants scholarships to overseas students attending the International University of Japan, subsidizes researchers' and doctoral students' research in the arts and social sciences (about 70 each year), and supports international exchange and international cooperation programs (for example, the construction of schools in Peru). The foundation has an endowment of 3.5 billion JPY (MEI 1999).

Nippon Electric Company Ltd

Nippon Electric Company Ltd (NEC) provides financial support to volunteer groups and recovery aid for farming villages in Cambodia and other countries. The money is raised by NEC's employees, who collect used postcards, stamps, and prepaid telephone cards. NEC provided financial and technical support for a study of an endangered crane species that migrates from Mongolia to India.

Mitsubishi

The leading members of the Mitsubishi group are Mitsubishi Heavy Industries, Bank of Tokyo-Mitsubishi, and Mitsubishi Corporation. Mitsubishi's activities include the following:

- *Environmental Affairs Department* — This department coordinates the group's environmental activities. It is involved in projects for experimental tropical-rain-forest regeneration. For example, the company works with local agricultural universities and Japanese professors to plant seedlings in Brazil, Chile, and Malaysia. Other activities include providing support to Katalysis, an American NGO, to provide community-banking programs to improve the standard of living of Central American women, as well as research on the sustainable management of the Amazon rain forests.
- *Environmental groups* — Mitsubishi Corporation collaborates with economic groups, government organizations, and NGOs on environmental issues. One of its executives chairs the Keizai Doyukai. The company also supports KNCF and the World Wildlife Fund-Japan.
- *Scholarships* — Mitsubishi grants scholarships to overseas students studying at Tokyo universities.

Nippon Telegraph and Telephone Corporation

Nippon Telegraph and Telephone Corporation (NTT) encourages its employees to participate in JOCV. It recruits members through regular newsletters, guarantees people will have their jobs on their return and provides a 2-year paid vacation for volunteers. NTT sent about 422 of its employees as JOCV telecommunications experts to 36 countries by the end of 1996 (NTT 1998). NTT also participates in

international exchanges, and NTT employees contribute to UNICEF, the Japan Foster Plan Foundation, and the Social Welfare Conference.

Dai-ichi Kangyo Bank

Dai-ichi Kangyo Bank (DKB) undertakes several philanthropic activities, including the following:

- *Earthquake aid* — DKB provides low-interest loans for reconstruction and relief supplies. Its employees donate relief money and collect donations for the Japanese Red Cross Society and the Central Community Chest of Japan through a special bank account. In response to one earthquake, DKB organized the publication of a book about earthquake-safety procedures and donated it to public institutions.
- *Donations* — DKB employees donate money to organizations that finance activities in developing countries, such as health-care programs and blood collection. DKB also created a savings account from which part of the interest is donated to the World Wide Fund for Nature—Japan.

Sanwa Bank

Sanwa Bank has offices in 31 countries and contributes to the welfare of the local people in those countries in several ways:

- *Sanwa Midori Fund* — The purpose of this fund is to provide education and promote awareness of the environment in universities. It collaborates with Japanese universities (for example, Sophia University, Doshisha University) to sponsor courses on ecological issues.
- *Environmental forums* — In 1996, the Sanwa Bank organized a forum entitled Land, Cities, and Forests: a 21st Century Perspective.
- *Earthquake relief* — In 1996, Sanwa Bank donated 10 million JPY for relief after an earthquake in China (Sanwa Bank 1996).
- *Sanwa Bank Foundation* — The Sanwa Bank Foundation promotes cultural exchange and mutual understanding between Japan and other countries. It provides scholarships to overseas schools and grants to

researchers overseas and participates in international exchanges. The Sanwa Bank Foundation focuses on assisting students at Asian universities.

Fujitsu Ltd

Fujitsu Ltd undertakes philanthropic activities through the Foundation for International Information Processing Education (FINIPED):

- *Assistance to FINIPED* — FINIPED has a 240 million JPY endowment and is supported by 165 members from the private sector, including Fujitsu Ltd (Fujitsu 1998). FINIPED has the following activities:
 - Sponsors courses at MIT, Tokyo University, and Keio University;
 - Supports human-resource development in information processing (it provides financial support for information-processing engineers);
 - Subsidizes trainees and researchers;
 - Gives lectures and issues publications from other organizations; and
 - Develops projects to enhance international exchange.

As of March 1996, the cumulative subsidy recipients were 781 Japanese people and 469 foreigners (from China, India, Korea, the Philippines, Taiwan, the United States, and others) (Fujitsu 1998).

- *International exchanges* — Fujitsu's Overseas Training Centre instructs trainees from developing countries, and its Cross-Culture Centre is a training institute with accommodations for overseas trainees. Fujitsu also sponsors the international exchange activities of Keidanren, and the Fujitsu Library donates books to overseas Japanese research organizations through the Foundation for Assistance of Information Research. Fujitsu encourages its employees to advise developing-country personnel overseas by providing temporary retirement (maximum of 3 years) for those volunteering for JOCV.

AEON Group Environment Foundation

The AEON Group Environmental Foundation is an incorporated foundation that subsidizes organizations or individuals whose activities contribute to environmental preservation. Overseas candidates must be recommended by a Japanese person or organization.

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CHAPTER 5

AID THROUGH NONGOVERNMENTAL ORGANIZATIONS

Citizen-led NGOs

NGOs are categorized as citizen-led nonprofit organizations under Japanese regulations. Some have legal status as public-interest corporations; the others, without legal status, are known as *minashi hojin* (that is, informal organizations). According to Shizawa (1998, pp. 68–69), “the Japanese NGO Center for International Cooperation (JANIC) estimates that in 1996, there were nearly 400 citizen-led organizations in development cooperation. Only about 10% of them have legal status.” “Most of them are small: on average, these organizations count on two or three paid staff, three to five volunteers, a membership of about 300 and an annual budget of 10 to 20 million yen,” and “most focus on specific issues” (Shizawa 1998, p. 67). The reasons why so few have legal status include the following:

- To get legal incorporation, the organization must have approval from a government ministry that recognizes the applicant as a nonprofit, public-interest organization;
- After gaining legal status, an organization’s administration must be supervised by the sponsoring ministry; in addition, incorporated foundations require large capital (about 300 million JPY), and incorporated associations require a large membership base, although there are no rules applied uniformly across the various ministries. The OECD 1993 report on NGOs mentioned that “approval depends to a large extent upon the level of congruence between the applying organisation and the ministry under which its seeks approval” (OECD 1993, p. 186);

NB: With the kind permission of Ms Michiko Shizawa, this chapter uses a lot of material from her master’s degree thesis, “Japanese Official Development Assistance: The Role of Non-Governmental Organizations,” Norman Paterson School of International Affairs, Carleton University, Ottawa, Canada, 1998.

- The application and approval procedures are complicated, opaque, and time-consuming; and
- Some citizen-led NGOs are reluctant to allow supervisory ministries to interfere in their management.

Consequently, many citizen-led NGOs cannot, or do not try, to seek legal status. However, the situation may change with the new legislation for citizen-led NGOs passed by the Japanese lower parliament in March 1998. Without legal status, it is difficult for an NGO to enter into legal contracts, hold and manage assets, obtain contracts with government agencies for the provision of technical co-operation, enjoy tax-deduction privileges (through which income from profitable activities is taxed at a lower rate), and generally to have creditability. The OECD report summarizes the situation in indicating that the lack of legal status for NGOs "means that they live in an almost twilight world, with few tools at their disposal for permanent institutionalisation or serious professionalism" (OECD 1993, p. 186). Another disadvantage is connected with charitable contributions. Private companies can receive tax deductions for their donations to organizations with legal status. But donations from individuals are tax deductible only when given to an organization with a special-interest-promoting juridical status, a much harder legal status to obtain. This taxation system discourages donations and is one of the reasons for the weak financial base of NGOs.

Citizen-led NGOs are generally a relatively recent phenomenon in Japan. Ms Shizawa cited a JANIC 1996 study of 247 NGOs, which indicated that about 70% had less than 10 years experience (JANIC 1996, cited in Shizawa 1998). Apart from a few citizen-led NGOs that have undertaken development cooperation since the 1960s and early 1970s, such as the Organization for Industrial, Spiritual and Cultural Advancement International (OISCA), Shapla Neer, and the Pacific-Asia Resource Center, the emergence of citizen's groups involved in ODA really started with the huge refugee flow from Indochina in 1979 and efforts to provide emergency relief and refugee assistance. Whereas in other countries, NGOs are regarded as a third sector outside the private and public sectors, in Japan the term *third sector* is used to refer to corporations set up by the central or local government and private firms for the purpose of assisting in their activities. Historically, the iron triangle of politicians, bureaucrats, and corporate elite ruled over all the spheres of society, looking after all the needs of the citizens and allowing limited scope for the emergence of citizen-led NGOs. As evident from the rules and regulations for obtaining legal status, the activities of the citizen-led NGOs were

brought under the surveillance and control of the government. This relative marginalization of these organizations in civil society, which continues to this day, helps to explain their lack of influence on aid-policy formulation and ODA implementation.

The activities of citizen-led NGOs in development

In Japan, the emergence of citizen-led NGOs in ODA really started with the Indochina refugee crisis. The focus then was on the delivery of food, medicine, and medical care in developing countries. More recently, with the realization that structural problems underlie poverty and the plight of refugees, the citizen-led NGOs have started to expand their agendas from short-term relief to a more long-term commitment to cooperation in the development and self-reliance of people in developing countries. Some citizen-led NGOs have started to work more closely with citizen-led groups in developing countries since the 1990s; advocacy and development education have also been added to the NGOs' agendas.

From a survey of citizen-led NGOs working in developing countries, JANIC (1996, cited in Shizawa 1998) found that the most recently adopted main roles are provision of project delivery, for 390 NGOs; development education, for 112; emergency assistance, for 64; and fair trade, for 15. They are predominantly in Asia, whereas their presence in Africa is more emergency-assistance related. Their sectors of activity are education, for 152 NGOs; medical care, for 115; children, for 103; environmental conservation, for 88; women, for 82; rural development, for 80; and vocational training, for 80. Medical care and education are the most popular, whereas support for WID issues is far weaker.

Generally, the citizen-led NGOs involved in ODA lack the financial-resource base to keep and develop professional staff and become strong organizations capable of managing substantial budgets. The inherent weakness of the citizen-led movement, linked to the impact of their lack of legal status, limits the growth and scope of their activities in developing countries. Western donor agencies have turned to NGOs because they appear to meet the new demands of development assistance with cost-efficiency, a people-centred approach, and public support from their supporters. The supporters of NGOs can in some countries exercise considerable political power in favour of their NGOs' development activities. Given the recent emergence of citizen-led NGOs in Japan, as well as in ODA activities, and their generally limited experience and capacities, it is hardly surprising to see the Japanese government enlisting the collaboration of NGOs in Japan's ODA.

Government policies on NGOs in development

In recent years, MOFA, along with a few other ministries, has started promoting collaboration with NGOs. As this change did not result from the track record of Japanese NGOs in development, one has to look elsewhere for the reason for ministries adopting this approach. It could be argued that the Japanese government's recent interest in collaborating with NGOs probably stems more from factors external to the Japanese movement than from its own innate capacity to play a role in improving the effectiveness of aid delivery.

The interest of the government coincides with growing support for NGO activities among multilateral and bilateral donors. Development assistance has moved into issues that require the participation of civil society, as the focus at the end of this century is on achieving greatly reduced levels of poverty in the next century and the recognition is growing that environmental issues stem as much from poverty as from rapid industrialization. Donors have increasingly come to recognize the important role that NGOs can play in collaboration with the public sector in addressing these issues. As Japan's ODA policies have shifted to placing greater emphasis on these issues, greater collaboration with NGOs would enable Japan to increase its capacity and the effectiveness of its aid. In addition, Japan can also see and judge the development activities of NGOs from other countries and the potential that NGOs have to increase the impact of Japan's own activities.

Although MOFA recognizes the value of the contribution that NGOs can generally make to the development process and recognizes that they have slowly become stronger over the years, it still sees weaknesses in the Japanese citizen-led NGO movement. The ministry's hope for collaboration with citizen-led NGOs is mixed with concerns about their present weaknesses. MOFA's statement (MOFA 1995) of its reasons for collaborating with NGOs on ODA reflects this ambivalence, as well as giving several interesting reasons for working with them:

- Development cooperation activities of NGOs have played an important role in extending participatory economic cooperation, or "visible Japanese aid," because they can provide specific and personalized attention, albeit to a limited extent, to inhabitants of developing countries. Moreover, their activities complement ODA projects aimed at the construction and development of large-scale economic and social infrastructures or medical and educational facilities, intended for the benefit of the general population of a recipient country. People in the recipient countries recognize both government ODA and the assistance of NGOs as aid from the Japanese people. As well, the role performed by NGOs

is arousing a highly valuable sense of appreciation of Japan's aid among the Japanese people and the international community.

- It is important for the government, being in a position to undertake large-scale assistance on a long-term basis, to cultivate good working relationships with NGOs, which are in a position to quickly provide personalized and responsible assistance direct to the citizens of local communities. This applies not merely in cases of emergency but also in implementing long-term development assistance projects. The government will try to strengthen its cooperation with NGOs and its assistance to them in the coming years (MOFA 1996b).

Government support for NGOs in development

It is necessary to clarify that the government's use of the term *NGO* in reference to NGOs in ODA is ambiguous; its meaning depends on the context. This was explained in the OECD 1993 report on NGOs (OECD 1993). When MOFA reports on funding for NGO activities, for instance, the OECD report points out that the figures under the DAC category of "contributions to NGOs in ODA" in annual reports by MOFA and the DAC comprise subsidies to both citizen-led and government-affiliated organizations. The report estimates that the 1992 funding provided to citizen-led NGOs was 13 million USD, whereas the total reported government assistance to NGOs in the DAC report was 107 million USD. This is because the term *NGO* covers both public-interest corporations and citizen-led NGOs without legal status (OECD 1993).

Whereas the two types of organizations are included in reporting on financial assistance to NGOs in development, according to Ms Shizawa,

when MOFA publicizes its efforts to support NGOs, it emphasizes collaboration with citizen-led NGOs. Under the heading of NGO collaboration in annual ODA reports, MOFA usually highlights its subsidy system, regular meetings and seminars with NGOs.

(Shizawa 1998, p. 71)

The government's use of citizen-led NGOs in ODA activities started in 1989, with MOFA's creation of the NGO project-subsidy scheme, which allows organizations without legal status to have access to government subsidies (see details below). Most of the recipients of subsidies under this new system are citizen-led NGOs, although it includes a few government-affiliated organizations, such as APIC. MOFA indicated that the subsidy system would help to strengthen the financial

basis of NGOs while reducing the difficulties of fund raising, which would allow the NGOs to concentrate on development cooperation (MOFA 1996b).

In its annual report for 1996 (MOFA 1996a), MOFA discussed four measures it was taking to support NGOs in 1996:

- NGO project subsidies, 1.0 billion JPY (9.1 million USD);
- International Volunteer Compensation Scheme (IVCS), 6 million JPY (55 000 USD);
- Grant Assistance for Grassroots Cooperation Projects (GAGCP), 4.5 billion JPY (41 million USD); and
- Other, 1.05 billion JPY (9.6 million USD).

The expenditures totaled 5.51 billion JPY (60.75 million USD) (MOFA 1996b).

Detailed information is provided on the allocation of the NGO project subsidies (including a list of recipient NGOs) in this section under the discussion of NGO project subsidies. GAGCP is only mentioned in that discussion, which deals with support for NGOs. However, detailed information on GAGCP is provided in this section under the discussion of GAGCP. The following is the information on IVCS and other project subsidies:

- The IVCS was set up in fiscal year 1994 to lessen the financial burden and personal risks of private citizens engaged in aid activities overseas. Under this scheme, the Japanese government assumes part of the cost of accident insurance for overseas travel taken out by volunteers in NGO projects. In fiscal year 1995, this scheme paid some 6 million JPY (55 000 USD) for a total of 245 volunteers in 12 NGOs.
- Apart from its work on measures 1, 2, and 3, MOFA allocated about 1.05 billion JPY (9.6 million USD) in another subsidy to private organizations with solid track records of development cooperation in developing countries over the years (MOFA 1996a, p. 184).

The report (MOFA 1996a) contains no information on the use of other project subsidies. Also note that even though IVCS is mentioned here as a separate item,

it is included in MOFA's report *Eligible Projects for NGO Project Subsidies* (MOFA 1997b) (See Appendix A24.)

In 1996, MOFA initiated quarterly meetings with NGOs. JANIC, an umbrella organization of citizen-led NGOs involved in ODA (which excludes government-affiliated organizations from its definition of an NGO), helps to organize these meetings. Only participants from citizen-led NGOs attend. MOFA has also started to invite certain NGO members to join official government delegations to formulate ODA projects. Joint seminars and workshops are also held. For example, in January 1997, the Japan International Volunteer Center organized a 2-day workshop for NGOs and government agencies to discuss sustainable development in the Mekong river basin. The government studies Japanese NGOs to strengthen communication among them and between the Japanese NGOs and those in developing countries and provides assistance to facilitate the Asia Africa Development Forum, a study group of people in development fields. The government also provides the services of professionals and research groups to assist Japanese NGOs in Japan and abroad.

NGO project-subsidy scheme

MOFA's project-subsidy scheme is available to NGOs without legal status but they must

- Have the aim of giving development assistance to developing countries as their main purpose;
- Have an office in Japan;
- Implement projects by sending Japanese staff to the recipient countries;
- Have more than 2 years experience in project work;
- Have an annual budget of more than 1 million JPY (in 1997, 8 264 USD) for project provision; and
- Have management capacity.

These subsidies are for small-scale NGO projects that cannot be assisted through government ODA and that contribute to humanitarian objectives or socioeconomic development, or both. The projects cannot be supported through other official

funding, such as GAGCP or POSIVA. The subsidy is for 1-year projects and must be implemented by Japanese staff (the projects aimed at funding local partners alone or at transporting goods to local partners are ineligible). The NGO must reapply if it desires funding for a second year. This stipulation, combined with a lack of support to NGOs for multiyear projects, often means that the NGO can only use the subsidy for short, simple projects (mostly for the provision of equipment and materials) because the program gives too little time to develop human resources and institutions. This is because the disbursement must be completed in the year it has been approved. The actual approval of the subsidy may occur several months after the NGO has applied for it, leaving about 6 months for the NGO to spend the money.

The fields covered include agricultural and fishing-village development, human-resource development, women's self-reliance, health and hygiene, medical care, local industry improvement, environmental conservation, transportation of private aid goods, integrated local development, seminars and workshops on development cooperation techniques, and the dispatch of volunteers (covering up to half the cost of accident insurance for overseas travel taken by volunteers for their assignments overseas).

Japanese NGOs are eligible for a subsidy of between 1 million and 10 million JPY per project (between 8 000 and 80 000 USD in 1997 terms) to cover up to 50% of the total project cost. The subsidy is mainly used for construction, but it is also used to hold seminars and workshops. This 50-50 matching was intended for direct project costs only and was not for administrative costs or for new project formulation. However, project-related administration costs are now eligible (OECD 1993). The administration items that may be covered by the subsidy include communications; fixtures and utensils in the field office; printing and publications; project recording (for example, photography, video); bank charges to transfer funds to the field office; and fuel, water, electricity, and rent for the field office.

To receive the subsidy, the NGO must submit an application to MOFA. The request is usually approved within a few months. After the request has been approved, the NGO can make a request for advance payment, or it can pay for the project first and request reimbursement later. In either case, after the project has been completed, the NGO must submit a project-completion report to MOFA, which then determines the exact amount of the subsidy. If the NGO has received an advance greater than that amount, the NGO must return the excess. As with project completion itself, the settlement of all related accounts must be completed by the end of the fiscal year.

The subsidy is provided and managed by MOFA, which established the NGO Assistance Division in 1994. The budget of 1 billion JPY (9.1 million USD) was distributed to 214 projects and 126 groups (MOFA 1996c). See Appendix A24 for an indication of the NGOs that receive financing under the subsidy and Appendix A25 concerning subsidies to NGO projects by type of project and by region.

GAGCP

As described in Chapter 3, through funding from MOFA, grant assistance for grass-roots projects of as much as 10 million JPY (82 600 USD with the 1997 DAC exchange rate) per project can go directly to organizations operating in a developing country, including local governments, research institutes, hospitals, and NGOs operating in the country. Grant aid is provided only to organizations with staff or an office in the recipient country. The aid must be used for 1-year projects. The projects must effectively reach the grass-roots level, be mainly for BHNs, be implemented with the participation of local people, and not be funded by any other of the Japanese government's financing schemes. The aid is used mainly for the construction of facilities or the provision of equipment procured locally. According to Ms Shizawa, Japanese NGOs with or without legal status are eligible, but their participation has been limited (Shizawa 1998). In 1993, Japanese NGOs received only 1.2% of the total, whereas local NGOs received 49% and international NGOs 11%. The aid does not cover administration, management, or salary costs. Asia and Africa have been the major recipients. This funding scheme is very popular locally in the recipient countries. The emphasis is on being small and being responsive to local needs. The Japanese embassy in the recipient country administers the scheme. The increase in popularity has been brought about by an increase in the budget for this form of assistance, which may lead to difficulties in the capacity of the embassy staffs to handle the extra volume. In fiscal year 1997, GAGCP accounted for 1.9% (5 billion JPY [41 million USD]) of Japan's total grant aid budget (MOFA 1997c).

Subsidies from other ministries

The example MOFA set in the establishment of subsidies for NGOs has been followed by other ministries. MOPT created POSIVA in 1991. MAFF started its subsidy scheme in 1989; MOC, 1992; and MOHW, 1995.

POSIVA

Banking services are provided at 24 000 postal offices throughout Japan, and banking at the post office is a normal practice. In 1991, MOPT started the Voluntary Deposit for International Aid, which is now named POSIVA. The program is based on the interest paid on ordinary deposit savings accounts at the post offices. Under the scheme, account holders can donate 20% of their after-tax interest earnings to POSIVA. As of November 1997, 23.76 million depositors had joined the program, and in fiscal year 1997, this program generated 8.5 million USD, which was distributed to 209 organizations for 239 projects (MOPT 1997). Based on advice from MOFA and JANIC, MOPT distributes the funds to citizen-led NGOs engaged in overseas assistance projects. Nonprofit development cooperation organizations with an office in Japan and an accountable decision-making mechanism are eligible, without regard to their legal status. The types of projects eligible for financing are loosely defined, and the administration of the fund is more flexible than that of other government funding mechanisms for NGOs. It sets no limit to the amount of funding per organization or per project. It is recommended that NGOs raise 20% of the required funds for the project, but this requirement is not strictly enforced. MOPT solicits grant applications annually. The grant is provided in instalments and if it is not implemented completely within 1 year, an NGO can get funding for multiyear projects, based on year-by-year approvals. The grants are used for such purposes as literacy programs, informal education, women's income-generation projects, construction of wells, medical and health projects, and environmental programs. According to Ms Shizawa, POSIVA has attracted more NGOs, especially small ones, than other government funding schemes (Shizawa 1998). In 1997, applicant NGOs in POSIVA totaled 334, whereas those in MOFA's NGO project-subsidy program amounted to 125 (Shizawa 1998). MOPT uses posters in post offices to inform the public of how the money is spent.

Subsidy schemes of MAFF, MOC, and MOHW

In her thesis, Ms Shizawa (1998, p. 52) referred to the subsidy schemes of three other ministries, MAFF, MOC, and MOHW, as

mainly aimed at the dispatch of experts and manpower development of Japanese NGOs and (are) available for the NGOs that do not have legal status. The three schemes are administered by public interest corporations established by each ministry. In the MAFF and MOC programs, NGOs have to pay a portion of the subsidies received, one fourth or one third

of the total subsidy per project respectively, to these administrative corporations as administrative fees.

MAFF made no mention of this scheme in its 1995 or 1996 overseas cooperation reports (MAFF 1995, 1996). But the report from the Association of International Cooperation of Agriculture and Forestry (AICAF 1993), one of MAFF's government-affiliated organizations, describes the promotion of NGO activities as one of its main activities.

AICAF organized a promotion committee to facilitate the exchange of information and promote information networks among NGOs on agricultural and forestry cooperation. It provided experts to NGOs for technical cooperation in developing countries (13–15 experts are sent annually under this program). AICAF has also published technical guidance books for NGOs based on sectoral surveys and distributed them to NGOs working in the agriculture and forestry. AICAF has been supporting training for local NGO members and leaders in developing countries by providing the opportunity for NGO people to visit NGOs in other countries involved in the same type of activity, enabling them to exchange opinions and experience. Finally, to enlarge the base of cooperation and support for NGO activities in developing countries, AICAF has organized symposiums and published information in its newsletters to promote awareness among the Japanese people of the importance of NGOs and their activities in agriculture and forestry (AICAF 1993). In 1982, the last date for which figures were available, AICAF's total expenditure was 854 229 USD, of which 782 054 USD was aid. It obtained funding from membership fees, MAFF, private contributions, and its own activities (NGO Study Group 1983).

Among MOC's activities is the provision of subsidies to NGOs to dispatch and train public-works personnel, but no details were provided (MOC 1998).

MOHW (1998) indicated that it provides information and personnel training to NGOs. Also, MOHW cooperates with WHO to provide NGO training programs and provide NGOs information and liaison committees to enhance NGOs ability to respond to natural disasters in developing countries. Finally, as Ms Shizawa indicated

the Environment Agency initiated in 1993 the Global Environment Fund. The Fund provides financial and technical assistance to environment conservation projects by Japanese or Foreign NGOs. In the 1995 fiscal year, 650 million yen [6.9 million USD] ... was disbursed to 164 projects. Among them, a total of 440 million yen [4.7 million USD] was disbursed for 94 projects in developing countries.

(Shizawa 1998, p. 52, citing MOFA 1995, 114)

Assistance through JICA

According to Ms Shizawa, JICA's cooperation with NGOs can be traced to the 1980s. In 1983, JICA contracted OISCA to train experts from developing countries. In 1985, JICA started to subsidize the travel of experts dispatched to China from the Japan Senior Volunteers, as an initiative to cover part of the cost of sending senior experts to developing countries. In the 1990s, JICA established its Joint Cooperation Promotion Office, with a mandate that includes collaboration with NGOs. JICA trains development project administrators in international cooperation skills and accepts participants from developing countries for training in cooperation with Japanese NGOs. JICA dispatches experts from NGOs to participate in projects for which the participation of local residents is important (for example, primary health care, family planning, mother and child health). In some instances, the NGOs are responsible for training local people, and NGOs are increasingly playing roles in project formulation. An example of a joint project between JICA and an NGO is the women's vocational training centre in Bangladesh. JICA provides and maintains the training facility, and OISCA runs the training program.

All the NGOs involved in collaboration with JICA have a legal status. As a government agency JICA cannot contract with organizations without legal status.

OECD's collaboration with NGOs

In its 1997 annual report (OECD 1997a), OECD did not mention the financing it provides to the activities of NGOs in development but did discuss seeking the collaboration of local NGOs to improve its aid delivery. OECD indicated that "in the case of ODA loans, cooperation with an NGO equipped with expertise, know-how and close links regarding a specific region helps OECD to consider the opinions of local residents and the specific socioeconomic characteristics around the project site." The report mentions that "in ODA loan operations, OECD had the cooperation of an NGO to conduct an expert study of an area inhabited by wild animals, located in an agricultural development project in China. Based on their study, OECD proposed to establish an area to preserve the natural environment." In India, OECD collaborates with a local NGO to raise awareness of local people and distribute saplings in an afforestation project. The report concluded by saying that "OECD promotes collaboration with NGOs at all stages of the project cycle," and "in line with the growing number of environmental projects and projects that require detailed consideration, OECD will place further emphasis on cooperation with NGOs to promote civil participation in development" (OECD 1997a, p. 59).

Japanese NGOs: Examples of citizen-led NGOs involved in ODA

The following are Japanese citizen-led NGOs involved in development:

- *The Asia Community Trust* — This NGO is financed by donations. It provides aid to finance privately run projects in Asian countries in fields such as vocational training, education, agricultural development, health care, and environmental conservation.
- *Japan Asian Association and Asian Friendship Society* — This organization assists agricultural development, focusing on the provision of drinking water. It implements projects with local partners and provides education on development through the Asia International Work Camp and other activities.
- *Asia Health Training Foundation* — This NGO trains health and medical staff.
- *Asian Rural Institute* — The Asian Rural Institute trains middle-class leaders in rural Asia, organizes work camps and seminars, publishes documents, and focuses on rural development, agriculture, and relevant technology. Its regional emphases are Asia, Africa, and the Pacific. It cooperates with the Asian Christian Council. In 1982, it spent a total of 750 000 USD, of which 354 200 USD was aid (NGO Study Group 1983).
- *Development Education Council* — This organization holds study sessions, symposia, and seminars on development to strengthen the base for Japanese NGO activities.
- *International Medical Foundation of Japan* — This organization trains health and medical personnel in developing countries, mainly in South-east Asia. In 1982, its total expenditure was 791 667 USD (NGO Study Group 1983). Its financial sources include membership fees, the public, and its own activities.

- *Iwatani Naoji Foundation* — This organization finances scientific research and conducts personnel exchanges. It cooperates with OISCA and Philippine Business for Social Progress. Its regional emphases are Indonesia, the Philippines, and other Southeast Asian countries. In 1981, its total expenditure was 341 875 USD, of which 208 340 USD was aid. Its budget is financed by an endowment (NGO Study Group 1983).
- *Japan International Volunteer Center* — This organization provides emergency aid, medical assistance, and educational support for refugees; it also supports community development. In fiscal year 1982, its total expenditure was 376 230 USD, of which 272 340 USD was spent on aid. It raises money through fund-raising and from the public and private sectors (NGO Study Group 1983).
- *Japan Negros Campaign Committee* — This committee provides famine relief and dispatches personnel to teach agricultural skills on the island of Negros, the Philippines.
- *Kansai International Cooperation Council* — This organization facilitates coordination, information exchanges, and collaboration among NGOs.
- *The Kaze no Gakko (School of Wind)* — This NGO trains people in traditional agricultural methods (those without machinery).
- *National Federation of UNESCO Associations in Japan* — This organization supports international cooperation based on UNESCO's guidelines. It holds seminars and exhibitions. In fiscal year 1982, its total expenditure was 876 700 USD, of which 187 500 USD was aid. It obtains financing from fund-raising, membership fees, the public, and its own activities (NGO Study Group 1983).
- *NGO Promotion Centre* — This organization facilitates coordination, information exchange, and collaboration among NGOs.
- *OISCA* — OISCA is an incorporated foundation that dispatches experts to assist with agriculture, forestry, and fisheries development; technical training; and improvements in local health, medical care, and education.

- *The PhD Association* — This organization provides training in agriculture, fisheries, education, and health care, mainly in Nepal and the Philippines.
- *Sahel Committee* — This committee dispatches personnel to promote agricultural development and afforestation in the Sahel and thereby prevent the desertification of countries there.
- *Shapla Neer Citizen's Group for Overseas Assistance* — This organization endeavours to improve the socioeconomic situation of the poor in rural Bangladesh. It organizes development activities through regional-development centres in fields such as agriculture, health care, and education. It also provides financial assistance to projects managed by local NGOs.
- *The 24 Hours TV Charity Committee* — This NGO raises donations from the general public through Nihon Television. It provides material aid and dispatches experts for famine relief, afforestation, medical care, and education in Africa and Asia. It also provides development education through television programs. In fiscal year 1980, its aid budget was 724 092 USD (NGO Study Group 1983).

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CHAPTER 6

MUNICIPAL GOVERNMENTS AND ODA

The ODA implemented by the municipal governments in Japan is small in scale and designed to directly improve the livelihood of people in recipient countries (for example, by receiving trainees, contributing books and teaching tools). The international cooperation activities of local governments reflect their unique characteristics and historical and cultural backgrounds and are carried out principally with other regions or countries with which the local governments have close historical and cultural ties. The active promotion of sister cities in different countries also serves as a motivation to begin development cooperation initiatives. For example, as described in MOFA's 1997 ODA annual report (MOFA 1997c, p. 121), "Kita Kyushu City takes advantage of the experience and knowledge it acquired fighting air pollution to extend environmental cooperation to Dalian City in northern China, with which it had already established friendly official ties." According to the report,

International cooperation activities by local governments are centered around technical cooperation, which is strongly dependent on interpersonal contacts, such as the receiving of trainees in training programs, the sending of experts and JOCV (volunteers) and the inviting of young people from overseas to come to Japan. Linking these activities to ODA is beneficial, because it helps to implement more aid that is closely tailored to real needs and at the same time it is an opportunity for the Japanese to experience ODA at first hand, or at least at a lesser distance from their daily lives. With this point in mind, the Ministry of Foreign Affairs has set up a local government subsidy system and gives financial support to projects involving the dispatch of experts and the reception of technical trainees by local governments.

(MOFA 1997c, p. 122)

Japanese local governments undertake two forms of development cooperation activities: their own independent activities, with or without subsidies from the central government, and those they undertake in collaboration with MOFA and JICA.

Local governments' own activities

Acceptance of trainees from developing countries

All 47 prefectural governments accept trainees from abroad and provide technical training at facilities in the prefecture, including universities, research institutes, laboratories, vocational-training centres, experimental facilities, and private companies. Some of the trainees are accepted through agreements with sister cities in other countries. In 1996, 694 trainees came to Japan for this type of training (MOFA 1997c).

Local governments also implement the Officials Cooperation and Exchange Project with the Ministry of Home Affairs and the Council of Local Authorities for International Relations. Under this project, foreign-government officials work in the organizations of Japanese prefectures and certain cities for 6–10 months to learn skills to help them develop a local government in their own country. In fiscal year 1998, this program received 69 trainees (CLAIR 1996). Study tours of prefectures are also conducted for foreign officials responsible for local administration.

Dispatch of experts to developing countries

Local governments send experts overseas for aid projects in areas in which the local governments have expertise. In fiscal year 1996, local governments sent 29 such experts (MOFA 1997c).

Provision of equipment

Local governments provide equipment for technical cooperation activities, including, books, teaching tools, farm machines, and fire trucks.

Establishment of regional international associations

The prefecture governments establish regional international associations to promote private international activities. An estimated 40 international prefecture associations (OECD 1993) discuss labour issues, encourage international economic seminars, conduct exchanges and “twinning” of associations, between their municipalities and those in other countries. The Kanagawa Prefecture, which established the Kanagawa International Association, is used as a model by other municipalities on how to structure international activities. The Kanagawa Prefecture links volunteer groups in its community with larger NGOs, assists with fund-raising, and publishes booklets and texts on development.

MOFA support for these activities

MOFA supports the activities of local governments with a local-government subsidy system. MOFA provided 1.3 billion JPY (10.7 million USD) for the activities of local governments in fiscal year 1997 (MOFA 1997c). This was used to cover the cost of training 694 persons in Japan, sending 29 experts overseas, and supporting the JOCV recruitment campaign and other promotional activities at the local-government level. MOFA also provides support for lectures, seminars, symposia, etc., and for the Japan–China Comprehensive Forum on Environmental Cooperation (with the participation of local governments) (MOFA 1997c). MOFA officials serve on the local governments' advisory committees for international cooperation. JICA, researchers, professionals, local governments, and MOFA established the Study Committee on Local Government and the Ideal Orientation for International Cooperation. Personnel from the local governments also work on secondment within MOFA, JICA, and OECF. In addition, the JOCV program of JICA recommends technicians from developing countries for participation in the independent training programs of local governments, and JICA trains the working-level staff of local governments to provide basic information about development cooperation and to teach techniques for technical cooperation.

Activities in collaboration with the central government

Acceptance of trainees from developing countries

Local governments accept trainees as part of JICA programs. In fiscal year 1995, 30 local-government prefectures accepted 545 of these trainees, about 8% of the total number of trainees accepted by JICA (MOFA 1997c). Local governments also cooperate with JICA in the Youth Invitation Program (1 533 young people were accepted in fiscal year 1995 from 42 prefectures) (MOFA 1997c).

Dispatch of experts to developing countries

Local-government officials are sent as JICA experts in fields such as agriculture, health and medical care, water supply and sewer systems, and pollution control. In fiscal year 1995, JICA dispatched 184 local-government officials as experts from 31 prefectures (MOFA 1997c), equivalent to 5.9% of the total number of experts JICA sent overseas. Local governments also supplied 98 employees from 27 prefectures and 22 municipalities as JOCV members in 1995 (MOFA 1997c).

Project-type technical cooperation

Local governments provide survey teams and experts as part of project-type technical cooperation.

Development studies

Members of local governments participate in development studies and surveys of grant-aid projects.

Japan disaster-relief teams

Local governments have 991 registered personnel in disaster-relief teams. These people come from the police agencies of nine prefectures and the firefighting agencies of 40 municipalities (MOFA 1997c).

Seminars

Municipal governments participate in international cooperation work seminars, in conjunction with JICA.

APPENDIX A

ORGANIZATION AND FINANCE

Appendix A1. Japan's ODA in fiscal year 1996 (by type).

| Type of aid | USD (million) | | JPY (100 million) | | Share of total (%) | |
|--|---------------|-----------------|-------------------|-----------------|--------------------|-----------|
| | Actual | Growth rate (%) | Actual | Growth rate (%) | ODA total | Bilateral |
| Grant aid | 2 395.50 | -19.4 | 2 606.79 | -6.8 | 24.9 | 28.7 |
| (Excluding aid to CTT) | 2 311.88 | -19.6 | 2 515.79 | -7.0 | 24.5 | 28.2 |
| Technical cooperation | 3 180.92 | -8.1 | 3 461.48 | 6.3 | 33.1 | 38.1 |
| (Excluding aid to CTT) | 3 125.84 | -8.7 | 3 401.54 | 5.7 | 33.1 | 38.1 |
| Total grants | 5 576.42 | -13.3 | 6 068.27 | 0.3 | 58.0 | 66.7 |
| (Excluding aid to CTT) | 5 437.72 | -13.7 | 5 917.33 | -0.1 | 57.6 | 66.3 |
| Government loans | 2 779.84 | -32.6 | 3 025.02 | -22.0 | 28.9 | 33.3 |
| (Excluding aid to CTT) | 2 769.46 | -32.8 | 3 013.73 | -22.2 | 29.3 | 33.7 |
| Bilateral ODA total | 8 356.26 | -20.8 | 9 093.29 | -8.4 | 87.0 | 100.0 |
| (Excluding aid to CTT) | 8 207.19 | -21.2 | 8 931.06 | -8.9 | 86.9 | 100.0 |
| Contributions and subscriptions to international organizations | 1 251.83 | -70.0 | 1 362.24 | -65.3 | 13.0 | |
| (Excluding contributions to EBRD) | 1 232.04 | -69.7 | 1 340.71 | -65.0 | 13.1 | |
| ODA total (Including Eastern Europe and EBRD) | 9 608.10 | -34.8 | 10 455.53 | -24.5 | 100.0 | |
| (Excluding aid to CTT) | 9 439.23 | -34.9 | 10 271.77 | -24.6 | 100.0 | |
| Nominal GNP preliminary estimates (billion USD and JPY) | 4 647.78 | -10.2 | 505 771.00 | 3.9 | | |
| Percentage of GNP (%) | | | | | | |
| (Including CTT and EBRD) | 0.21 | | 0.21 | | | |
| (Excluding CTT and EBRD) | 0.20 | | 0.20 | | | |

Source: MOFA (1997c).

Note: As of 1996, the following countries had graduated from ODA recipient status: the Bahamas, Brunei, Kuwait, Qatar, Singapore, and the United Arab Emirates. DAC exchange rate for 1996 was 108.82 JPY = 1 USD (down 14.75 JPY from 1995). Because of rounding, totals do not add up exactly. CTT, countries and territories in transition; EBRD, European Bank for Reconstruction and Development; GNP, gross national product; JPY, Japanese yen; ODA, official development assistance; USD, United States dollar.

Appendix A2. Total flow of financial resources to developing countries (on a net disbursement basis).

| | Fiscal year 1994 (million USD) | Fiscal year 1995 (million USD) | Growth rate (%) |
|--|--------------------------------------|--------------------------------------|--------------------|
| I. ODA | 13 469 | 14 728 | 9.3 |
| 1. Bilateral assistance | 9 680 | 10 557 | 9.1 |
| (1) Grants | 5 423 | 6 434 | 18.6 |
| Grant aid | 2 403 | 2 973 | 23.7 |
| Technical cooperation | 3 020 | 3 462 | 14.6 |
| (2) Loans | 4 257 | 4 123 | -3.2 |
| 2. Contributions to multilateral institutions | 3 788 | 4 170 | 10.1 |
| 3. As percentage of GNP | 0.29 | 0.29 | — |
| II. Other official flows | 3 300 | 5 753 | 74.3 |
| 1. Export credits (over 1 year) | 616 | 939 | 52.4 |
| 2. Direct investment and others | 614 | 3 793 | 518.1 |
| 3. Finances to multilateral institutions | 2 070 | 1 021 | -50.7 |
| III. Private flows | 11 531 | 22 975 | 99.2 |
| 1. Export credits (over 1 year) | 1 701 | 3 079 | 81.1 |
| 2. Direct investment | 7 437 | 9 497 | 27.7 |
| 3. Other bilateral securities and claims | 5 263 | 10 434 | 98.2 |
| 4. Finances to multilateral institutions | -2 870 | -35 | — |
| IV. Grants by private voluntary agencies | 213 | 215 | 1.4 |
| V. Total official and private flows (I+II+III+IV) | 28 513 | 43 671 | 53.2 |
| VI. As percentage of GNP | 0.60 | 0.85 | — |
| VII. GNP (100 million USD) ^a | 47 248 | 51 558 | 9.1 |

Source: MOFA (1996b).

Note: Figures in this table include aid for Eastern Europe. ODA values for 1995 are definite; all other values are tentative. The DAC exchange rate was 102.23 JPY = 1 USD for 1994 and 94.07 JPY = 1 USD for 1995. Because of rounding, the figures in the table do not necessarily add up to the totals. GNP, gross national product; JPY, Japanese yen; ODA, official development assistance; USD, United States dollar.

^a GNP is based on confirmed data for 1994 and on preliminary data for 1995.

Appendix A3. General account budget for ODA and ODA operating budget (all government agencies).

| | General account budget for ODA (fiscal year) | | | | | | | | | | | |
|---|--|--------------------------------------|-------------------------|--------------------------------|--------------------------------------|-------------------------|--------------------------------|--------------------------------------|-------------------------|--------------------------------|--------------------------------------|-------------------------|
| | 1994 | | | 1995 | | | 1996 | | | 1997 | | |
| | Budget (100 million JPY) | Amount of increase or decrease | Increase rate (%) | Budget (100 million JPY) | Amount of increase or decrease | Increase rate (%) | Budget (100 million JPY) | Amount of increase or decrease | Increase rate (%) | Budget (100 million JPY) | Amount of increase or decrease | Increase rate (%) |
| I. Grants | 6 951 | 324 | 4.9 | 7 236 | 285 | 4.1 | 7 544 | 308 | 4.3 | 7 715 | 171 | 2.3 |
| 1. Bilateral grants | 5 768 | 284 | 5.2 | 6 021 | 253 | 4.4 | 6 256 | 235 | 3.9 | 6 418 | 162 | 2.6 |
| (1) Economic-development assistance | 2 079 | 65 | 3.2 | 2 127 | 48 | 2.3 | 2 166 | 39 | 1.8 | 2 202 | 36 | 1.6 |
| (2) Food aid, etc. | 572 | 23 | 4.2 | 596 | 25 | 4.3 | 606 | 10 | 1.7 | 612 | 6 | 1.0 |
| (3) Technical cooperation | 3 117 | 196 | 6.7 | 3 297 | 180 | 5.8 | 3 484 | 186 | 5.7 | 3 604 | 120 | 3.5 |
| 2. Contributions to multilateral institutions | 1 183 | 40 | 3.5 | 1 216 | 33 | 2.8 | 1 288 | 72 | 6.0 | 1 297 | 9 | 0.7 |
| (1) United Nations agencies | 688 | 33 | 5.0 | 703 | 15 | 2.2 | 747 | 44 | 6.3 | 759 | 12 | 1.6 |
| (2) IFIs | 495 | 7 | 1.5 | 513 | 18 | 3.6 | 541 | 28 | 5.5 | 539 | -3 | -0.5 |
| II. Loans | 3 683 | 166 | 4.7 | 3 825 | 142 | 3.9 | 3 908 | 83 | 2.2 | 3 972 | 64 | 1.6 |
| (1) OECF | 3 647 | 166 | 4.8 | 3 789 | 142 | 3.9 | 3 872 | 83 | 2.2 | 3 952 | 80 | 2.1 |
| (2) Others | 36 | -1 | -1.4 | 36 | 0 | -0.8 | 35 | 0 | -0.8 | 20 | -15 | -43.5 |
| III. Total | 10 634 | 490 | 4.8 | 11 061 | 427 | 4.0 | 11 452 | 390 | 3.5 | 11 687 | 235 | 2.1 |

ODA operating budget (fiscal year)

| | 1994 | | | 1995 | | | 1996 | | | 1997 | | |
|---|--------------------------------|-------------------------|--------------|--------------------------------|-------------------------|--------------|--------------------------------|-------------------------|--------------|--------------------------------|-------------------------|--------------|
| | Budget (100 million JPY) | Increase rate (%) | Share (%) | Budget (100 million JPY) | Increase rate (%) | Share (%) | Budget (100 million JPY) | Increase rate (%) | Share (%) | Budget (100 million JPY) | Increase rate (%) | Share (%) |
| I. Grants | 9 572 | 2.4 | 49.3 | 10 361 | 8.2 | 51.5 | 8 194 | -20.9 | 45.5 | 10 380 | 26.7 | 51.5 |
| 1. Bilateral grants | 5 991 | 5.5 | — | 6 281 | 4.9 | — | 6 534 | 4.0 | — | 6 695 | 2.5 | — |
| (1) Economic-development assistance | 2 079 | 3.2 | — | 2 127 | 2.3 | — | 2 166 | 1.8 | — | 2 202 | 1.6 | — |
| (2) Food aid, etc. | 572 | 4.2 | — | 596 | 4.3 | — | 606 | 1.7 | — | 612 | 1.0 | — |
| (3) Technical cooperation | 3 340 | 7.2 | — | 3 558 | 6.5 | — | 3 762 | 5.7 | — | 3 881 | 3.2 | — |
| 2. Contributions to multilateral institutions | 3 581 | -2.4 | — | 4 079 | 13.9 | — | 1 659 | -59.3 | — | 3 685 | 122.1 | — |
| (1) United Nations agencies | 690 | 5.0 | — | 705 | 2.1 | — | 749 | 6.3 | — | 761 | 1.6 | — |
| (2) IFIs | 2 891 | -4.0 | — | 3 375 | 16.7 | — | 910 | -73.0 | — | 2 924 | 221.2 | — |

(continued)

Appendix A3 concluded.

| | ODA operating budget (fiscal year) | | | | | | | | | | | |
|--------------------------------|------------------------------------|-------------------------|--------------|--------------------------------|-------------------------|--------------|--------------------------------|-------------------------|--------------|--------------------------------|-------------------------|--------------|
| | 1994 | | | 1995 | | | 1996 | | | 1997 | | |
| | Budget (100 million JPY) | Increase rate (%) | Share (%) | Budget (100 million JPY) | Increase rate (%) | Share (%) | Budget (100 million JPY) | Increase rate (%) | Share (%) | Budget (100 million JPY) | Increase rate (%) | Share (%) |
| II. Loans | 9 838 | 0.9 | 50.7 | 9 768 | -0.7 | 48.5 | 9 805 | 0.4 | 54.5 | 9 767 | -0.4 | 48.5 |
| (1) OECF | 9 400 | 1.1 | — | 9 397 | 0.0 | — | 9 395 | 0.0 | — | 9 397 | 0.0 | — |
| (2) JEXIM | 12 | -60.0 | — | 7 | -41.7 | — | 0 | — | — | — | — | — |
| (3) Others | 426 | 0.5 | — | 364 | -14.6 | — | 410 | 12.5 | — | 371 | -9.6 | — |
| III. Total (costs of projects) | 19 410 | 1.6 | 100.0 | 20 129 | 3.7 | 100.0 | 17 998 | -10.6 | 100.0 | 20 147 | 11.9 | 100.0 |
| Repayments | -2 101 | — | — | -2 463 | — | — | -2 788 | — | — | -3 381 | — | — |
| Total grants | 17 309 | 1.1 | — | 17 665 | 2.1 | — | 15 210 | -13.9 | — | 16 766 | 10.2 | — |

Source: MOFA (1997c).

Note: The 1997 DAC exchange rate was 121 JPY = 1 United states dollar. Because of rounding, figures do not necessarily add up to the totals. IFI, international financial institution; JEXIM, Japan Export-Import Bank; JICA, Japan International Cooperation Agency; JPY, Japanese yen; ODA, official development assistance; OECF, Overseas Economic Cooperation Fund.

Appendix A4. Breakdown of ODA budget.

| | Fiscal year 1996 | | Fiscal year 1997 | | |
|--|--------------------------------|--------------------|--------------------------------|--|-----------------------|
| | Budget (100 million JPY) | Growth rate (%) | Budget (100 million JPY) | Amount of increase or decrease (100 million JPY) | Growth rate (%) |
| Donations | 8 194 | -20.9 | 10 380 | 2 186 | 26.7 |
| Bilateral donations | 6 534 | 4.0 | 6 695 | 160 | 2.5 |
| Economic development assistance | 2 166 | 1.8 | 2 202 | 36 | 1.6 |
| Food aid, etc. | 606 | 1.7 | 612 | 6 | 1.0 |
| Total | 2 772 | 1.8 | 2 814 | 41 | 1.5 |
| Grant aid | 2 601 | 1.7 | 2 635 | 33 | 1.3 |
| Credits insured | 171 | 4.0 | 179 | 8 | 4.9 |
| Technical cooperation | 3 762 | 5.7 | 3 881 | 119 | 3.2 |
| Technical cooperation through JICA | 1 757 | 3.8 | 1 795 | 38 | 2.2 |
| Contributions to international organizations | 1 659 | -59.3 | 3 685 | 2 026 | 122.1 |
| United Nations organizations | 749 | 6.3 | 761 | 12 | 1.6 |
| IFIs | 910 | -73.0 | 2 924 | 2 014 | 221.2 |
| Loans | 9 805 | 0.4 | 9 767 | -37 | 0.4 |
| OECF | 9 395 | -0.0 | 9 397 | 2 | 0.0 |
| JEXIM | 0 | -100.0 | — | — | — |
| Others | 410 | 12.5 | 371 | -39 | -9.6 |
| Repayments | -2 788 | — | -3 381 | — | — |
| Total | 7 016 | -3.9 | 6 386 | -630 | -9.0 |
| ODA budget | 15 210 | -13.9 | 16 766 | 1 556 | 10.2 |

Source: MOFA (1997c).

Note: The 1997 DAC exchange rate was 121 JPY = 1 United States dollar. IFI, international financial institution; JEXIM, Japan Export-Import Bank; JICA, Japan International Cooperation Agency; JPY, Japanese yen; ODA, official development assistance; OECF, Overseas Economic Cooperation Fund.

Appendix A5. ODA operating budget by source and by aid type.

| Fiscal year 1996 1 799.8 billion JPY (gross basis, down 10.6%) | | | | Fiscal year 1997 2 014.7 billion JPY (gross basis, up 11.9%) | | | |
|--|---|--------|--|--|---|---|---|
| Expenditure by type | | Source | | Source | | Expenditure by type | |
| Grant aid 277.2 billion JPY (up 1.8%) | | | Ministry of Foreign Affairs 573.1 billion JPY (up 3.5%) | | | Grant aid 281.4 billion JPY (up 1.5%) | |
| Technical cooperation 375.2 billion JPY (up 5.7%) | | | | General account 1 168.7 billion JPY (up 2.1%) | Ministry of Foreign Affairs 585.1 billion JPY (up 2.1%) | Technical cooperation 388.1 billion JPY (up 3.2%) | |
| Contributions to United Nations agencies 74.9 billion JPY (up 6.3%) | | | | | | | |
| | Contributions to international development financial institutions 91.0 billion JPY (down 73.0%) | | 18 government offices 572.1 billion JPY (up 3.6%) | | 18 government offices 583.6 billion JPY (up 2.0%) | | Contributions to international development financial institutions 292.4 billion JPY (up 221.2%) |
| | Special accounts 18.3 billion JPY (up 7.4%) | | | | | | |
| ODA loans and other 980.5 billion JPY (up 0.4%) | Bond payments 36.9 billion JPY (down 87.1%) | | Fiscal investment and loan program and other 599.5 billion JPY (down 0.7%) | Bond payments 238.5 billion JPY (up 546.5%) | | Special accounts 17.6 billion JPY (down 3.8%) | |
| | | | | Fiscal investment and loan program and other 589.9 billion JPY (down 1.8%) | | | ODA loans and other 976.7 billion JPY (down 0.4%) |
| Net basis: 1 521.0 billion JPY (down 13.9%) Repayments: 278.8 billion JPY | | | | Net basis: 1 676.6 billion JPY (up 10.2%) Repayments: 338.1 billion JPY | | | |

Source: MOFA (1997c).

Appendix A6A. Types and geographical distribution of Japan's bilateral ODA in fiscal year 1996 (on a net disbursement basis).

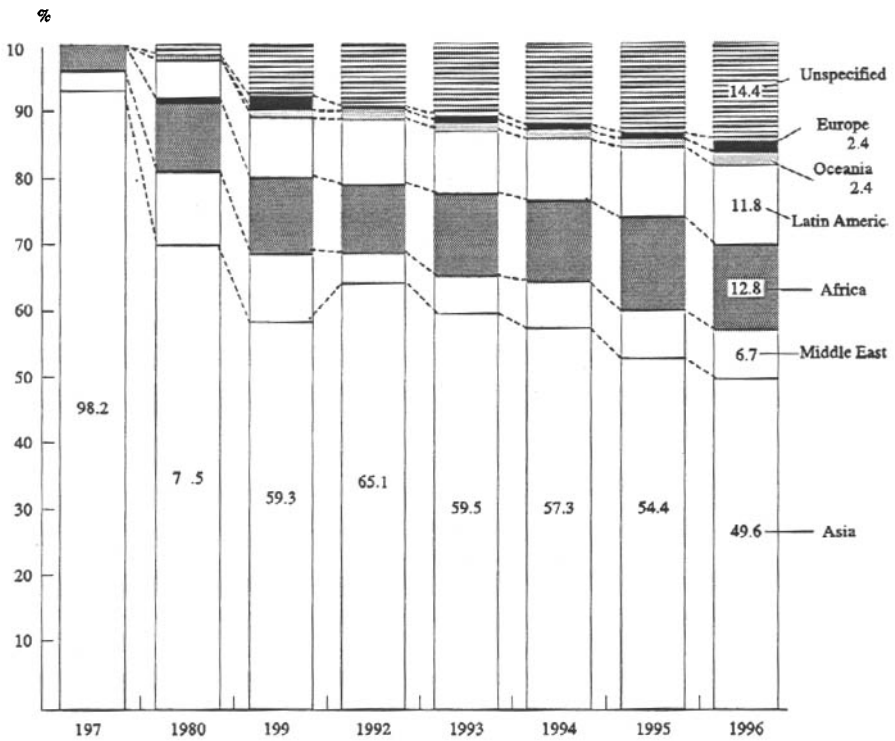
| Region ^a | Grant aid (million USD) | Technical cooperation (million USD) | Loans (million USD) | Total ODA (million USD) | Fiscal year 1996 Growth rate (%) |
|--------------------------|----------------------------|---|------------------------|----------------------------|---|
| Asia | 927.14 (38.7) | 1 209.42 (38.0) | 2 008.12 (72.2) | 4 114.68 (49.6) | -27.9 |
| Northeast Asia | 73.96 (3.1) | 455.45 (14.3) | 339.50 (12.2) | 869.90 (10.4) | -45.9 |
| Southeast Asia | 401.16 (16.7) | 571.56 (18.0) | 885.05 (31.8) | 1 857.77 (22.2) | -28.3 |
| Southwest Asia | 418.93 (17.5) | 146.11 (4.6) | 755.45 (27.2) | 1 320.49 (15.8) | -8.0 |
| Central Asia | 33.09 (1.4) | 18.34 (0.6) | 28.13 (1.0) | 79.55 (1.0) | 18.6 |
| Caucasus ^b | 0.00 (0.0) | 0.46 (0.0) | 0.00 (0.0) | 0.46 (0.0) | 100.0 |
| Other regions | 0.00 (0.0) | 17.50 (0.6) | 0.00 (0.0) | 17.50 (0.2) | -60.6 |
| Middle East | 246.70 (10.3) | 159.93 (5.0) | 154.26 (5.5) | 560.89 (6.7) | -22.2 |
| Africa | 659.59 (27.5) | 221.26 (7.0) | 186.40 (6.7) | 1 067.24 (12.8) | -19.9 |
| Latin America | 310.63 (13.0) | 323.87 (10.2) | 351.40 (12.6) | 985.90 (11.8) | -13.6 |
| Oceania | 73.04 (3.0) | 55.37 (1.7) | 69.29 (2.5) | 197.69 (2.4) | 23.7 |
| Europe ^b | 145.24 (6.1) | 44.69 (1.4) | 10.37 (0.4) | 200.30 (2.4) | 30.5 |
| Eastern Europe | 83.62 (3.5) | 36.11 (1.1) | 10.37 (0.4) | 130.11 (1.6) | -5.5 |
| Unspecified ^c | 33.18 (1.4) | 1 166.38 (36.7) | 0.00 (0.0) | 1 199.56 (14.4) | -7.9 |
| Total | 2 395.50 (100.0) | 3 180.92 (100.0) | 2 779.84 (100.0) | 8 356.26 (100.0) | -20.8 |

Source: MOFA (1997c).

Note: Because of rounding, figures do not necessarily add up to the totals. ODA, official development assistance; USD, United States dollar.

^a Regions are specified according to the Japanese Ministry of Foreign Affairs' criteria.^b Including aid to countries and territories in transition.^c Unspecified technical cooperation includes survey teams sent to more than one region on a single mission, subsidies to groups that assist foreign students, administrative expenses, and costs of raising public awareness of development issues.

Appendix A6B. Trends in Japan's bilateral ODA by region.



Source: MOFA (1997c).

Note: Disbursements to Europe in and after 1990 include those extended to Eastern Europe.

Appendix A7. Major recipient countries of Japan's bilateral ODA (on a net disbursement basis).

| Rank | Fiscal year 1994 | | Fiscal year 1995 | | Fiscal year 1996 | |
|------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|
| | Country | Amount (million USD) | Country | Amount (million USD) | Country | Amount (million USD) |
| 1 | China | 1 479.41 | China | 1 380.15 | Indonesia | 965.53 |
| 2 | India | 886.53 | Indonesia | 892.42 | China | 861.73 |
| 3 | Indonesia | 886.17 | Thailand | 667.37 | Thailand | 664.00 |
| 4 | Philippines | 591.60 | India | 506.42 | India | 579.26 |
| 5 | Thailand | 382.55 | Philippines | 416.13 | Philippines | 414.45 |
| 6 | Syria | 330.03 | Mexico | 288.29 | Pakistan | 282.20 |
| 7 | Pakistan | 271.04 | Sri Lanka | 263.70 | Mexico | 212.84 |
| 8 | Bangladesh | 227.60 | Bangladesh | 254.89 | Egypt | 201.32 |
| 9 | Sri Lanka | 213.75 | Egypt | 242.75 | Bangladesh | 174.03 |
| 10 | Egypt | 188.99 | Pakistan | 241.03 | Sri Lanka | 173.94 |
| | Total of above | 5 457.68 | Total of above | 5 153.15 | Total of above | 4 529.30 |
| | Bilateral aid total | 9 680.48 | Bilateral aid total | 10 557.06 | Bilateral aid total | 8 356.26 |

Source: MOFA (1997c).

Note: USD, United States dollar.

Appendix A8. Major recipients of Japan's bilateral assistance by aid type in fiscal year 1996 (net disbursement basis).

| Rank | Grant aid | | | Technical cooperation | | | ODA loans | | | Total bilateral aid | | |
|----------------------------|----------------------|----------------------|-----------|-----------------------|----------------------|-----------|----------------------|----------------------|-----------|----------------------|----------------------|-----------|
| | Country or territory | Amount (million USD) | Share (%) | Country or territory | Amount (million USD) | Share (%) | Country or territory | Amount (million USD) | Share (%) | Country or territory | Amount (million USD) | Share (%) |
| 1 | Bangladesh | 184.77 | 7.71 | China | 303.73 | 9.55 | Indonesia | 737.81 | 26.54 | Indonesia | 965.53 | 11.55 |
| 2 | Egypt | 118.39 | 4.94 | Indonesia | 163.31 | 5.13 | China | 533.01 | 19.17 | China | 861.73 | 10.31 |
| 3 | Myanmar | 101.98 | 4.26 | Thailand | 135.41 | 4.26 | Thailand | 526.73 | 18.95 | Thailand | 664.00 | 7.95 |
| 4 | Philippines | 91.14 | 3.80 | Republic of Korea | 95.00 | 2.99 | India | 522.26 | 18.79 | India | 579.26 | 6.93 |
| 5 | Poland | 81.43 | 3.40 | Philippines | 94.34 | 2.97 | Philippines | 228.96 | 8.24 | Philippines | 414.45 | 4.96 |
| 6 | Tanzania | 80.29 | 3.35 | Malaysia | 69.91 | 2.20 | Pakistan | 192.83 | 6.94 | Pakistan | 282.20 | 3.38 |
| 7 | Pakistan | 68.36 | 2.85 | Brazil | 51.99 | 1.63 | Mexico | 174.24 | 6.27 | Mexico | 212.84 | 2.55 |
| 8 | Indonesia | 64.41 | 2.69 | Viet Nam | 46.67 | 1.47 | Sri Lanka | 87.39 | 3.14 | Egypt | 201.32 | 2.41 |
| 9 | Nepal | 64.36 | 2.69 | Mexico | 37.71 | 1.19 | Jordan | 77.34 | 2.78 | Bangladesh | 174.03 | 2.08 |
| 10 | Bolivia | 59.19 | 2.47 | Kenya | 35.18 | 1.11 | Ghana | 73.03 | 2.63 | Sri Lanka | 173.94 | 2.08 |
| Total aid for 10 countries | | 914.31 | 38.17 | | 1 033.25 | 32.48 | | 3 153.61 | 113.45 | | 4 529.30 | 54.20 |

| | | | | | | | | | | | | |
|----------------------------|---------------|----------|-------|------------|----------|-------|------------------|----------|--------|------------------|----------|-------|
| 11 | Cambodia | 55.40 | 2.31 | Sri Lanka | 34.16 | 1.07 | Papua New Guinea | 72.70 | 2.62 | Jordan | 123.73 | 1.48 |
| 12 | Sri Lanka | 52.39 | 2.19 | Egypt | 31.04 | 0.98 | Egypt | 51.89 | 1.87 | Viet Nam | 120.86 | 1.45 |
| 13 | Senegal | 51.54 | 2.15 | Bangladesh | 30.52 | 0.96 | Iran | 46.34 | 1.67 | Ghana | 110.01 | 1.32 |
| 14 | Côte d'Ivoire | 49.41 | 2.06 | Nepal | 30.21 | 0.95 | El Salvador | 33.16 | 1.19 | Tanzania | 105.68 | 1.26 |
| 15 | Mongolia | 48.91 | 2.04 | Turkey | 29.80 | 0.94 | Mongolia | 30.05 | 1.08 | Mongolia | 103.75 | 1.24 |
| 16 | Nicaragua | 46.66 | 1.95 | Tanzania | 29.20 | 0.92 | Viet Nam | 27.81 | 1.00 | Bolivia | 98.03 | 1.17 |
| 17 | Viet Nam | 46.37 | 1.94 | Paraguay | 27.35 | 0.86 | Colombia | 26.48 | 0.95 | Papua New Guinea | 96.18 | 1.15 |
| 18 | Honduras | 42.63 | 1.78 | Mongolia | 24.78 | 0.78 | Kyrgyz | 26.39 | 0.95 | Kenya | 92.82 | 1.11 |
| 19 | Madagascar | 41.74 | 1.74 | Argentina | 22.13 | 0.70 | Chile | 25.16 | 0.94 | Poland | 89.21 | 1.07 |
| 20 | Kenya | 40.94 | 1.71 | Bolivia | 21.00 | 0.66 | Mali | 25.56 | 0.92 | Nepal | 88.73 | 1.06 |
| Total aid for 20 countries | | 1 390.30 | 58.04 | | 1 313.44 | 41.29 | | 3 520.16 | 126.63 | | 5 558.30 | 66.52 |

(continued)

Appendix A8 concluded.

| Rank | Grant aid | | | Technical cooperation | | | ODA loans | | | Total bilateral aid | | |
|----------------------------|----------------------|----------------------|-----------|-----------------------|----------------------|-----------|----------------------|----------------------|-----------|----------------------|----------------------|-----------|
| | Country or territory | Amount (million USD) | Share (%) | Country or territory | Amount (million USD) | Share (%) | Country or territory | Amount (million USD) | Share (%) | Country or territory | Amount (million USD) | Share (%) |
| 21 | Ethiopia | 40.09 | 1.67 | India | 21.83 | 0.69 | Togo | 24.45 | 0.88 | Cambodia | 71.33 | 0.85 |
| 22 | Laos | 39.31 | 1.64 | Chile | 21.54 | 0.68 | Panama | 23.80 | 0.86 | Nicaragua | 70.52 | 0.84 |
| 23 | India | 35.18 | 1.47 | Honduras | 21.12 | 0.66 | Malawi | 22.92 | 0.82 | El Salvador | 70.40 | 0.84 |
| 24 | Zimbabwe | 33.31 | 1.39 | Pakistan | 21.01 | 0.66 | Ecuador | 22.11 | 0.80 | Brazil | 65.48 | 0.78 |
| 25 | Jordan | 32.26 | 1.35 | Zambia | 20.84 | 0.65 | Morocco | 18.11 | 0.65 | Malawi | 63.99 | 0.77 |
| 26 | Yemen | 29.80 | 1.24 | Laos | 20.43 | 0.64 | Benin | 17.29 | 0.62 | Honduras | 63.75 | 0.76 |
| 27 | El Salvador | 29.15 | 1.22 | Cambodia | 20.12 | 0.63 | Nicaragua | 16.95 | 0.61 | Côte d'Ivoire | 58.11 | 0.70 |
| 28 | Mozambique | 28.85 | 1.20 | Syria | 19.38 | 0.61 | Bolivia | 16.85 | 0.61 | Iran | 58.09 | 0.70 |
| 29 | Peru | 28.65 | 1.20 | Ghana | 17.62 | 0.55 | Kenya | 16.70 | 0.60 | Senegal | 57.99 | 0.69 |
| 30 | Malawi | 28.49 | 1.19 | Morocco | 14.52 | 0.46 | Peru | 14.07 | 0.51 | Laos | 57.41 | 0.69 |
| Total aid for 30 countries | | 1 715.38 | 71.61 | | 1 511.84 | 47.53 | | 3 713.38 | 133.58 | | 6 195.37 | 74.14 |
| Bilateral aid total | | 2 395.50 | 100.00 | | 3 180.92 | 100.00 | | 2 779.84 | 100.00 | | 8 356.26 | 100.00 |

Source: MOFA (1997c).

Note: Total aid for developing countries includes aid to countries and territories in transition. USD, United States dollar.

Appendix A9. List of countries to which Japan is the top donor (net disbursement basis).

| Fiscal year 1991 | Amount (million USD) | Share (%) | Fiscal year 1992 | Amount (million USD) | Share (%) | Fiscal year 1993 | Amount (million USD) | Share (%) | Fiscal year 1994 | Amount (million USD) | Share (%) | Fiscal year 1995 | Amount (million USD) | Share (%) |
|-------------------------|----------------------------|--------------|---------------------|----------------------------|--------------|-------------------------|----------------------------|--------------|-------------------------|----------------------------|--------------|-------------------------|----------------------------|--------------|
| Kenya | 197.85 | 32.5 | Kenya | 128.67 | 24.9 | Kenya | 141.66 | 33.1 | Kenya | 128.93 | 32.2 | Kenya | 198.4 | 43.3 |
| Peru | 352.85 | 60.6 | Ghana | 71.29 | 21.5 | Ghana | 83.06 | 26.9 | Ghana | 134.75 | 40.6 | Ghana | 122.1 | 34.1 |
| Bahrain | 0.48 | 55.2 | Nigeria | 42.55 | 30.9 | Gambia | 12.73 | 25.5 | Gambia | 11.50 | 30.1 | Seychelles | 5.5 | 50.0 |
| Turkey | 424.53 | 44.9 | Bahrain | 0.59 | 49.2 | Saudi Arabia | 15.47 | 72.0 | Malawi | 100.25 | 39.9 | Tanzania | 124.3 | 21.2 |
| Jordan | 430.67 | 63.0 | Jordan | 126.36 | 40.4 | Bahrain | 0.94 | 50.3 | Sierra Leone | 10.29 | 19.1 | Zambia | 78.5 | 17.9 |
| Syria | 115.33 | 48.8 | Bangladesh | 163.44 | 19.2 | United Arab Emirates | 1.61 | NA | Tanzania | 104.76 | 18.4 | Zimbabwe | 65.6 | 18.9 |
| Yemen | 100.00 | 45.3 | Sri Lanka | 96.05 | 38.6 | Syria | 76.25 | 67.2 | Zambia | 106.31 | 24.5 | United Arab Emirates | 2.5 | 52.1 |
| Saudi Arabia | 6.43 | 51.1 | Nepal | 106.67 | 38.7 | Bangladesh | 185.04 | 27.7 | Bahrain | 1.22 | 72.6 | Syria | 122.3 | 77.0 |
| United Arab Emirates | 4.64 | NA | Singapore | 15.46 | 83.1 | Sri Lanka | 147.20 | 54.0 | Jordan | 106.68 | 46.5 | Bahrain | 1.3 | 72.2 |
| Myanmar | 84.52 | 79.8 | Pakistan | 173.33 | 36.9 | Nepal | 110.89 | 45.2 | Saudi Arabia | 8.13 | 58.2 | Jordan | 184.2 | 47.0 |
| Sri Lanka | 256.13 | 56.0 | India | 425.20 | 35.5 | Singapore | 18.16 | 81.5 | Syria | 330.03 | 91.3 | Oman | 9.5 | 79.8 |
| Nepal | 127.54 | 43.9 | Myanmar | 72.06 | 87.1 | Pakistan | 188.49 | 38.4 | United Arab Emirates | 2.36 | NA | Saudi Arabia | 8.3 | 57.2 |
| Singapore | 15.98 | NA | Indonesia | 1 356.71 | 68.8 | India | 295.94 | 35.9 | Bangladesh | 227.60 | 27.0 | Bhutan | 21.9 | 39.7 |
| Pakistan | 127.35 | 27.0 | Philippines | 1 030.67 | 67.0 | Myanmar | 68.61 | 88.7 | Brunei | 4.76 | 91.0 | India | 506.4 | 48.2 |
| India | 891.05 | 49.8 | Malaysia | 157.12 | 80.6 | Indonesia | 1 148.89 | 60.1 | Bhutan | 27.54 | 48.1 | Bangladesh | 254.9 | 35.8 |

(continued)

Appendix A9 continued.

| Fiscal year 1991 | Amount (million USD) | Share (%) | Fiscal year 1992 | Amount (million USD) | Share (%) | Fiscal year 1993 | Amount (million USD) | Share (%) | Fiscal year 1994 | Amount (million USD) | Share (%) | Fiscal year 1995 | Amount (million USD) | Share (%) |
|----------------------|----------------------------|--------------|-----------------------|----------------------------|--------------|------------------------|----------------------------|--------------|---------------------|----------------------------|--------------|----------------------|----------------------------|--------------|
| Bhutan | 16.94 | 45.2 | Thailand | 413.97 | 59.5 | Philippines | 758.39 | 56.8 | Cambodia | 64.52 | 35.7 | Brunei | 4.1 | 97.6 |
| Brunei | 2.96 | 82.0 | Laos | 24.80 | 32.3 | Thailand | 350.15 | 62.2 | China | 1 479.42 | 61.8 | Cambodia | 152.0 | 44.6 |
| Indonesia | 1 065.51 | 60.9 | Viet Nam | 281.24 | 59.4 | Laos | 40.43 | 44.0 | India | 886.52 | 64.3 | China | 1 380.2 | 54.5 |
| Philippines | 458.92 | 53.2 | China | 1 050.76 | 50.6 | Bhutan | 20.56 | 47.3 | Indonesia | 886.17 | 56.9 | Indonesia | 892.4 | 68.5 |
| Malaysia | 199.85 | 73.2 | Republic of Korea | 17.62 | NA | Maldives | 10.71 | 54.1 | Kyrgyz | 44.49 | 51.2 | Republic of Korea | 64.2 | NA |
| Thailand | 406.17 | 63.5 | Peru | 154.80 | 41.0 | Cambodia | 61.34 | 31.1 | Laos | 60.71 | 49.1 | Kyrgyz | 45.8 | 47.3 |
| Laos | 20.56 | 30.8 | Costa Rica | 61.10 | 45.6 | Brunei | 4.52 | 90.9 | Maldives | 12.86 | 68.4 | Laos | 97.6 | 57.4 |
| China | 585.29 | 46.3 | Brazil | 63.35 | NA | Mongolia | 57.53 | 70.2 | Mongolia | 71.08 | 65.8 | Malaysia | 64.8 | 60.7 |
| Republic of Korea | 40.41 | 76.8 | Dominican Republic | 16.61 | 32.0 | China | 1 350.67 | 60.2 | Myanmar | 133.81 | 93.7 | Maldives | 18.6 | 61.2 |
| Mongolia | 48.74 | 81.9 | Paraguay | 50.96 | 77.8 | Nicaragua | 41.25 | 15.4 | Nepal | 118.75 | 44.4 | Mongolia | 99.9 | 78.7 |
| Malta | 0.29 | NA | Kiribati | 13.87 | 63.1 | Trinidad and Tobago | 1.12 | NA | Pakistan | 271.04 | 53.3 | Myanmar | 114.2 | 90.5 |
| Maldives | 8.81 | 63.6 | Tuvalu | 3.52 | 46.9 | Brazil | 79.37 | 53.7 | Philippines | 591.60 | 62.8 | Nepal | 127.6 | 48.0 |
| Pacific Islands | 18.63 | 72.7 | | | | Dominican Republic | 15.63 | NA | Singapore | 13.56 | 91.0 | Pakistan | 241.0 | 66.9 |
| Kiribati | 7.29 | 45.9 | | | | Paraguay | 78.48 | 83.5 | Sri Lanka | 213.75 | 64.0 | Philippines | 416.1 | 55.6 |
| Solomon Islands | 10.75 | 38.3 | | | | Kiribati | 5.35 | 47.7 | Thailand | 382.55 | 70.4 | Singapore | 13.5 | 97.1 |

Western
Samoa

9.98 38.6

| | | | | | | | | |
|-----------------|-------|------|---------------------|--------|------|---------------------|-------|------|
| Solomon Islands | 26.35 | 56.7 | Brazil | 89.37 | 44.2 | Sri Lanka | 263.7 | 70.5 |
| Tonga | 12.10 | 50.0 | Costa Rica | 17.07 | 24.0 | Thailand | 667.4 | 80.7 |
| Western Samoa | 15.78 | 52.8 | Colombia | 18.73 | 28.4 | Viet Nam | 170.2 | 31.0 |
| Fiji | 20.30 | 40.3 | Dominica | 3.48 | 37.5 | Saint Vincent | 5.5 | 87.3 |
| | | | Dominican Republic | 10.43 | 29.1 | Trinidad and Tobago | 1.3 | NA |
| | | | Honduras | 45.61 | 25.6 | Dominican Republic | 56.6 | 69.7 |
| | | | Mexico | 183.09 | 46.1 | Guatemala | 37.1 | 23.0 |
| | | | Panama | 18.60 | 59.7 | Honduras | 74.8 | 32.1 |
| | | | Paraguay | 70.31 | 83.2 | Dominica | 7.5 | 78.9 |
| | | | Saint Vincent | 3.31 | 50.4 | Grenada | 3.4 | 60.7 |
| | | | Trinidad and Tobago | 2.24 | NA | Argentina | 41.7 | 37.9 |
| | | | Venezuela | 6.30 | 28.9 | Bolivia | 93.3 | 19.6 |
| | | | Solomon Islands | 15.98 | 40.5 | Brazil | 100.5 | 49.4 |
| | | | Tonga | 8.70 | 39.7 | Chile | 62.8 | 44.2 |

(continued)

Appendix A9 concluded.

| Fiscal year 1991 | Amount (million USD) | Share (%) | Fiscal year 1992 | Amount (million USD) | Share (%) | Fiscal year 1993 | Amount (million USD) | Share (%) | Fiscal year 1994 | Amount (million USD) | Share (%) | Fiscal year 1995 | Amount (million USD) | Share (%) |
|---------------------|----------------------------|--------------|---------------------|----------------------------|--------------|---------------------|----------------------------|--------------|---------------------|----------------------------|--------------|---------------------|----------------------------|--------------|
| | | | | | | | | | Vanuatu | 11.55 | 30.0 | Colombia | 34.6 | 21.6 |
| | | | | | | | | | Western Samoa | 22.73 | 59.7 | Ecuador | 37.0 | 23.4 |
| | | | | | | | | | | | | Mexico | 288.3 | 79.0 |
| | | | | | | | | | | | | Panama | 15.1 | 45.2 |
| | | | | | | | | | | | | Paraguay | 77.6 | 73.3 |
| | | | | | | | | | | | | Fiji | 13.9 | 35.7 |
| | | | | | | | | | | | | Kiribati | 4.2 | 36.8 |
| | | | | | | | | | | | | Solomon Islands | 17.1 | 46.8 |
| | | | | | | | | | | | | Tonga | 14.4 | 50.0 |
| | | | | | | | | | | | | Vanuatu | 12.8 | 32.3 |
| | | | | | | | | | | | | Western Samoa | 14.6 | 46.6 |
| 31 countries | | | 27 countries | | | 34 countries | | | 46 countries | | | 55 countries | | |

Source: MOFA (1997c).

Note: Excludes "territories," such as Macao and Hong Kong. Japan was the second largest donor to the following countries (in 1995): Turkey, Central African Republic, Comoros, Guinea, Madagascar, Mali, Mauritania, Mauritius, Senegal, Djibouti, Namibia, Saint Helena, Sudan, Bahamas, El Salvador, Nicaragua, Saint Christopher Nevis, Peru, Venezuela, Uzbekistan, Turkmenistan, Iran, Kuwait, Qatar, Nauru, Marshall Islands, Micronesia, Palau, Papua New Guinea, Tuvalu (30 countries). NA, the share cannot be calculated because the total aid of DAC countries to the given country is negative; USD, United States dollar.

Appendix A10. Japan's bilateral ODA allocated by income groups (net disbursement basis).

| Income group | Fiscal year 1994 (million USD [%]) | Fiscal year 1995 (million USD [%]) | Fiscal year 1996 (million USD [%]) |
|---------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| HICs | 28.4 (0.3) | 8.0 (0.1) | -121.6 (—) |
| LICs | 4 388.4 (45.9) | 4 223.5 (40.5) | 2 708.1 (33.0) |
| LLDC | 1 477.6 (15.5) | 1 603.2 (15.4) | 1 177.7 (14.4) |
| LMICs | 2 194.8 (23.0) | 2 494.2 (23.9) | 3 215.0 (39.2) |
| UMICs | 251.8 (2.6) | 619.3 (5.9) | -85.7 (—) |
| Unallocable | 1 218.8 (12.7) | 1 470.3 (14.1) | 1 313.8 (16.0) |
| Total bilateral ODA | 9 559.9 (100.0) | 10 418.5 (100.0) | 8 207.2 (100.0) |

| | Per capita GDP (USD) | Population (million) | APQLI | EDI |
|----|-------------------------|-------------------------|-------------------------------|-----|
| I | ≤699 | ≤75 | ≤47 | ≤26 |
| II | ≤699 | ≤75 | Satisfies either of the above | |

Source: MOFA (1997c).

Note: Following are the definitions and their explanation:

- APQLI, Augmented Physical Quality of Life Index (numeric indicator of a country's level of human-resource development, comprising life expectancy at birth, per capita calorie intake, combined primary- and secondary-school-enrolment ratio and adult literacy rate);
- CPD, United Nations Committee for Development Planning;
- EDI, Economic Diversification Index (numeric indicator of a country's economic structural weakness, considering its share of manufacturing to total GDP, percentage of labour force employed in the industrial and service sectors, per capita electricity consumption, and level of dependence on exports of specific commodities);
- GDP, gross domestic product;
- HICs, high-income countries (countries or territories whose average GNP per capita exceeded 9 386 USD; there were eight such countries or territories in 1995 actuals; this category applies to the countries concerned starting in 1992);
- LICs, low-income countries (countries or territories with an average GNP per capita in 1995 of less than 766 USD); LLDCs are excluded from this row; there were 23 LICs in 1996 actuals);
- LLDC, least among less developed countries (defined by CDP as countries that meet either condition I or II below); I, cases that CDP judges appropriate in light of the country's natural-endowment index, exports of petroleum as a percentage of total exports, and ODA as a percentage of GNP; II, only countries that are landlocked, small, with a population of 1 million or less, or suffer from severe climatic risks, such as drought, floods, and typhoons; the number of LLDCs at the end of 1993 was 47; from 1994 onward, it was 48;
- LMICs, lower middle-income countries (countries or territories whose average GNP per capita in 1995 exceeded 766 USD but was less than 3 036 USD; there were 51 such countries or territories in 1996 actuals);
- ODA, official development assistance;
- UMICs, upper middle-income countries (countries or territories whose average GNP per capita in 1995 exceeded 3 036 USD but was less than 9 386 USD; there were 26 such countries or territories in 1996 actuals);
- USD, United States dollar.

Appendix A11. Sectoral distribution of bilateral ODA in fiscal year 1996 (on a commitment basis).

| Sector of destination Type of aid | Type of aid (million USD) | | | | | |
|--|---------------------------|-----------------------|--------------|-----------|-------------------|--------|
| | Grant aid | Technical cooperation | Total grants | Loans | Total (share (%)) | |
| 1. Social infrastructure and services | 580.78 | 1 215.24 | 1 796.02 | 1 681.57 | 3 477.59 | (20.9) |
| (1) Education | 152.78 | 746.60 | 899.38 | 30.50 | 929.88 | (5.6) |
| (2) Health | 166.66 | 143.59 | 310.25 | 109.33 | 419.58 | (2.5) |
| (3) Population programs | 17.51 | 17.42 | 34.93 | — | 34.93 | (0.2) |
| (4) Water supply and sanitation | 186.52 | 76.81 | 263.33 | 1 541.74 | 1 805.07 | (10.8) |
| (5) Public administration | — | 113.85 | 113.85 | — | 113.85 | (0.7) |
| (6) Other social infrastructure and services | 57.31 | 116.96 | 174.27 | — | 174.27 | (1.0) |
| 2. Economic infrastructure and services | 376.83 | 287.25 | 664.08 | 6 122.55 | 6 786.63 | (40.7) |
| (1) Transport | 257.09 | 118.41 | 375.50 | 3 657.37 | 4 032.87 | (24.2) |
| (2) Communications | 84.42 | 41.93 | 126.35 | 320.24 | 446.59 | (2.7) |
| (3) Energy | 35.32 | 45.39 | 80.71 | 1 984.98 | 2 065.69 | (12.4) |
| (4) Banks and financial services | — | 8.70 | 8.70 | 104.89 | 113.59 | (0.7) |
| (5) Commercial and other economic services | — | 72.80 | 72.80 | 55.07 | 127.87 | (0.8) |
| 3. Production sectors | 434.41 | 638.09 | 1 072.50 | 1 852.49 | 2 924.99 | (17.5) |
| (1) Agriculture, forestry, and fisheries | 434.41 | 377.95 | 812.36 | 1 574.89 | 2 387.25 | (14.3) |
| a) Agriculture | 342.41 | — | 342.41 | 1 421.78 | 1 764.19 | (10.6) |
| b) Forestry | 15.62 | — | 15.62 | 153.11 | 168.73 | (1.0) |
| c) Fisheries | 76.38 | — | 76.38 | — | 76.38 | (0.5) |
| (2) Mining and manufacturing | — | 223.09 | 223.09 | 277.60 | 500.68 | (3.0) |
| a) Manufacturing | — | — | — | 276.38 | 276.38 | (1.7) |
| b) Mining | — | — | — | 1.21 | 1.21 | (0.0) |
| c) Construction | — | — | — | — | — | (—) |
| (3) Trade and tourism | — | 37.05 | 37.05 | — | 37.05 | (0.2) |
| a) Trade | — | — | — | — | — | (—) |
| b) Tourism | — | — | — | — | — | (—) |
| 4. Multisector assistance | 43.18 | 74.31 | 117.49 | 701.82 | 819.31 | (4.9) |
| (1) Environmental conservation | 13.19 | 60.19 | 73.38 | 598.64 | 672.02 | (4.0) |
| (2) Women in development | 19.44 | 0.06 | 19.50 | — | 19.50 | (0.1) |
| (3) Other multisector categories | 10.55 | 14.05 | 24.60 | 103.18 | 127.78 | (0.8) |
| Subtotal (1–4) | 1 435.20 | 2 214.88 | 3 650.08 | 10 358.43 | 14 008.50 | (84.0) |

(continued)

Appendix A11 concluded.

| Sector of destination Type of aid | Type of aid (million USD) | | | | | |
|--|---------------------------|--------------------------|--------------|-----------|-------------------|---------|
| | Grant aid | Technical cooperation | Total grants | Loans | Total (share [%]) | |
| 5. Commodity assistance, general program assistance | 29.41 | 0.00 | 29.41 | 276.50 | 305.91 | (1.8) |
| (1) Assistance in structural adjustments in coordination with the World Bank and IMF | — | — | — | 129.42 | 129.42 | (0.8) |
| (2) Food aid designed to promote development | 29.41 | — | 29.41 | — | 29.41 | (0.2) |
| (3) Other program assistance | — | — | — | 147.08 | 147.08 | (0.9) |
| 6. Debt relief | 589.19 | — | 589.19 | 265.52 | 854.71 | (5.1) |
| 7. Disaster relief | 57.85 | 6.27 | 64.12 | — | 64.12 | (0.4) |
| 8. Administrative and similar costs | 334.41 | 1 104.10 | 1 438.51 | — | 1 435.51 | (8.6) |
| (1) Administrative expenses ^a | — | 706.67 | 706.67 | — | 706.67 | (4.2) |
| (2) NGO assistance ^b | 19.21 | 249.70 | 268.91 | — | 268.91 | (1.6) |
| (3) Unspecified ^c | 315.20 | 147.73 | 462.93 | — | 462.93 | (2.8) |
| Total | 2 446.06 | 3 325.25 | 5 771.31 | 10 900.45 | 16 671.75 | (100.0) |
| BHN (1 + 3(1) + 7) | 1 102.45 | 1 599.46 | 2 701.91 | 3 256.46 | 5 958.37 | (35.7) |

Source: MOFA (1997c).

Note: Figures in this table include aid for Eastern Europe and countries that graduated from ODA recipient status. Because of rounding, the figures do not necessarily add up to the totals. BHN, basic human need; IMF, International Monetary Fund; NGO, nongovernmental organization; USD, United States dollar.

^a Administrative expenses include raising costs awareness.

^b NGO assistance includes that to private international institutions.

^c Grants to aid structural-adjustment efforts (nonproject grants), as well as Grant Assistance for Grassroot Projects and expenses for refugee assistance.

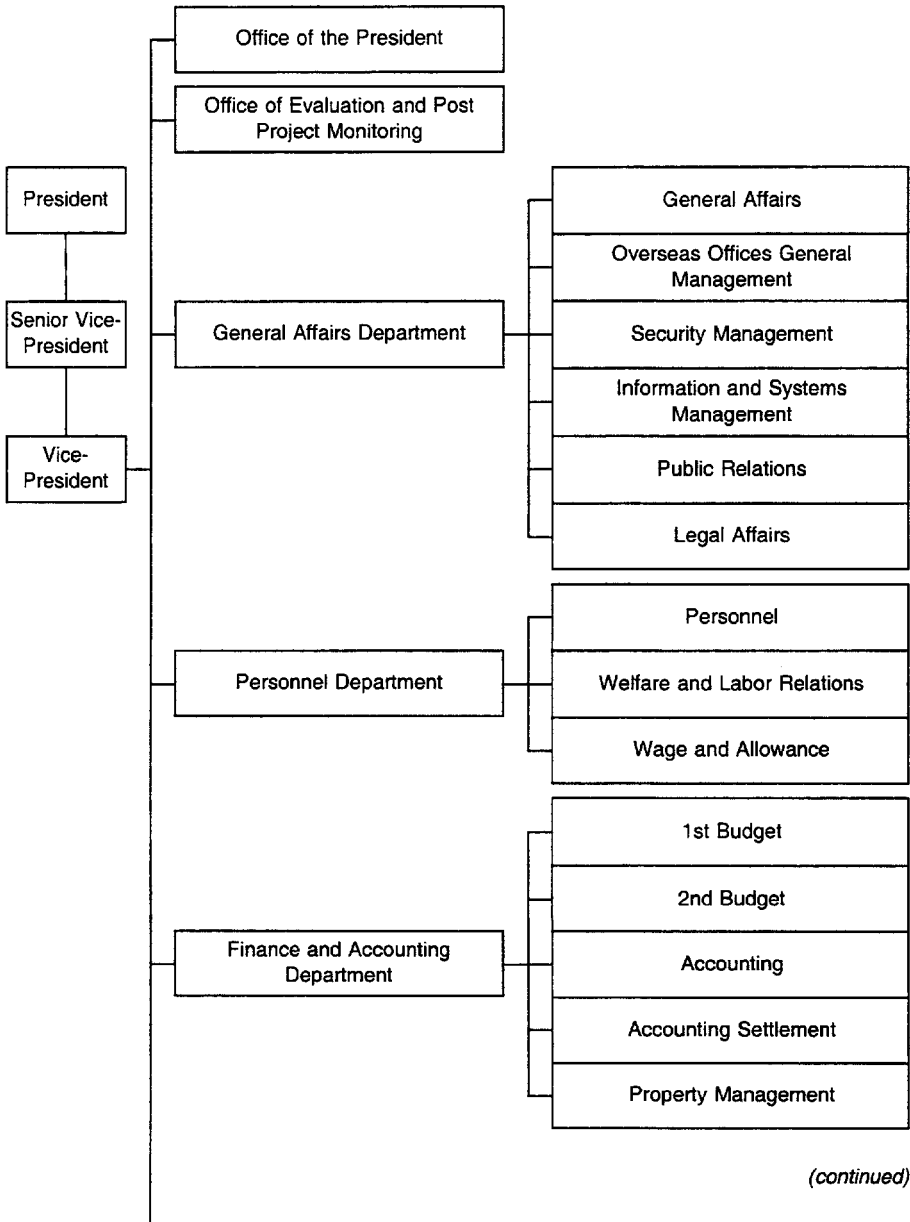
Appendix A12. Allocation of general account ODA budget by ministry in fiscal years 1997 and 1998.

| Ministry | 1997 (million JPY) | 1998 (million JPY) |
|--|--------------------------|--------------------------|
| Prime Minister's Office | 7 | 0 |
| National Police Agency | 146 | 127 |
| Management and Coordination Agency | 1 826 | 1 635 |
| Economic Planning Agency | 8 869 | 1 009 |
| Science and Technology Agency | 692 | 554 |
| Environmental Protection Agency | 711 | 558 |
| National Land Agency | 65 | 52 |
| Ministry of Justice | 607 | 551 |
| Ministry of Foreign Affairs | 585 094 | 556 789 |
| Ministry of Finance | 441 902 | 367 883 |
| Ministry of Education, Science, Sports and Culture | 48 248 | 44 920 |
| Ministry of Health and Welfare | 8 274 | 8 182 |
| Ministry of Agriculture, Forestry and Fisheries | 9 968 | 8 476 |
| Ministry of International Trade and Industry | 55 830 | 50 845 |
| Ministry of Transportation | 941 | 840 |
| Ministry of Posts and Telecommunications | 917 | 820 |
| Ministry of Labour | 3 753 | 3 316 |
| Ministry of Construction | 793 | 709 |
| Ministry of Home Affairs | 29 | 0 |

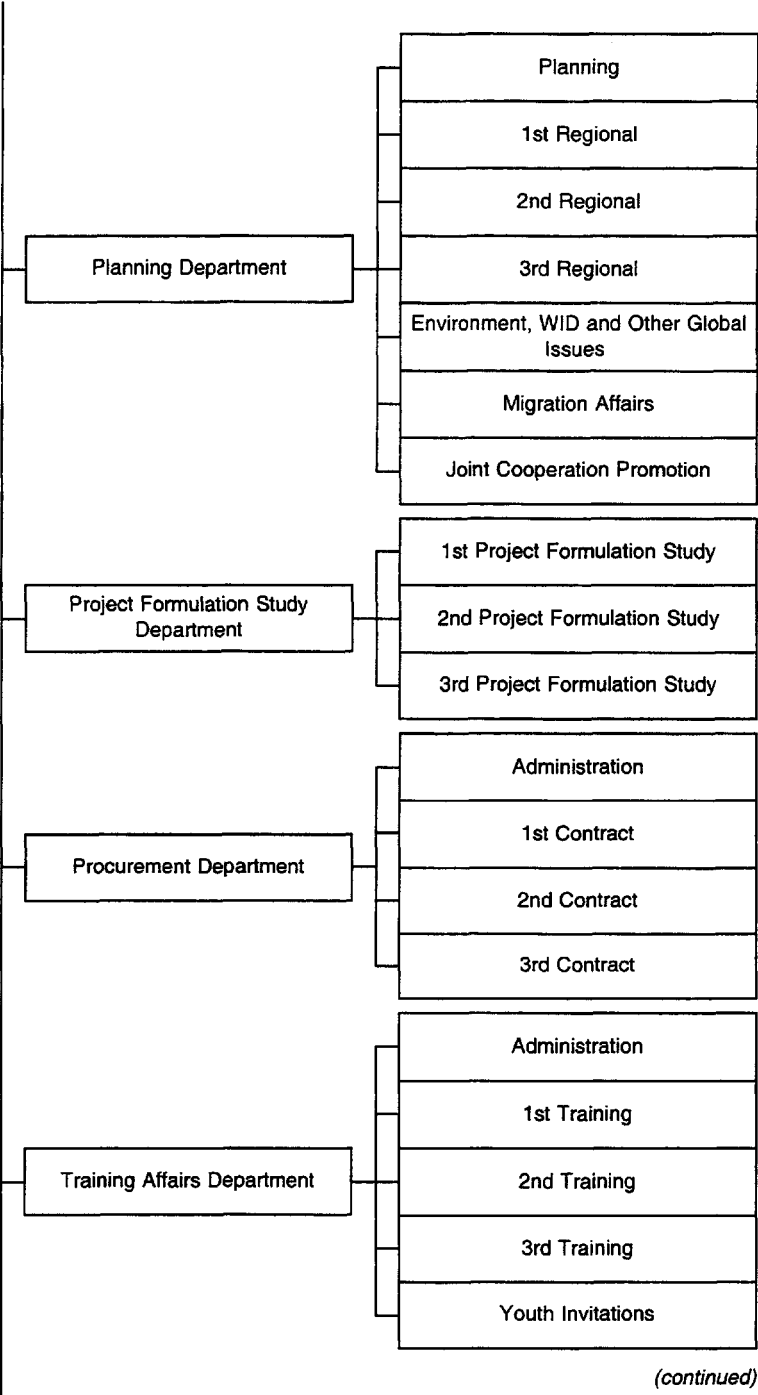
Source: Kokusai Kaihatsu (1998).

Note: The 1997 DAC exchange rate was 121 JPY = 1 United States dollar. JPY, Japanese yen.

Appendix A13A. Organizational structure of JICA.

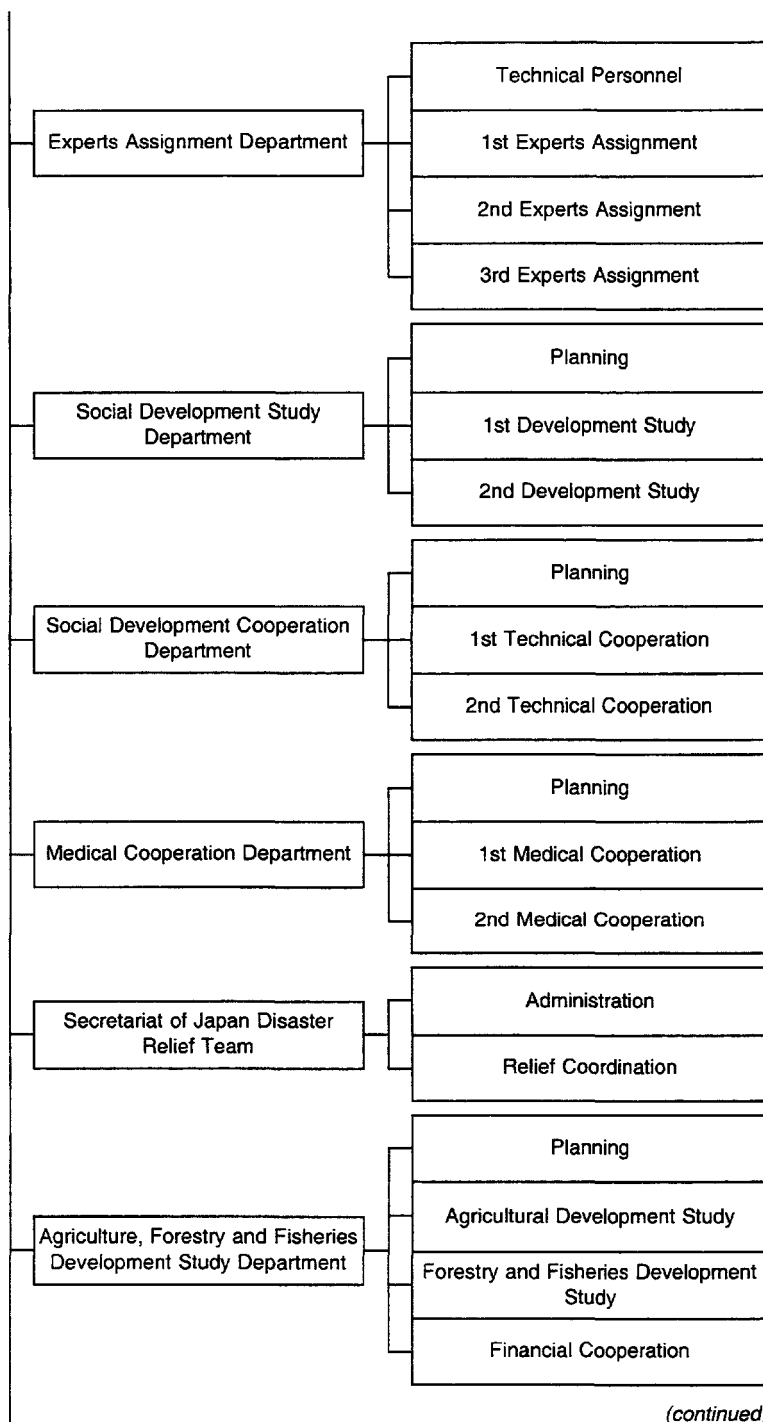


Appendix A13A continued.



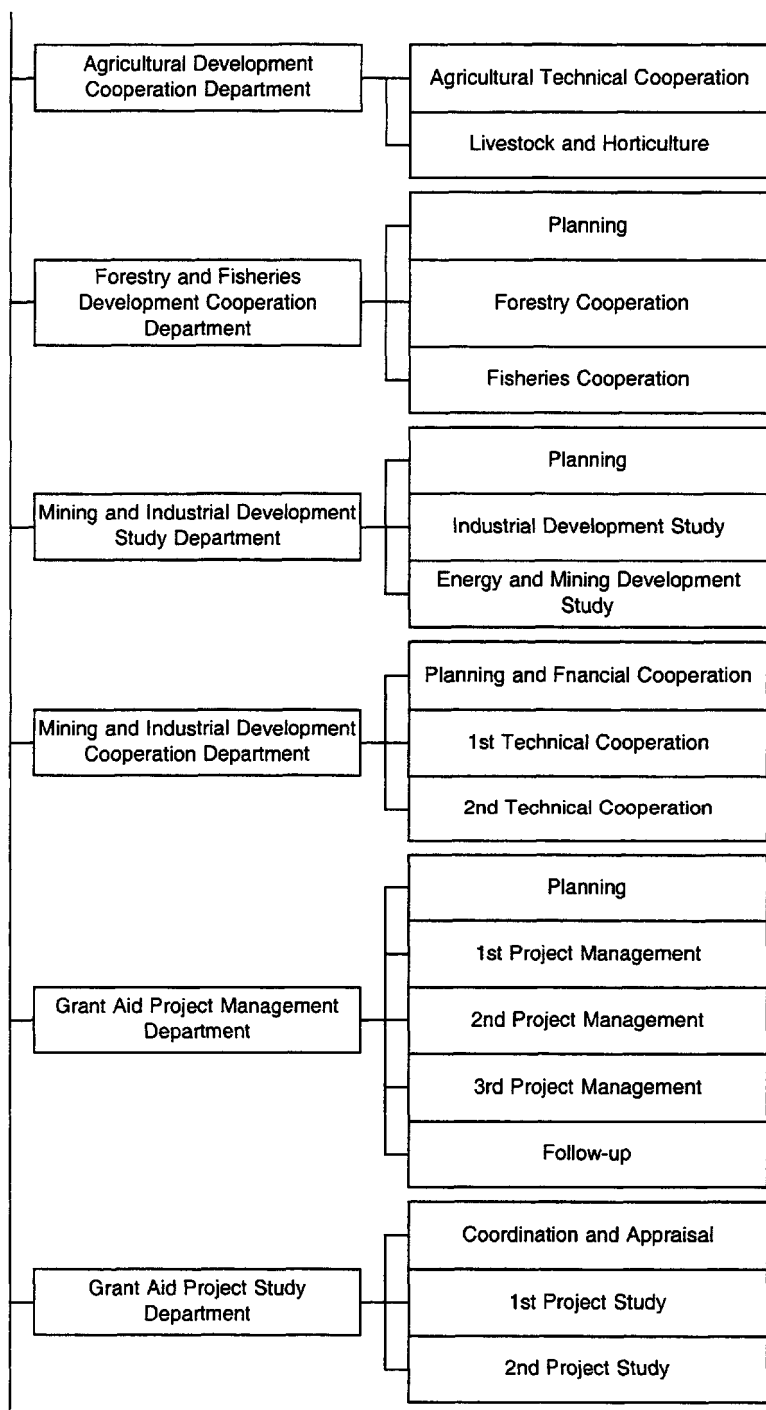
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Appendix 13A continued.

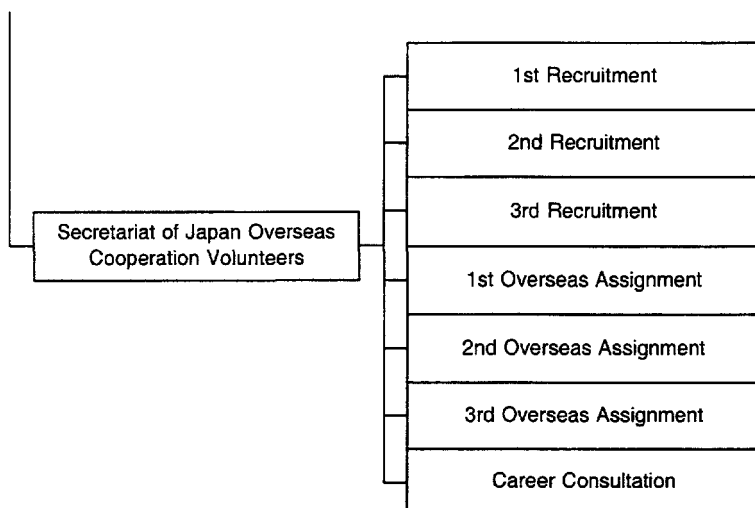


(continued)

Appendix 13A continued.



(continued)

Appendix 13A concluded.

Source: CIDA-JICA (1997).

Appendix A13B. List of JICA overseas offices.

| Asia | Central and South America and the Caribbean |
|-------------|---|
| Bangladesh | Argentina |
| Cambodia | Bolivia |
| China | • Santa Cruz |
| India | • La Paz |
| Indonesia | Brazil |
| Laos | • Sao Paulo |
| Malaysia | • Belem |
| Mongolia | Chile |
| Myanmar | Colombia |
| Nepal | Dominican Republic |
| Pakistan | Honduras |
| Philippines | Mexico |
| Singapore | Panama |
| Sri Lanka | Paraguay |
| Thailand | Peru |

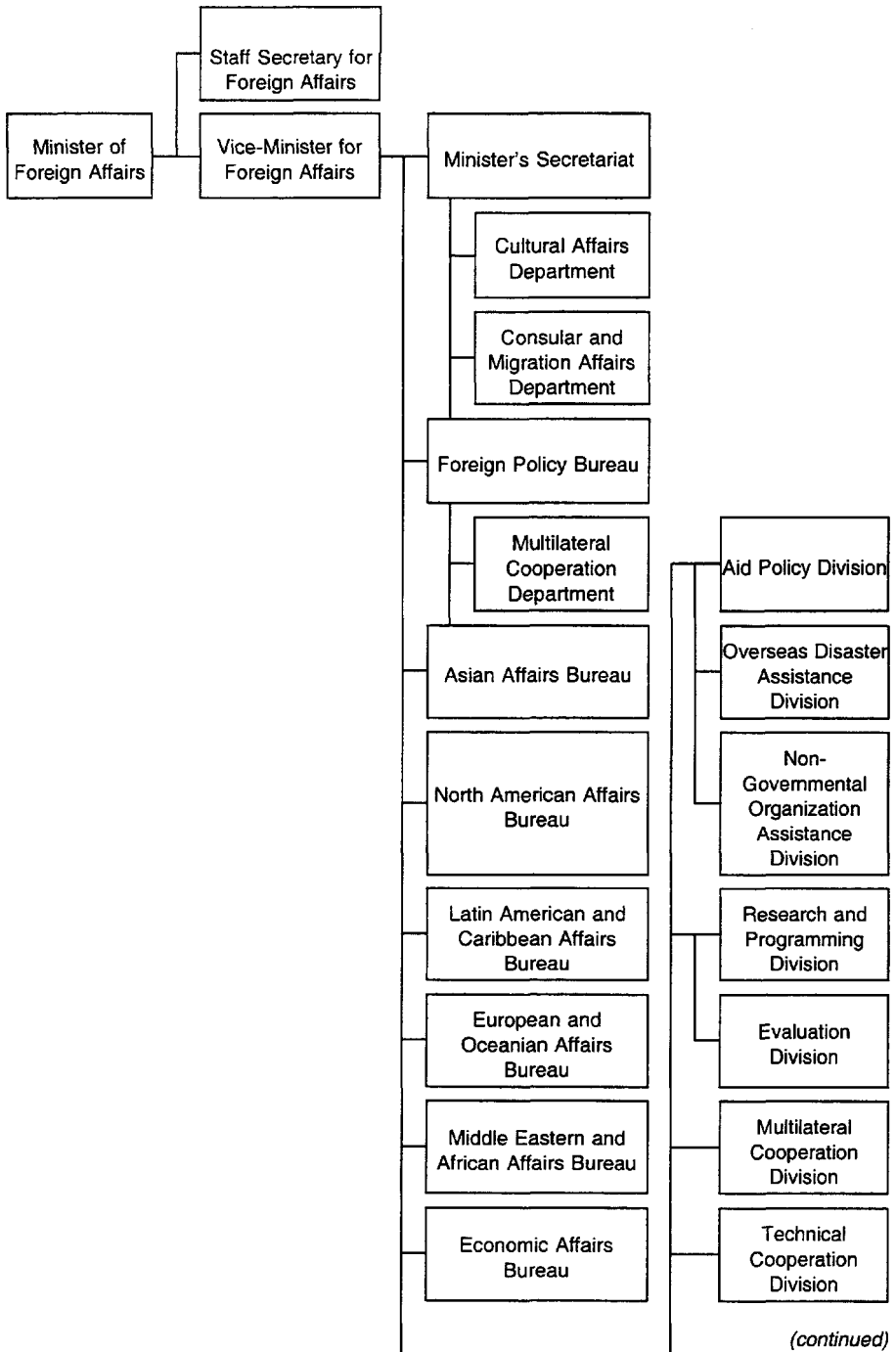
(continued)

Appendix A13B concluded.

| | |
|--------------------------|------------------|
| Viet Nam | Oceania |
| Middle East | Australia |
| Egypt | Fiji |
| Jordan | Papua New Guinea |
| Palestine | Western Samoa |
| Saudi Arabia | Others |
| Syria | Austria |
| Turkey | France |
| Africa | United Kingdom |
| Ethiopia | United States |
| Ghana | |
| Ivory Coast | |
| Kenya | |
| Malawi | |
| Morocco | |
| Nigeria | |
| Republic of South Africa | |
| Senegal | |
| Tanzania | |
| Tunisia | |
| Zambia | |
| Zimbabwe | |

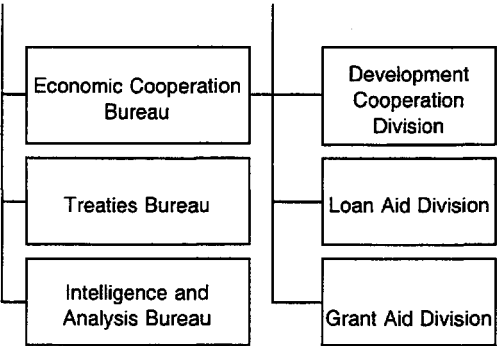
Source: JICA (1995)

Appendix A14. Organizational structure of MOFA.



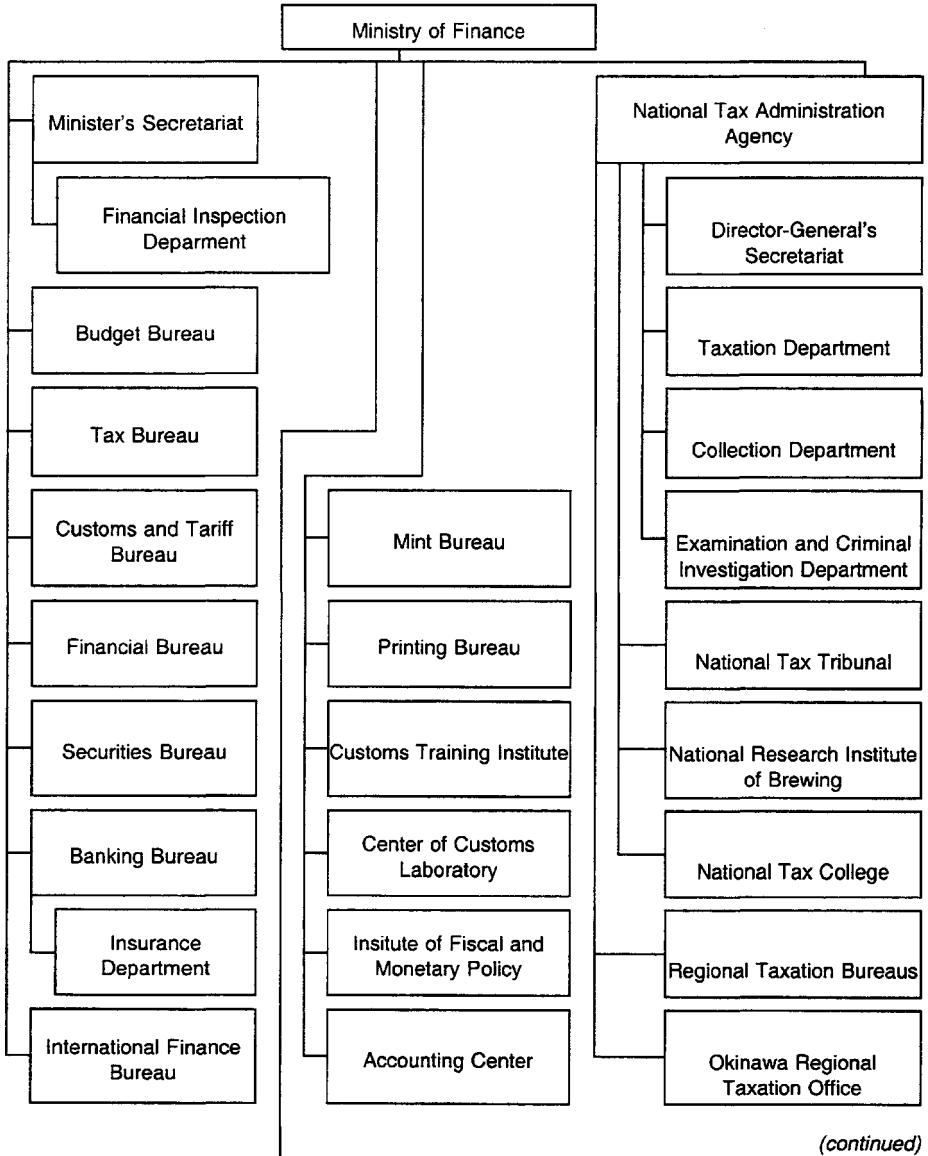
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Appendix A14 concluded.

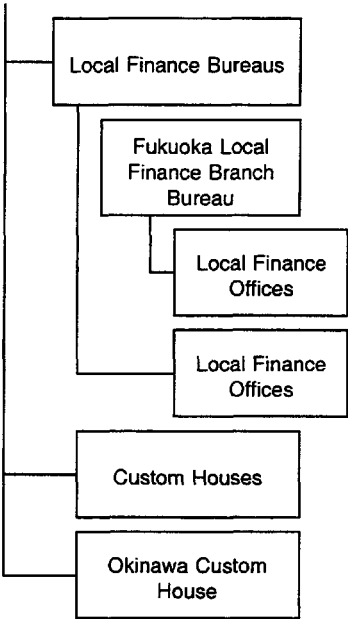


Source: CIDA-JICA 1997.

Appendix A15. Organizational structure of MOF.

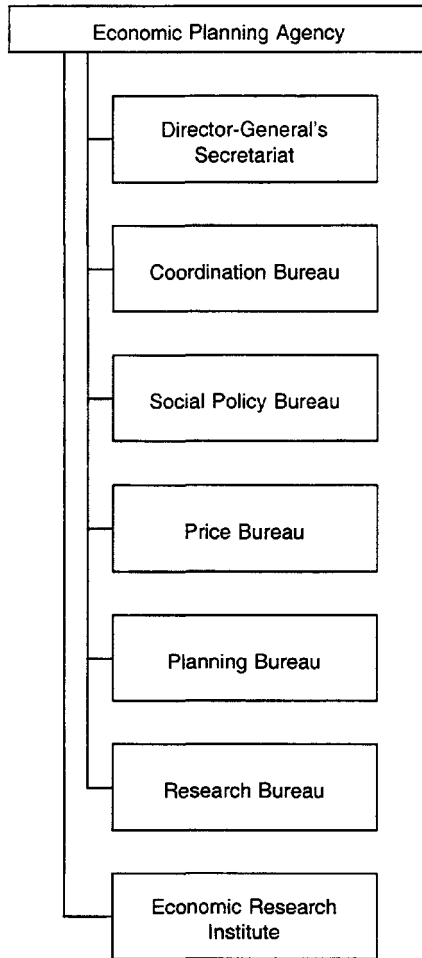


Appendix A15 concluded.



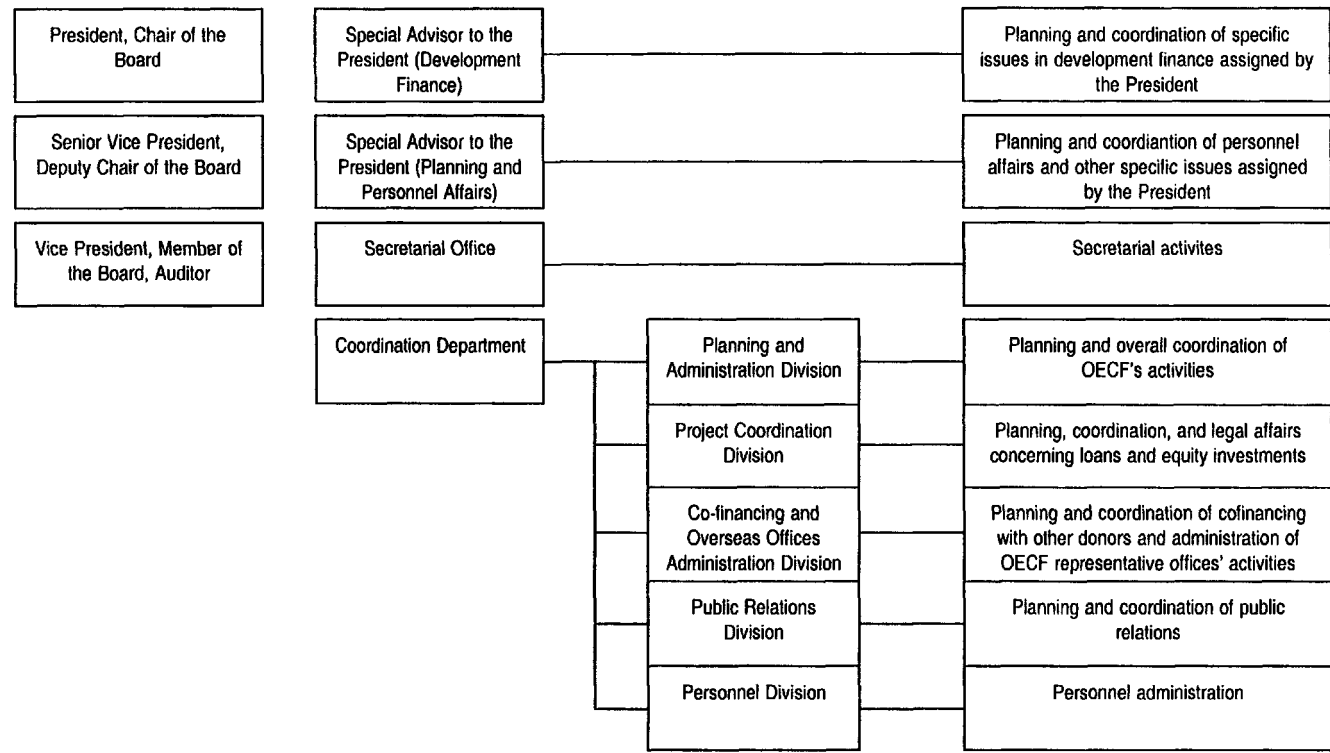
Source: IAM (1994).

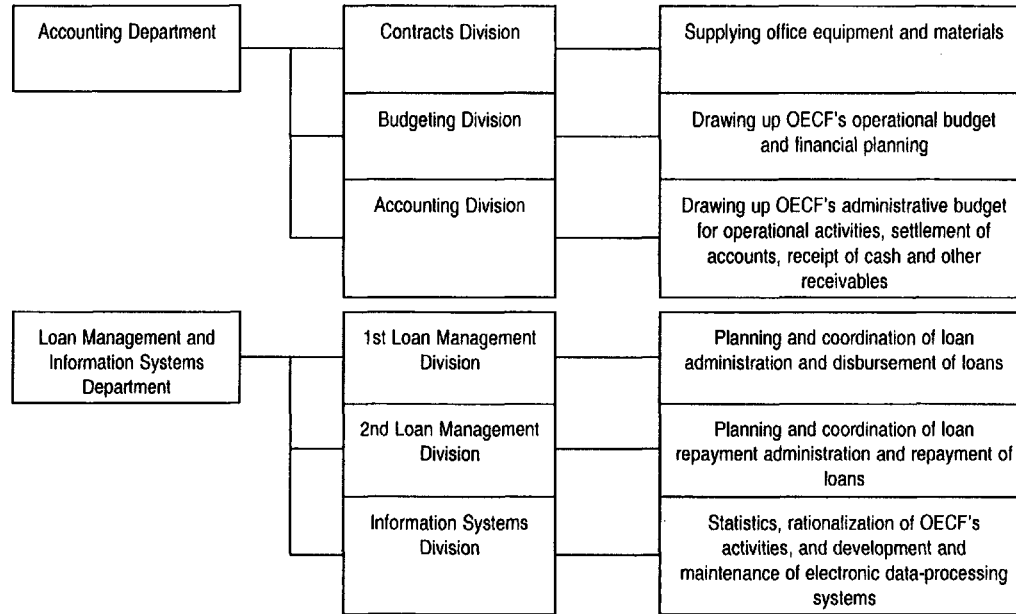
Appendix A16. Organizational structure of EPA.



Source: IAM (1994).

Appendix A17. Organizational structure of OECF.

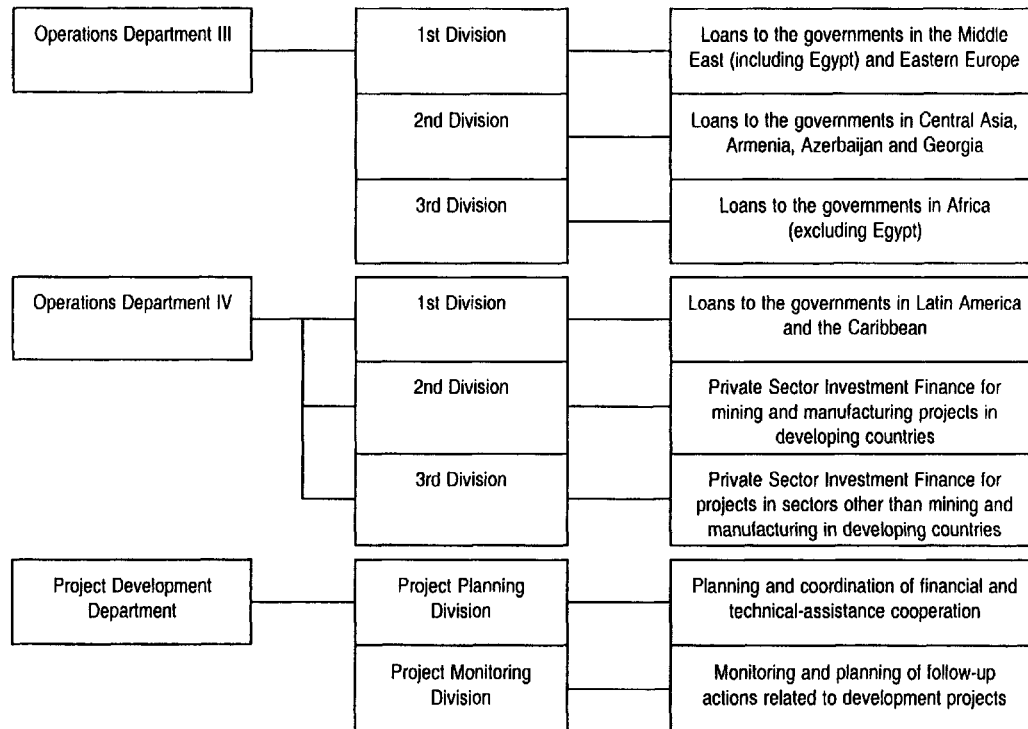




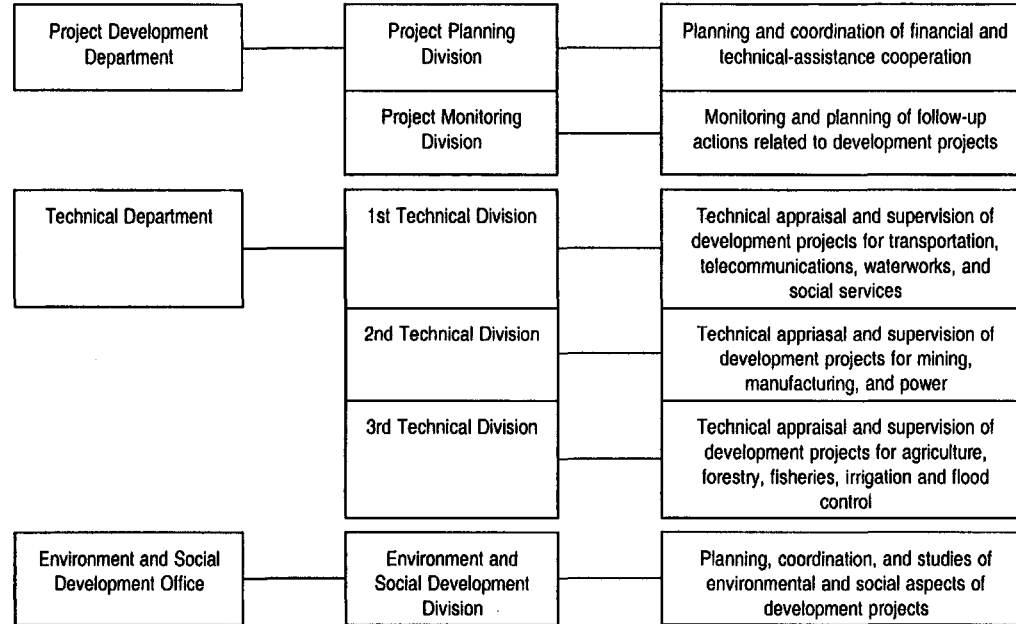
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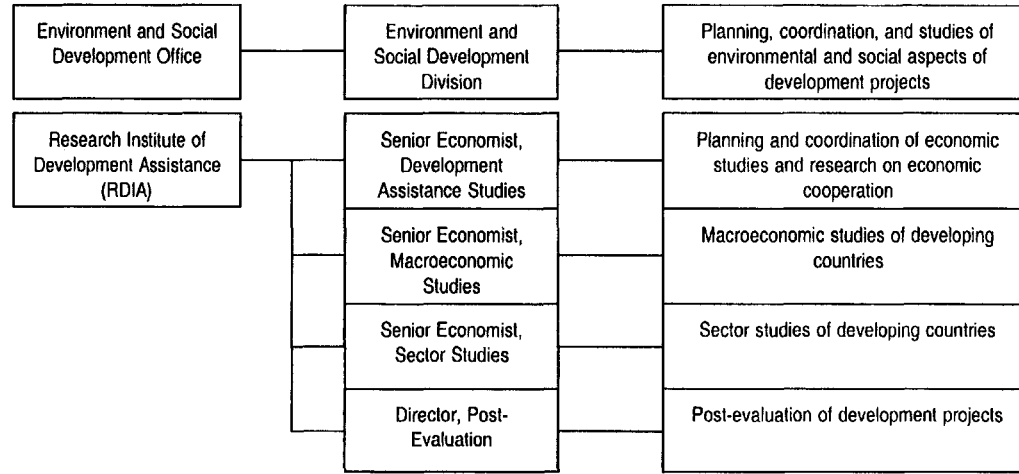
Appendix A17 continued.

| | | | |
|--------------------------|--|--------------|--|
| Operations Department I | | 1st Division | Loans to the governments of Thailand and Myanmar |
| | | 2nd Division | Loans to the governments of Indonesia and Malaysia |
| | | 3rd Division | Loans to the governments of the Philippines and Oceanian countries |
| | | 4th Division | Loans to the governments of Viet Nam, Laos, and Cambodia |
| Operations Department II | | 1st Division | Loans to the governments of Korea, China, and Mongolia |
| | | 2nd Division | Loans to the governments of India and Bhutan |
| | | 3rd Division | Loans to the governments of Sri Lanka and Bangladesh |
| | | 4th Division | Loans to the governments of Pakistan, Afghanistan, and Nepal |



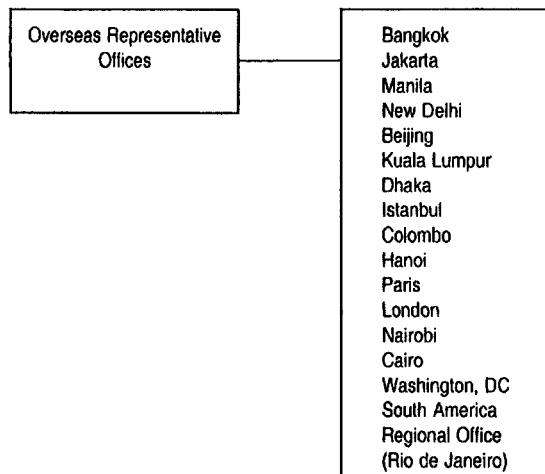
(continued)





(continued)

Appendix A17 concluded.



Source: OECF (1998).

Note: OECF, Overseas Economic Cooperation Fund.

Appendix A18. Japanese organizations and institutions involved in ODA (project identification and other activities).

| Organizations and institutions (telephone/fax) | Authorizing ministry or agency | | | | | | | | | |
|---|--------------------------------|------|------|------|-----|-----|-----|-----|-----|----|
| | MOFA | MOHW | MAFF | MITI | MOC | MOE | MOT | MOL | EPA | EA |
| Government organizations | | | | | | | | | | |
| IDE (03-3353-4231/03-3226-8475) | | | | | ✓ | | | | | |
| JEC (03-5251-1017/03-3592-5056) | | ✓ | ✓ | ✓ | ✓ | | ✓ | | | ✓ |
| JICA (03-5352-5311/03-5352-5150) | ✓ | | | | | | | | | |
| OECF (03-3215-1419/03-3215-1307) | | | | | | | | | ✓ | |
| Private and nonprofit institutions | | | | | | | | | | |
| APDA (03-3581-7770/03-3581-7796) | ✓ | ✓ | ✓ | | | | | | | |
| AOTS (03-3888-8211/03-3888-8264) | | | | ✓ | | | | | | |
| APIC (03-5423-0571/03-5423-0576) | ✓ | | | | | | | | | |
| AICAF (03-3263-7377/03-3234-5137) | ✓ | | ✓ | | | | | | | |
| ECFA (03-3593-1171/03-3595-2489) | | | | ✓ | ✓ | | | | | |
| FASID (03-5226-0301/03-5226-0023) | ✓ | | | | | ✓ | | | | |
| FFEE (03-3234-0111/03-0237-8610) | | | | | | | | | | ✓ |
| IDCJ (03-3630-6911/03-3630-8120) | ✓ | | ✓ | ✓ | ✓ | | ✓ | | ✓ | |
| IECA (03-3263-4821/03-3230-4030) | | | | | ✓ | | ✓ | | | |
| IMAJ (03-3502-3051/03-3502-3053) | ✓ | | | | | | | | | |

(continued)

Appendix A18 concluded.

| Organizations and institutions (telephone/fax) | Authorizing ministry or agency | | | | | | | | | |
|---|--------------------------------|------|------|------|-----|-----|-----|-----|-----|----|
| | MOFA | MOHW | MAFF | MITI | MOC | MOE | MOT | MOL | EPA | EA |
| IMFJ (03-432-3175/03-432-3175) | ✓ | ✓ | | | | | | | | |
| ITDU (03-5269-4771/03-5996-3510) | | | | | | | ✓ | | | |
| JCCME (03-3237-6721/03-3237-8018) | | | | ✓ | | | | | | |
| JFEO (03-3279-1411/03-5255-6255) | | | | ✓ | | | | | | |
| JIIA (03-3503-7261/03-3595-1755) | ✓ | | | | | | | | | |
| JICE (03-5322-2500/03-5322-2520) | ✓ | | | | | | | | | |
| JICS (03-5322-5900/03-5352-5991) | ✓ | | | | | | | | | |
| JOFCA (03-5689-3435/03-5689-3439) | | ✓ | | | | | | | | |
| JPHA (03-3503-6968/03-3503-6975) | | | | | | ✓ | | | | |
| JTCA (03-3501-1462/03-3501-1466) | | | | | | ✓ | | | | |
| JANIC (03-3294-5370/03-3294-5398) | ✓ | | | | | | | | | |
| JNA (03-3400-8331/03-3400-8336) | | ✓ | | | | | | | | |
| JOICFP (03-3268-5875/03-3235-7900) | ✓ | ✓ | | | | | | | | |
| MEI (03-3591-0955/03-3591-0957) | ✓ | | | | | | | | | |
| OISCA (03-3322-5161/03-3324-7111) | ✓ | | ✓ | ✓ | | | ✓ | | | |
| OADA (03-3478-3508/03-3401-6048) | ✓ | | ✓ | | | | | | | |

OCDI (03-3580-3271/03-3580-3657)

✓

OFCA (03-3578-9301/03-3578-9303)

✓

OVTA (043-276-7236/043-276-7280)

✓

PREX (06-441-2650/06-441-2640)

✓

✓

Source: FASID (1994).

Note: AICAF, Association of International Cooperation of Agriculture and Forestry; AOTS, Association for Overseas Technical Scholarship; APDA, Asian Population and Development Association; APIC, Association for Promotion of International Cooperation; EA, Environment Agency; ECFA, Engineering Consulting Firms Association, Japan; EPA, Economic Planning Agency; FASID, Foundation for Advanced Studies on International Development; FFEE, Foundation for Earth Environment; IDCJ, International Development Center of Japan; IDE, Institute of Developing Economies; IECA, International Engineering Consultants Association; IMAJ, International Management Association of Japan, Inc.; IMFJ, International Medical Foundation of Japan; ITDU, International Tourism Development Institute of Japan; JANIC, Japanese NGO Center for International Cooperation; JCCME, Japan Cooperation Center for the Middle East; JEC, Japan Environment Corporation; JFEO, Japan Federation of Economic Organizations (Keidanren); JICA, Japan International Cooperation Agency; JICE, Japan International Cooperation Center; JICS, Japan International Cooperation System; JIIA, Japan Institute of International Affairs; JNA, Japanese Nursing Association; JOFCA, Japan Overseas Forestry Consultants Association; JOICFP, Japanese Organization for International Cooperation in Family Planning; JPHA, Japan Port and Harbour Association; JTCA, Japan Transport Consultants Association; MAFF, Ministry of Agriculture, Forestry and Fisheries; MEI, Middle East Institute of Japan; MITI, Ministry of International Trade and Industry; MOC, Ministry of Construction; MOE, Ministry of Education, Science, Sports and Culture; MOFA, Ministry of Foreign Affairs; MOHW, Ministry of Health and Welfare; MOL, Ministry of Labour; MOT, Ministry of Transportation; OADA, Overseas Agricultural Development Association; OCDI, Overseas Coastal Area Development Institute of Japan; OECF, Overseas Economic Cooperation Fund; OFCA, Overseas Fisheries Consultants Association; OISCA, Organization for Industrial, Spiritual and Cultural Advancement International; OVTA, Overseas Vocational Training Association; PREX, Pacific Resource Exchange Center.

Appendix A19. Transition of MAFF ODA budget, 1991–96.

| | Calendar year (million JPY [%]) | | | | | |
|--|---------------------------------|-------|-------|-------|-------|-------|
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
| 1. Minister's Secretariat | 26 | 23 | 32 | 32 | 32 | 33 |
| Expenses for construction of databases for global environmental cooperation | — | 23 | 23 | 23 | 23 | 23 |
| Expenses to hold the eighth meeting of the countries involved in finalizing the Washington Treaty | 26 | — | — | — | — | — |
| Expenses for promoting agriculture, forestry, and fisheries, reflecting global summit in Asian region | — | — | 9 | 9 | 9 | 10 |
| 2. Economic Affairs Bureau | 1 211 | 1 302 | 1 388 | 1 458 | 1 517 | 1 574 |
| Expenses for acceptance of trainees in agriculture, forestry, and fisheries | 20 | 20 | 20 | 20 | 20 | 20 |
| Expenses for exchanges of overseas technologies | 33 | 33 | 33 | 35 | 35 | 35 |
| Expenses for promoting cooperation among overseas agricultural cooperatives, etc. | 33 | 43 | 43 | 43 | 43 | 43 |
| Expenses related to FAO, etc. | 600 | 604 | 620 | 644 | 652 | 652 |
| Expenses for promoting improvements in overseas information on food and agriculture, etc. | 252 | 281 | 296 | 306 | 323 | 357 |
| Trust expenses for surveys on overseas agriculture and forestry development cooperation problems, etc. | 270 | 317 | 372 | 404 | 440 | 453 |
| Others | 4 | 4 | 4 | 4 | 4 | 14 |

| | | | | | | |
|---|-----|-----|-----|-------|-------|-------|
| 3. Statistics and Information Department | 18 | 19 | 19 | 20 | 20 | 21 |
| Expenses for development of guidelines for preparation of agricultural statistics in developing countries | 18 | 19 | 19 | 20 | 20 | 21 |
| 4. Agricultural Structure Improvement Bureau | 660 | 818 | 954 | 1 073 | 1 190 | 1 308 |
| Expenses for development of environmental protection measures against desertification and others | — | 3 | 5 | 5 | 5 | 8 |
| Subsidy for preliminary surveys on overseas agricultural development, etc. | 159 | 169 | 185 | 212 | 253 | 277 |
| Subsidy for development surveys on overseas agriculture | 489 | 630 | 732 | 769 | 801 | 833 |
| Trust expense for overseas agriculture and fisheries cooperation problems | 13 | 16 | 33 | 88 | 131 | 190 |
| 5. Agricultural Production Bureau | 101 | 111 | 114 | 120 | 128 | 136 |
| Promotion project for training leading farmers from ASEAN and other areas | 79 | 84 | 85 | — | — | — |
| Expenses for promoting systematization of overseas technical cooperation in agricultural-extension activities | — | 4 | 4 | 4 | 4 | 4 |
| Sophistication project for technical cooperation in overseas agricultural production | 14 | 14 | — | — | — | — |
| Expenses for promoting technical cooperation in agriculture for global environmental conservation | — | — | 16 | 20 | 20 | 20 |
| Expenses for promoting international exchange among rural women | 8 | 9 | 9 | 10 | 11 | 12 |
| Fostering of leading overseas farmers in agricultural cooperation | — | — | — | 86 | 88 | 94 |

(continued)

Appendix A19 continued.

| | Calendar year (million JPY [%]) | | | | | |
|--|---------------------------------|------|------|------|------|-------|
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
| Urgent measures of agricultural machinery in overseas technical cooperation | — | — | — | — | 5 | 6 |
| 6. Livestock Industry Bureau | 31 | 33 | 36 | 40 | 43 | 46 |
| Promotion project for technical cooperation in livestock industry | 31 | 33 | 36 | 36 | 39 | 39 |
| Trusted basic study of promoting appropriate use of grassland | — | — | — | 4 | 4 | 7 |
| 7. Food and Marketing Bureau | 30 | 35 | 41 | 44 | 48 | 51 |
| Expenses for smoothing overseas cooperation in food-industries technology | 30 | 30 | 30 | 30 | 30 | 30 |
| Expenses for overseas cooperation in food marketing | — | 5 | 8 | 8 | 8 | 8 |
| Expenses for promoting technical cooperation in the environmental and preventative measures against pollution in food industries | — | — | 4 | — | — | — |
| Environmental-improvement promotion and support for overseas food processing producers | — | — | — | 6 | 10 | 14 |
| 8. Agriculture, Forestry and Fisheries Research Council Secretariat | 711 | 772 | 842 | 898 | 967 | 1 022 |
| Expenses for international exchanges on biotechnology | 4 | 4 | 4 | 4 | — | — |
| Expenses needed for promotion of tropical agricultural research | 707 | 767 | 819 | 875 | 949 | 1 000 |
| Expenses for supporting genetic-resources preservation in developing countries | — | — | 18 | 18 | 18 | — |
| Joint study on biological genetic resources in developing countries | — | — | — | — | — | 22 |

| | | | | | | |
|--|-------|-------|-------|-------|-------|-------|
| 9. Food Agency | 23 | 25 | 26 | 27 | 27 | 27 |
| Promotion project for grain post-harvest technical cooperation | 23 | 25 | 26 | 27 | — | — |
| Technical cooperation promotion project on grain-inspection technique | — | — | — | — | 27 | 27 |
| 10. Forestry Agency | 410 | 534 | 624 | 718 | 798 | 876 |
| Expenses for promoting overseas forestry cooperation services | 385 | 499 | 582 | 672 | 749 | 824 |
| Expenses of holding a meeting of Senior Foresters to Manage Green Earth | 21 | — | — | — | — | — |
| Expense of holding a meeting for promoting tropical forest conservation by senior forester | — | 21 | 21 | 21 | 21 | — |
| Expenses for promoting technical cooperation in overseas agriculture | 4 | 14 | 20 | 24 | 28 | 30 |
| Holding meetings to promote demonstration project (model forest) for sustainable forest management | — | — | — | — | — | 22 |
| 11. Fisheries Agency | 5 197 | 5 356 | 5 517 | 5 627 | 5 682 | 5 730 |
| Expenses for international fishery-promotion cooperation projects | 5 184 | 5 343 | 5 504 | 5 614 | 5 669 | 5 717 |
| Expenses for loan funds of international fishery cooperation services | 3 600 | 3 600 | 3 600 | 3 600 | 3 570 | 3 541 |
| Other expenses | 13 | 13 | 13 | 13 | 13 | 13 |

(continued)

Appendix A19 concluded.

| | Calendar year (million JPY [%]) | | | | | |
|--------------------------------------|---------------------------------|---------|---------|---------|---------|---------|
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
| Total | 8 418 | 9 027 | 9 592 | 10 056 | 10 453 | 10 824 |
| Comparison with the previous year | (107.3) | (107.2) | (106.3) | (104.8) | (103.9) | (103.5) |
| Development Department grants | 15 252 | 16 356 | 17 514 | 18 504 | 18 906 | 9 752 |
| Development Department contributions | 53 | 53 | 26 | — | — | — |
| Total | 15 305 | 16 409 | 17 540 | 18 504 | 18 906 | 19 752 |
| Comparison with the previous year | (106.5) | (107.2) | (106.9) | (105.5) | (102.2) | (104.5) |

Source: AICAF (1996).

Note: ASEAN, Association of Southeast Asian Nations; FAO, Food and Agriculture Organization of the United Nations; JPY, Japanese yen.

Appendix A20. Main implementing organizations for cooperation in agriculture, forestry, and fisheries.

| Name of organization | Details of services |
|---|--|
| Japan International Cooperation Agency | Government-based technical cooperation (acceptance of trainees, dispatch of experts, provision of materials and equipment, project-type technical cooperation, development surveys, etc.), services related to promotion of grant aid, investment and financing for development and emigration service, etc. |
| Overseas Economic Cooperation Fund | Project-type yen loan, commodity loan, bridge loan, etc. |
| Japan Export-Import Bank | Export-import finance, supplementation of finance to general finance organizations through overseas investment and finance, and recommendation for this overseas investment and finance |
| Japan Agricultural Land Development Agency | Development surveys on agriculture in developing countries mainly by trust of JICA, collection and offering needed information, and other services |
| Overseas Fishery Cooperation Foundation | Training, recruiting, and dispatching experts; acceptance of trainees; loans to Japan's legal persons; information-collection service, etc. |
| Association for International Cooperation of Agriculture and Forestry | Information collection and research survey on developing countries, exchange of agricultural technologies with the East European countries, backup support to international cooperation experts and NGO activities, training of overseas agricultural cooperation experts, etc. |
| Japan FAO Association | The substitute organization for the FAO domestic committee in Japan, which has publishing services to offer international information on agriculture, forestry, and fisheries, manages FAO's library, holds the World Food Day symposium, and reports on international conferences, seminars, meetings, etc. |
| Institute for the Development of Agriculture Cooperation in Asia | Training and survey service needed for development of agricultural cooperatives, information-collection service, etc. |
| International Development Center of Japan | Planning, survey, research, etc., of total development projects of developing countries |
| Asian Population and Development Association | Survey, etc., of rural population and agricultural development in Asian countries |
| Overseas Agricultural Development Association | Guidance and advice to overseas agricultural development projects by private enterprises, etc., and survey and research on overseas agricultural development cooperation |
| Agricultural Development Consultants Association | Technical survey and information gathering, etc., on overseas agricultural development |
| Japan Overseas Forestry Consultants Association | Basic survey and technical survey on overseas forestry development and overseas forestry development cooperation service for JICA |

(continued)

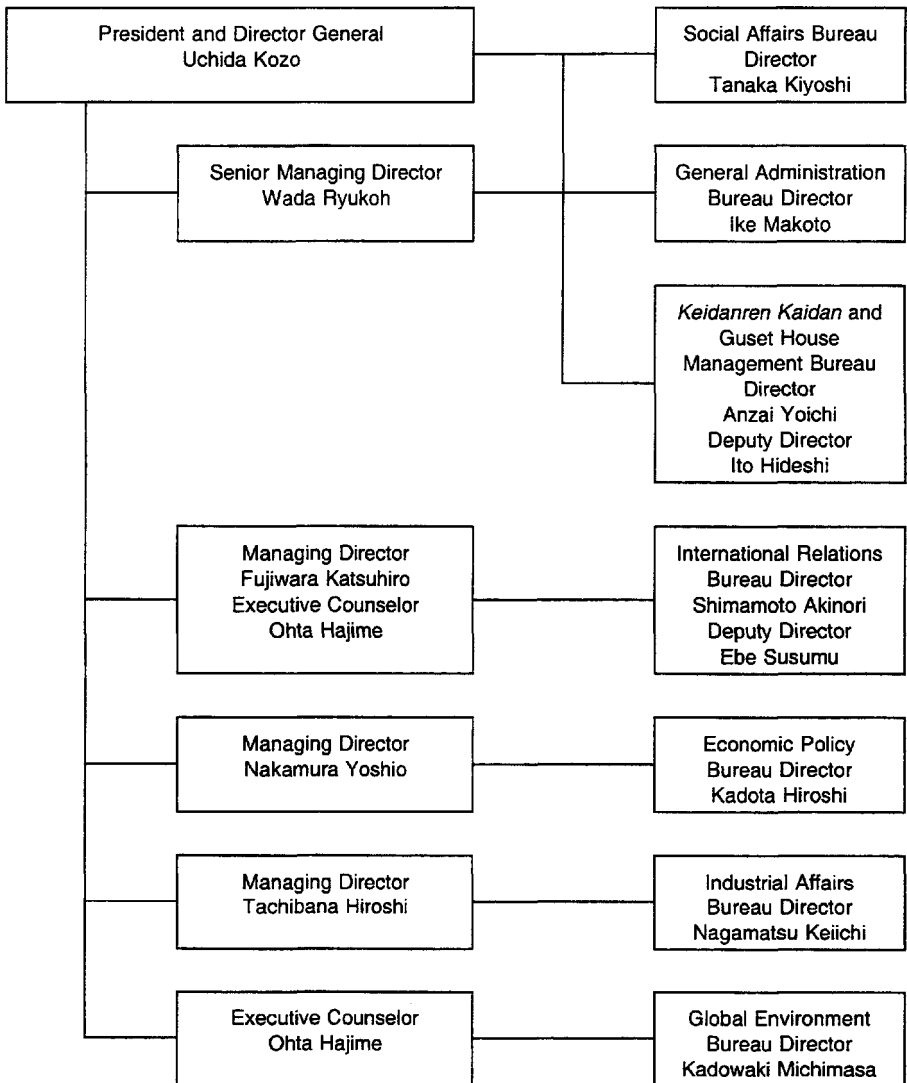
Appendix A20 concluded.

| Name of organization | Details of services |
|--|---|
| Japan-China Association Exchange for Agriculture, Forestry and Fisheries | Acceptance of leading young farmers from China, exchange of science and technology, joint survey (with China) on agriculture, forestry, and fisheries, and information collection regarding Chinese agriculture, forestry, and fisheries |
| Japan-China Association on Economy and Trade | Exchange service of economy, personnel, and technologies, economic survey between Japan and China, information service, etc. |
| Japan Agricultural Exchange Council | Dispatch of Japanese agricultural trainees and acceptance of overseas agricultural trainees, mainly from ASEAN countries, etc. |
| Overseas Fisheries Consultants Association | Survey and information collection regarding overseas fisheries development |
| Japan Association for Agricultural Technology Exchange in Asia | Survey and research with the aim of promoting acceptance of Chinese leading experts for training, dispatch, and exchange of agricultural experts and exchange of agricultural technology |

Source: AICAF (1996).

Note: ASEAN, Association of Southeast Asian Nations; FAO, Food and Agriculture Organization of the United Nations; JICA, Japan International Cooperation Agency; NGO, nongovernmental organization.

Appendix A21A. Organizational structure of Keidanren.



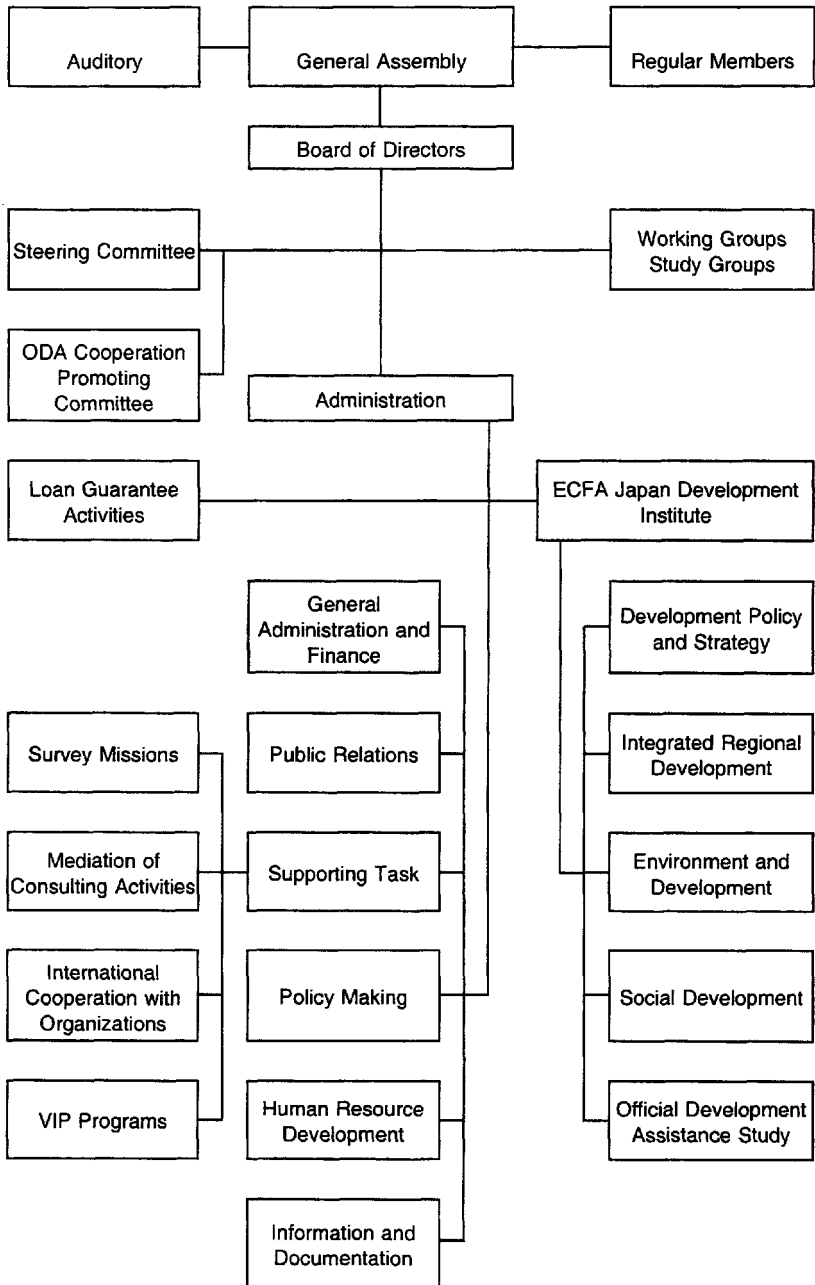
Source: JFEO (1998a).

Appendix A21B. Officers of Keidanren.

| Position | Name | Affiliation |
|---|--------------------|---|
| Chair | Imai Takashi | Representative Director and Chair of the Board of Directors, Nippon Steel Corporation |
| Vice Chairs | Nasu Shoh | Chair, Tokyo Electric Power Co., Inc. |
| | Itoh Josei | Chair, Nippon Life Insurance Company |
| | Higuchi Hirotarō | Director, Corporate Adviser, Asahi Breweries, Ltd |
| | Kumagai Naohiko | Chair and Executive Director, Mitsui & Co., Ltd |
| | Furukawa Masahiko | Chair of the Board, Mitsubishi Chemical Corporation |
| | Kitaoka Takashi | President and Chief Executive Officer, Mitsubishi Electric Corporation |
| | Tsuji Yoshifumi | Chair, Nissan Motor Co., Ltd |
| | Kanai Tsutomu | President and Representative Director, Hitachi, Ltd |
| | Maeda Katsunosuke | President and Representative Director, Toray Industries, Inc. |
| | Suzuki Toshifumi | President and Chief Executive Officer, Ito-Yokado Co., Ltd |
| | Ohga Norio | Chair and Representative Director, Chief Executive Officer, Sony Corporation |
| Chair of the Board of Councillors | Sekimoto Tadahiro | Chair of the Board, NEC Corporation |
| Vice Chairs of the Board of Councillors | Kawakatsu Kenji | Senior Advisor, Sanwa Bank, Ltd |
| | Katada Tetsuya | Chair of the Board, KOMATSU, Ltd |
| | Morishita Yoichi | President, Matsushita Electric Industrial Co., Ltd |
| | Yonekura Isao | Counselor, ITOCHU Corporation |
| | Idemitsu Yuji | Member of the Board and Executive Advisor, Idemitsu Kosan Co., Ltd |
| | Fukuhara Yoshiharu | Chair and Chief Executive Officer, Shiseido Co., Ltd |
| | Hashimoto Toru | Chair of the Board of Directors, Fuji Bank, Ltd |
| | Maeda Matabee | Chair and Representative Director, Maeda Corporation |
| | Okuda Hiroshi | President, Toyota Motor Corporation |

Source: JFEO (1999a, b).

Appendix A22. Organizational structure of ECFA.



Source: ECFA (1995).

Appendix A23. Organizational structure of the Toyota Foundation.

Board of Directors

Board of Trustees

Foundation Staff

| | |
|-------------------|-------------------|
| President | Shosaburo Kimura |
| Managing Director | Chimaki Kurokawa |
| Secretary | Chimaki Kurokawa |
| General Manager | Naomichi Kamezawa |

Program Division

National Division

International Division

General Affairs and Accounting Division

Grant Administration Division

Source: Toyota Foundation (1999).

Appendix A24. NGOs that received project subsidies in fiscal year 1996.

| Recipient | Project(s) supported by the subsidy | Project area |
|--|--|---|
| Action for Mangrove Reforestation | Environmental conservation | Ecuador |
| Adventist Development and Relief Agency | TTDC | Malaysia |
| AEF International | HRD; medical care; IVCS | Somalia, Tanzania, Uganda |
| Africa Children Education Fund | HRD | Kenya |
| Africa-Japan Forum | TTDC | Japan |
| Asian People's Exchange | ILE | Indonesia |
| Asian Volunteer Network | IVCS | |
| Association for Promotion of International Cooperation | TTDC | Thailand, United States, Viet Nam |
| Association for Sending Picture Books to Laos | HRD | Laos |
| Association of Medical Doctors of Asia | Medical care; TTDC; IVCS | Cambodia, Croatia, Djibouti, India, Japan, Mozambique, Nepal, Zaire |
| Association to Aid Refugees, Japan | WSRA; medical care; ILE; PAGT | Bosnia, Cambodia, Croatia, Herzegovina, Tanzania, Viet Nam |
| Atsuhito Nakata Memorial Foundation Charitable Trust | Nagoya Preventive Medical Institute medical care; IVCS | Paraguay |
| Bridge Asia Japan | IVCS | |
| Committee for Promotion to Innovate Japanese People by Educational and Cultural Contact | AFVD | Indonesia |
| Core Kobe | Health and hygiene; ILE | Rwanda |
| Cultural Aid Project for South East Asia | WSRA | Cambodia |
| Desert Planting Volunteer Association | Environmental conservation | China |
| Don Bosco Overseas Youth Volunteers Group | ILI; ILE | Papua New Guinea, Solomon Islands |
| Echo Club International | WSRA | Ghana |
| Foundation for the Support of the United Nations, Inc. | WSRA | Cambodia |
| Friends International Club's Organization | HRD | India |
| Gifu Research Foundation Japan | AFVD; ILI | China, Nepal |

(continued)

Appendix A24 continued.

| Recipient | Project(s) supported by the subsidy | Project area |
|--|---|-------------------------------------|
| Global Rainbow Ship | Medical care | Pakistan |
| Global Voluntary Service | WSRA | Philippines |
| Green Earth Center | Environmental conservation | China |
| Ikuei Overseas Volunteers | Medical care; IVCS | Indonesia |
| India-Japan Maitri Association | HRD | India |
| Institute of Cultural Affairs | AFVD; HRD; ILI; TTDC | Colombia, Japan, Peru, Venezuela |
| International Angel Association | WSRA | Bangladesh |
| International Association for Human Development | HRD | El Salvador |
| International Association for the Sensitization of Cancer Treatment | Medical care | India |
| International Association for the Visually Impaired | HRD | Thailand |
| International Movement Against All Forms of Discrimination and Racism Japan Committee | TTDC | Japan |
| International Social Service Japan | Medical care | Viet Nam |
| International Youth Foundation | TTDC | Philippines |
| Japan Anti-Tuberculosis Association | Medical care | Nepal |
| Japan Asian Association and Asian Friendship Society | ILE | India, Philippines |
| Japan Association for Greening Deserts | TTDC | Japan |
| Japan Association for Tropical Medicine | Health and hygiene | Indonesia, Myanmar |
| Japanese Association of University Women | TTDC | Japan |
| Japan Bangladesh Cooperation Fund Sakura Family Home | HRD | Bangladesh |
| Japan-China Medical Association | Medical care | China |
| Japan Crime Prevention Association | ILE | Mongolia |
| Japan Dental Mission in Southern Pacific | Medical care | Vanuatu |
| Japanese Cleft Palate Foundation | Medical care | Myanmar, Viet Nam |

(continued)

Appendix A24 continued.

| Recipient | Project(s) supported by the subsidy | Project area |
|---|---|--|
| Japanese NGO Center for International Cooperation | TTDC; IVCS | Japan |
| Japan International Volunteer Center | AFVD; HRD; ILI; TTDC; medical care | Cambodia, Ethiopia, Palestine, Thailand, Viet Nam |
| Japan International Volunteer Center Yamagata | Medical care | Philippines |
| Japan Junior Chamber Inc. | Medical care | Nepal, Vanuatu |
| Japan Medical Foundation for Vanuatu | Medical care | Vanuatu |
| Japan Palestine Medical Association | PAGT | Palestine |
| Japan Silver Volunteers | IVCS | |
| Japan Sotoshu Relief Committee | HRD; ILI | Cambodia, Laos, Thailand |
| Japan-Vietnam Cultural Association | HRD; IVCS | Viet Nam |
| Japan-Vietnam Culture Association Foundation | HRD | Viet Nam |
| Kaihatsu Kyoiku Kenkyujo | WSRA | South Africa |
| Kansai NGO Council | TTDC | Japan |
| Konkokyo Peace Activity Center (KPAC) | HRD; health and hygiene | Philippines |
| Lang Tang Foundation Society | HRD | Nepal |
| Medical Exchange Center between Japan and Viet Nam | Medical care | Viet Nam |
| Mikono International | PAGT | Mozambique |
| Mikono TAC | AFVD; PAGT; IVCS | Kenya, Tanzania |
| Mustang Development Service Association | AFVD; IVCS | Nepal |
| Negros Campaign Aichi | AFVD | Philippines |
| Nicchu Izoku Yuko Kyokai | Environmental conservation | China |
| Nippon International Cooperation for Community Development | AFVD; WSRA; ILI | Jordan, Viet Nam |
| Nippon Medical School Society for the Study of Medicine in South-East Asia | Medical care | Thailand |

(continued)

Appendix A24 concluded.

| Recipient | Project(s) supported by the subsidy | Project area |
|---|---|---------------------------------|
| Organization for Industrial, Spiritual and Cultural Advancement International | Environmental conservation; IVCS | Sri Lanka |
| Omura City Japan-China Exchange Research Society | AFVD | China |
| Overseas Collaboration for the Endomo-Infectious Diseases | Health and hygiene | Viet Nam |
| People's Forum on Cambodia, Japan | TTDC | Japan |
| Peshawar-kai | Medical care | Pakistan |
| Plan International Japan | Environmental conservation | Ecuador |
| Save the Children Japan | Health and hygiene; medical care; ILI | Philippines, Thailand, Viet Nam |
| Shapla Neer-Citizen's Committee in Japan for Overseas Support | HRD; health and hygiene | Bangladesh |
| Society for Promoting International Education for Children | HRD | Bhutan, India, Nepal |
| The Spirit of Chiyoda | WSRA | Palau |
| Tea Ceremony Ogasawara Ryu Zuihoan | AFVD | China |
| Third World Shop Fund | Medical care | Sri Lanka |
| Umemoto Memorial Service Group for Lepra | Medical care | Thailand |
| Wildbird Society of Japan | HRD | Philippines |
| Yomiuri Light and Humanity Association | Medical care | Palau |

Source: MOFA (1997b).

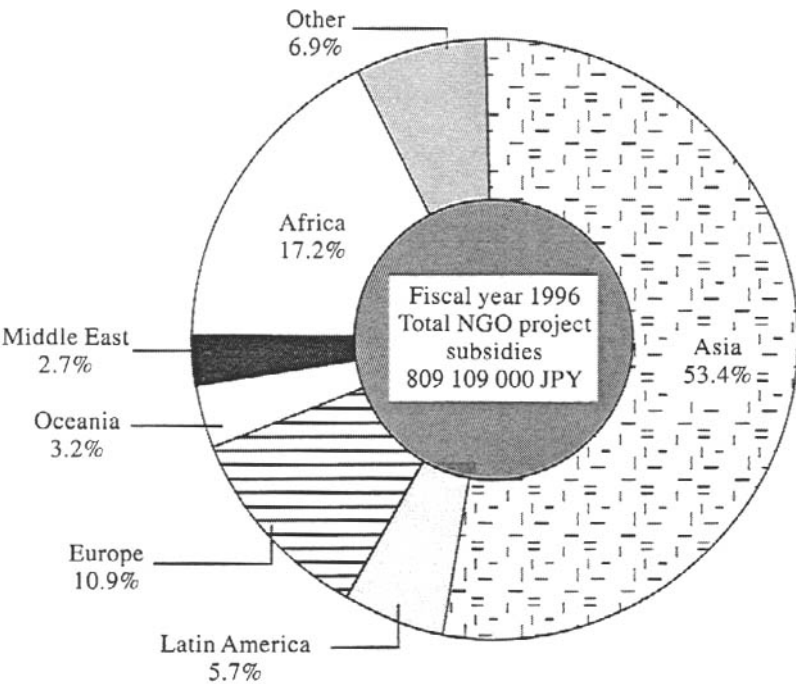
Note: AFVD, agricultural or fishing-village development; HRD, human-resource development; ILE, improvement of living environment; ILI, improvement of local industries; IVCS, International Volunteer Compensation Scheme; PAGT, private-aid goods transportation; TTDC, technology transfer for development cooperation; WSRA, women's self-reliance assistance

Appendix A25A. Subsidies to NGO projects (classified by type of project).

| Type of project | Fiscal year (1 000 JPY) | | | | | | | |
|---|-------------------------|---------|---------|---------|---------|---------|---------|---------|
| | 1989 | 1980 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
| Agricultural and fishing-village development | 5 080 | 26 500 | 9 524 | 8 800 | 7 467 | 26 800 | 39 566 | 38 479 |
| Work-force development | 41 788 | 17 400 | 40 762 | 49 348 | 57 878 | 101 500 | 111 893 | 145 845 |
| Women's self-reliance assistance | | | | | | | 39 510 | 28 500 |
| Health and hygiene | 3 410 | 9 500 | 26 367 | 23 900 | 6 874 | 8 400 | 21 056 | 19 791 |
| Medical care | 23 992 | 49 900 | 78 120 | 85 856 | 154 729 | 174 113 | 227 386 | 218 838 |
| Improvement of local industry | | 40 500 | 46 778 | 51 431 | 71 381 | 79 400 | 46 144 | 75 951 |
| Improvement of living environment | 8 314 | 15 300 | 12 270 | 31 800 | 35 400 | 21 000 | 42 980 | 33 168 |
| Environmental conservation | | 29 600 | 22 425 | 15 272 | 0 | 4 300 | 29 000 | 35 101 |
| Private-aid goods transportation | | | | 11 300 | 34 360 | 11 000 | 20 100 | 15 696 |
| Transfer and extension of appropriate technology for development cooperation projects | | | | | | | | 111 654 |
| Projects to promote transfer and diffusion of technologies suitable for development and cooperation | | | | | | 19 200 | 46 757 | 86 085 |
| International volunteer-compensation scheme | | | | | | 4 078 | 6 128 | 7 751 |
| Total | 82 584 | 188 700 | 236 246 | 277 707 | 368 089 | 449 791 | 630 520 | 816 859 |

Source: MOFA (1997c).

Appendix 25B. NGO project subsidies by region, 1996.



Source: MOFA (1997c).

APPENDIX B

OFFICIAL DEVELOPMENT ASSISTANCE PROCESSES

Appendix B1: Procedure for implementing loans and equity investments

The corporation making the request consults with the Overseas Economic Cooperation Fund (OECF).

The corporation's application for a loan or equity investment, or both, must include information such as project details, feasibility study, financial plan, and details about the corporation.

OECF conducts a fact-finding mission.

OECF appraises the application.

An agreement is signed between the corporation and OECF.

The loan or equity investment is made.

Appendix B2: Loan procedure for project loans

Official loan request

Usually, a country requests a loan by submitting a document to the Japanese government via the Japanese embassy. Sometimes the request is made when high-level Japanese officials visit the developing country or vice-versa. If Japan is being asked to cofinance a project with the international financial institution (IFI), the loan request may also originate from the IFI. The request must be accompanied by a feasibility study (or its equivalent).

Examination and appraisal of the project

The loan request is studied by the Economic Planning Agency (EPA), Ministry of Foreign Affairs (MOFA), Ministry of Finance (MOF), Ministry of International Trade and Industry (MITI), and OECF. The request cannot be accepted if it serves a military agenda or if it is for luxury or consumer goods, ocean liners, or aircraft (they are too profitable to be eligible for official development assistance [ODA])

loans). The project is evaluated to ensure that it meets the criteria for a project loan by examining:

- The priority and importance of the project within the development plan of the recipient country;
- The contribution the loan can be expected to make to the implementation of the project and to the improvement of relations with Japan;
- The feasibility reports; and
- The stage of the project.

Dispatch of survey team (if necessary)

If more information is required to confirm the feasibility of the project, the Japan International Cooperation Agency (JICA) may dispatch a survey team to the recipient country (as part of technical cooperation), and the Japanese government may send a mission to consult with the government requesting the loan. The ministries concerned may attend OECF or government missions if necessary.

OECF's project appraisal

OECF dispatches an appraisal, fact-finding mission, and that mission meets officials from the government of the potential recipient country and the project's executing agency. The mission also studies the project site and the country's macroeconomic situation (for example, its ability to repay a loan) and conducts a detailed examination of the economic, financial, institutional, and technical aspects of the project. If the appraisal reveals that the project requires additional study, OECF may provide Special Assistance for Project Formation (SAPROF). When a country lacks financial, technical, or other resources for detailed project planning, OECF can carry out a SAPROF study to assist the country in planning the project. Beginning in August 1997, projects for which ODA loans are requested have been subject to OECF environmental guidelines (OECF 1995). From 1997, SAPROF has also been applied to candidate projects for the Private-Sector Investment Finance Scheme on proposed projects for the private sector.

Consultation between MOFA, MOF, EPA, and MITI (and other ministries concerned, when necessary)

The ministries concerned receive the results of OECF's appraisal and jointly decide on the type of loan, amount, interest rate, and repayment period.

Prior Notification

Either MOFA or an ambassador pledges the loan amount, its terms, and its conditions to the recipient country. The decision to loan the funds is announced at an international conference or through the Japanese embassy (this is called Prior Notification).

Exchange of Notes

After the two governments have reached an agreement on the amount, terms, and conditions of the loan, MOFA proposes a draft Exchange of Notes to Cabinet for approval. The Exchange of Notes confirms the agreement and is signed by MOFA or a Japanese ambassador and the government of the recipient country. At this point, the government ceases to be directly involved, and OECF is responsible for the loan project.

Fact-finding by OECF

The recipient country provides OECF with an implementation plan for the project. This is called the Implementation Program and is based on the feasibility report. OECF confirms the feasibility of the project by examining the feasibility report and Implementation Program and sometimes by conducting a field study. If any problems are found, OECF will make recommendations during the Loan Agreement negotiations.

Loan Agreement

OECF sends a Legal Questionnaire to the recipient country to get legal information regarding loans in that country. OECF negotiates the contents of the Loan Agreement with the recipient and writes a draft Loan Agreement. The Loan Agreement represents OECF's commitment to financing a project; it outlines the amount and conditions of the loan and the procedures for procurement, project implementation, and disbursement. It is signed by OECF and the executing agency of the recipient country.

Procurement of goods and services

If the loan covers consulting services, the recipient selects the consultants according to procedures agreed on with OECF, using an internationally recognized method. The recipient procures the necessary materials, equipment, and civil works, using international competitive bidding in accordance with OECF's procurement guidelines. Purchasing contracts require OECF approval (confirmed with a Notice of Approval of Contract), but contracts for services do not require this.

Project implementation

OECF disburses the loan to the contractor as requested by the recipient country in proportion to the progress it has made in implementing the project (that is, funds are disbursed as needed). The execution of the project is essentially the responsibility of the borrower. However, OECF monitors its implementation and receives periodic progress reports from the recipient. If necessary, OECF dispatches staff from the overseas offices or headquarters to advise the recipient. If additional surveys or measures are required to ensure that the project is successful, OECF may provide Special Assistance for Project Implementation (SAPI). Under SAPI, detailed advice and recommendations are offered during implementation. OECF hires consultants for SAPI.

Completion of the project

The project normally takes several years to complete.

Evaluation of the project

The recipient operates and maintains the project after completion. However, OECF monitors the completed project and advises the recipient, if necessary. OECF or a third party evaluates the project after completion. On request from the borrower, OECF may provide Special Assistance for Project Sustainability (SAPS), a study to identify problems and propose solutions. OECF hires consultants for SAPS.

Appendix B3: Procedure for acceptance of trainees to train in Japan

In the case of group training offered by JICA, each country is given a copy of the catalogue of courses offered by JICA and an indication of the number of trainees they can send. If necessary, special courses may be arranged.

The potential recipient country presents a request to the Japanese embassy.

The request is given to JICA.

JICA follows MOFA's policy to decide whether to accept the request.

Training

The training is conducted by members of the relevant ministries and government agencies, public-interest corporations, universities, research institutes, hospitals, or enterprises. In particular, JICA contracts for training in high technology. The Japan International Cooperation Centre (JICE) provides administrative support to JICA (for example, JICE orients trainees to Japan, coordinates with institutions accepting participants, interprets, makes travel arrangements).

Appendix B4: Procedure for the dispatch of experts by JICA

The developing country sends its request for experts to the Japanese embassy.

The request provides information on, for example, the required background, the proposed duties of the expert, the institution where the expert will be assigned, and the number of experts required.

The Japanese embassy sends the request to MOFA, which forwards the request to JICA.

JICA conducts preliminary studies to examine the background of the request, the method of technology transfer, the type of instruction needed, and the local conditions.

Expert candidates are selected

Usually, JICA's Expert Assignment Department will request relevant government ministries or agencies, local-government bodies, universities, or private organizations to recommend candidates to serve as experts. When these organizations are unable to provide candidates, JICA may make its own choice. Increasingly, JICA has been selecting the expert candidate from a pool of people who are either registered with JICA's Institute for International Cooperation or have already been hired as periodic JICA employees.

Once the best candidate is selected, his or her information is provided to the recipient country. If the recipient country accepts the proposed expert, he or she is sent to that country.

Appendix B5: Procedure for provision of equipment and materials related to the work of experts

The recipient country sends an unofficial request to the Japanese embassy.

MOFA prepares an implementation plan, and this is followed by an official request from the recipient country.

JICA procures the equipment and materials, based on consultation with MOFA.

MOFA and JICA may contract the Japan International Cooperation System (JICS) to prepare the equipment specifications and purchase and deliver the equipment. (Consult the section on JICS in Chapter 3.)

Appendix B6: Procedure for implementing project-type technical cooperation

Formal request

The government of the potential recipient country presents a formal request for assistance to the Japanese embassy. The request may arise from the implementation of grant aid or an ODA loan project, a project-formulation study by JICA, a development study, or a basic study. The request is sent to MOFA.

MOFA, JICA, and the related ministries discuss requests and select which ones to implement.

Preliminary and long-term studies by JICA

JICA conducts a preliminary study to examine the background and contents of the requested cooperation, as well as the potential recipient's administrative systems, and thereby determines the feasibility of the project. The sectoral ministries advise and guide the survey teams and dispatch experts to the teams. Long-term studies supplement preliminary studies by providing additional information about the requested project. JICA then formulates a draft project-implementation plan.

Preparation

Through the Institute for International Cooperation, JICA trains Japanese experts, decides on equipment, develops training materials, and makes plans to receive trainees from the recipient country in Japan. JICA may convene a committee to advise the experts and trainees, if necessary.

Record of discussions is signed

JICA and the people responsible for project implementation in the recipient country discuss the conditions, scope, duration, and implementation of the cooperation and sign the record of discussions. If the recipient country cannot provide a base for the project, it will request grant aid for this purpose.

Project implementation

JICA dispatches experts, receives trainees from the recipient country, provides equipment and materials, and conducts an interim evaluation of the project. JICA's overseas offices monitor the progress of the project. The recipient country assigns personnel to work on the project and learn from the Japanese experts, provides the project base (buildings, land, and materials), and is responsible for the operating budget.

Several systems are established jointly with JICA and the recipient-country government to ensure the successful implementation of the project. The Project Support Committee in Japan comprises people from the sectoral ministries, JICA, and MOFA. It facilitates the recruitment of experts and secures training facilities. The Joint Coordinating Committee comprises people from the recipient country (the project manager and government members), and from Japan (people from JICA, the project-team leader, and the project coordinator). This group makes decisions on the operation and management of the project. If necessary, people from the embassy and members of missions dispatched by JICA headquarters may also participate.

In the final year of the project, JICA conducts a project evaluation at completion and may extend the duration of the cooperation or provide follow-up assistance, if this is warranted. The cooperation usually lasts 5 years, but it can be extended, based on the project evaluation conducted at the project's completion. JICA also performs an ex post facto evaluation about 3 years after the project has been completed, to determine whether supplemental cooperation is needed (for example, dispatch of additional experts, provision of more equipment, or acceptance of additional trainees).

Appendix B7: Procedure for implementing development studies

Request for cooperation

The potential recipient country sends an official request for a specific survey to the Japanese government. Usually, the request is presented through the Japanese

embassy, but in some cases it is presented when high-ranking government officials visit Japan, or when project-finding teams are sent from Japan to the country in question.

Preparation of implementation plan

MOFA accepts or rejects the request. MOFA consults with the ministries and agencies concerned to form the basic policy and prepare the implementation plan for the survey and sends instructions to JICA on preparing the survey.

Dispatch of preliminary survey team

JICA carries out a preliminary field survey to collect data and confirm information to implement full-scale studies (for example, master-plan study, feasibility study). The sectoral ministries may dispatch experts to the survey team. If a full-scale survey is warranted, a conference is held with the executing agency of the recipient country to reach an agreement on the framework of the survey. The contents of the agreement are compiled as a Scope of Work, which is signed by JICA's preliminary study team and the recipient. The Scope of Work outlines the scope, contents, and methods of the full-scale studies.

Dispatch of full-scale survey team

The survey team, which comprises consultants contracted by JICA, conducts a field survey based on the Scope of Work in cooperation with the government authorities of the recipient country. The Japan Development Institute participates in some of JICA's feasibility and design studies.

Writing and explanation of the report

The survey team returns to Japan to analyze field-study results and prepares a report on the full-scale survey (for example, the master plan or feasibility study), with guidance from JICA and input from the recipient country. JICA establishes supervisory committees to check the progress and content of development studies, and OECF often dispatches members to these committees.

The final report is handed over to the recipient country. The fact that the study has been conducted does not automatically entail that the recipient country can have access to financing from Japanese ODA to implement a project based on the studies.

Aftercare study

JICA conducts an aftercare study several years after the development survey.

Appendix B8: Procedure for requesting assistance from Japan Overseas Cooperation Volunteers

General agreement and request for volunteers

The potential recipient country enters into a general agreement with the government of Japan through the Japanese embassy (or JICA field offices if the country has no Japanese embassy). Based on this agreement, the recipient makes a request to the Japanese embassy for volunteers. The request states the number and technical fields of the volunteers. The request goes through MOFA to Japan Overseas Cooperation Volunteers (JOCV). JICA field offices in recipient countries administer volunteer services and JOCV projects, liaise and coordinate with institutions in the recipient countries, and support JOCV activities.

Recruitment of volunteers

JOCV recruits the necessary volunteers twice a year, and volunteers are dispatched three times a year. Volunteers are selected for their adaptability to diverse cultures, communication skills, linguistic ability, enthusiasm, technical ability, and suitability to the needs of the recipient country. They may come from various economic groups, labour groups, private enterprises, or local-government bodies, and they may lose their employment when they start to work for JOCV unless their employers are willing, as part of their commitment to economic development, to guarantee a return to employment at the end of the assignment. (See "Corporate philanthropy," in Chapter 4.) JICA approaches the employers with requests to allow the volunteers to retain their posts while volunteering overseas. Employers are partially compensated for personnel and indirect expenses incurred during the employees' absence.

Training of volunteers

Volunteers receive training before being dispatched to the developing country. All volunteers receive 3 months of preservice training, which includes training in the language, history, and culture of the recipient country and international affairs, as well as information on international cooperation in general, JOCV, personal-health care, and ways to adapt to the new country. They also receive 1 month of training in the recipient country, which includes language training, an orientation to the

country (by the field office), and assignment preparation. Long-term supplementary technical training, lasting about 1 year, is provided to those who lack some of the necessary practical skills.

Assignment of volunteers

Volunteers are usually assigned for 2 years, as dictated by the agreement between the Japanese and recipient governments. However, this term may be extended on request by the recipient government and approval by the volunteer and the JICA field office.

Appendix B9: Procedure for disaster relief

A request for aid is sent to Japanese diplomats in the affected country, either directly by the affected country or through international organizations.

The request is transmitted to MOFA.

MOFA consults with MOF and relevant government departments.

MOFA gives JICA a dispatch order for equipment and materials.

JICA supplies emergency aid equipment and materials and dispatches a Japanese disaster-relief team or teams.

Appendix B10: Procedure for implementing grant aid for general projects, fisheries, and culture

Official grant-aid request

The ministry of foreign affairs of the potential recipient country submits an official grant-aid request to the Japanese embassy in the recipient country. The embassy does a preliminary screening of the request and then sends it to MOFA.

MOFA examines the request

MOFA collects and studies information about the requested project and sends the request to other ministries and agencies to allow them to examine the technical feasibility of the project. MOFA decides on the type of further study required (that is, preliminary study or basic-design study) and instructs JICA to conduct it.

Preliminary study (if necessary)

JICA may perform a preliminary study, when necessary, to prepare to conduct the basic-design study. If the project is for equipment, JICS, being the procurement arm for JICA and MOFA, prepares the list and specifications of the necessary

equipment to ensure that it meets Japan's procurement requirements. If services (that is, consultants) are required for the project, JICA and MOFA may enlist JICS to develop the terms of reference, draw up the contract, and undertake related activities, or it may contract directly with the suppliers.

Basic-design study

JICA dispatches a basic-design study team to determine whether the aid request suits the developing country's aid requirements and is the most appropriate form of aid; estimate the cost, scale, and effects of the project; ensure that the objectives and expected results are clear; and write a proposal for the implementation of the aid project. The study team usually comprises specialists from the ministries concerned (depending on the type of project) and Japanese consultants selected by JICA. A draft report is given to MOFA and the government making request. JICA may dispatch a team to explain the draft report to the potential recipient government before submitting the report to MOFA. The final report is submitted to MOFA and the government of the potential recipient country.

If a basic-design study is not conducted, JICS conducts an aptness study of the requested equipment in Japan.

The Japanese ministries and agencies concerned hold consultations.

MOFA appraises JICA's study report and determines the amount and type of aid for each project. MOFA and the recipient government then negotiate a draft of the Exchange of Notes.

Cabinet approves the request at a ministerial-level meeting.

However, Cabinet approval is not needed for cultural grant aid because the amount is small; a report is given to Cabinet later.

The Exchange of Notes is signed by representatives from the Japanese government (that is, the Japanese ambassador in the recipient country) and the recipient government. This is Japan's official commitment to the aid. The Exchange of Notes covers details such as the objectives and content of the project, amount of aid, time limit, method of payment, and obligations of the recipient country.

Banking arrangements are made

The government of the recipient country opens an account with an authorized Japanese foreign-exchange bank, where the Japanese government deposits funds to pay the companies that provide services or equipment to implement the project. The project cannot be implemented until the contract has been signed and the banking arrangements are made (these steps occur concurrently).

A Japanese company is contracted to execute the project

The government of the recipient country contracts a Japanese consulting firm to execute the project (the consulting firm must be Japanese; however, it may hire local or third-country nationals as subcontractors). The consulting firm prepares the detailed project design, based on the basic-design study, and supervises construction. To ensure consistency, JICA recommends that the recipient use the same consultant that conducted the basic-design study to execute the project. A contract is concluded with a Japanese consulting firm, which is verified by MOFA (if necessary other ministries and agencies may be consulted).

Companies are contracted to provide goods and services for the project

With the assistance of JICS, contracts for the necessary services (for example, construction) and materials are made. The contracts for goods must be made with a Japanese company or, if the Japanese government agrees, a company registered in the recipient country. The procedure is as follows:

- Design and tender documents are prepared (they are reviewed by JICA, which reports the results to MOFA);
- The documents are approved by the recipient;
- Preparation is made for tendering;
- Tendering and evaluation occur;
- The contract is drawn up (for example, a construction contract); and
- MOFA verifies the contract, and approves or rejects it.

Authorization to Pay is issued

The Government of Japan issues an Authorization to Pay for approved contracts, whereby it authorizes the bank to make payment to the contractor. The company requests payment from the bank. The bank then presents the request to the Japanese government, which deposits the funds (yen) into the grant account opened by the recipient at the designated bank.

Construction or procurement occurs, and disbursements are made.

Once the bank pays the companies, the grant aid is finished. The project cycle, from the Exchange of Notes to the final payment must be completed within 1 fiscal year from the time when Cabinet approves the project (unless this is impossible as a result of unavoidable circumstances or the Diet approves an extension).

Various forms of guidance and negotiations occur during the project implementation.

For grant aid for general projects and grant aid for fisheries and increased food production, JICA expedites the execution of the project because the recipient may need assistance to complete the project cycle in 1 year. JICA explains grant-aid procedures to the recipient, helps the recipient implement the project (for example, advises on tendering, scheduling, contract writing), and liaises between the recipient country and Japanese companies. If necessary, JICA sends a mission to the recipient country to expedite the execution.

Evaluation of aid effects

After the project has been implemented, the government of the recipient country operates and maintains the facilities or equipment and submits an annual report to MOFA. Usually the aid effects are evaluated several years after the aid request was received. JICA provides follow-up services to maintain the effectiveness of projects funded by grant aid for general projects and grant aid for fisheries and increased food production (by providing experts to help administer or manage facilities, or both; spare parts; or follow-up survey teams). JICA conducts follow-up surveys of equipment procured under grant aid and provides equipment aftercare.

Appendix B11: Procedure for implementing emergency-relief grant aid

The potential recipient country or a multilateral organization requests the relief.

MOFA determines the need, the amount, and the contents of the aid and consults MOF regarding its implementation.

Cabinet decides whether to approve the request.

The Japanese embassy exchanges a *note verbale* with the recipient.

Aid is implemented, usually through the Japan Red Cross Society or a multilateral organization. The main contractors for emergency-relief grant aid may be non-Japanese nationals.

After the implementation, the recipient reports the accomplishments of the aid.

Appendix B12: Procedure for implementing grant assistance for grass-roots projects

A local public body, research organization, medical organization, or NGO (local, Japanese, or non-Japanese) operating in the country concerned sends an aid request to the Japanese embassy.

The Japanese embassy determines whether the body making the request is eligible for aid and whether the aid is warranted. It also determines the content, scale, and expected effects of the project.

The request, together with the embassy's assessment, is sent to MOFA for approval.

The Japanese embassy and the requesting body sign a Grant Aid Agreement.

This agreement outlines points such as the objectives and contents of the project, the maximum amount of grant aid, and the conditions.

The recipient contracts for goods and services with a local supplier or contractor and signs a procurement contract as soon as possible.

The supplier or contractor must be selected from among at least three local candidates through price competition. The main contractor may be non-Japanese. The recipient then presents the signed procurement contract and payment request to the Japanese embassy, which verifies the prices of the goods and services (that they are what is written in the contract) and provides the funds.

After the project has been implemented, the recipient submits a report to the Japanese embassy, which verifies that the aid has been used appropriately.

Appendix B13: Procedure for implementing nonproject grant aid to support economic structural adjustment

The Japanese government decides whether to approve the official request from the potential recipient government.

The recipient and Japanese governments sign the Exchange of Notes.

The total amount of the grant aid is put into an account held by the government of the recipient country in a Japanese foreign-exchange bank.

A third party procures items that contribute to the country's economic structural adjustment. To ensure fairness in the procurement process, an impartial third party procures the goods on behalf of the recipient. Examples of a third party

for this purpose are the United Kingdom's Crown Agents, United Nations Office for Project Services, and JICS.

Appendix B14: Procedure for implementing food aid

The potential recipient country requests food aid.

The request is examined by MOFA, and MOFA prepares a draft plan for the distribution of the aid.

MOFA consults with MOF on the draft plan, and aid policy is then determined.

The Japanese embassy notifies the recipient government that the aid is to be provided (for example, the amount of aid, the type of grain), or representatives of the Japanese government make a pledge during official visits to the recipient country.

The recipient country concludes contracts to purchase aid grain from a Japanese supplier.

The Japanese government pays the supplier of the grain.

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APPENDIX C

ACRONYMS AND ABBREVIATIONS

| | |
|---------|---|
| ADB | Asian Development Bank |
| ADBI | Asian Development Bank Institute |
| AfDB | African Development Bank |
| AICAF | Association of International Cooperation of Agriculture and Forestry |
| AOTS | Association for Overseas Technical Scholarship |
| APEC | Asia-Pacific Economic Cooperation |
| APIC | Association for Promotion of International Cooperation [MOFA] |
| APSDEP | Asian and Pacific Skill Development Programme |
| ASEAN | Association of Southeast Asian Nations |
| BHN | basic human need |
| CGIAR | Consultative Group on International Agricultural Research [Washington, DC] |
| CIDA | Canadian International Development Agency |
| CTF | Consultant Trust Fund [World Bank] |
| DAC | Development Assistance Committee [OECD] |
| DIDJ | Infrastructure Development Institute-Japan |
| DKB | Dai-Ichi Kangyo Bank [Japan] |
| DMC | ADB developing member country |
| EBRD | European Bank for Reconstruction and Development |
| ECB | Economic Cooperation Bureau [MOFA] |
| ECFA | Engineering Consulting Firms Association [established and subsidized by MITI] |
| EPA | Economic Planning Agency [Japan] |
| FAO | Food and Agriculture Organization of the United Nations |
| FASID | Foundation for Advanced Studies on International Development [Japan] |
| FDI | foreign direct investment |
| FILP | Fiscal Investment and Loan Program [Japan] |
| FINIPED | Foundation for International Information Processing Education |
| GAGCP | Grant Assistance for Grassroots Cooperation Projects [MOFA] |

| | |
|---------|---|
| GSI | Geographical Survey Institute [Japan] |
| GPCA | Grant Program for Citizen Activities [Toyota Foundation, Japan] |
| IBRD | International Bank for Reconstruction and Development |
| ICRC | International Committee of the Red Cross |
| IDA | International Development Association |
| IDB | Inter-American Development Bank |
| IDCJ | International Development Center of Japan |
| IDE | Institute of Developing Economies [Japan] |
| IDRI | International Development Research Institute [an organization affiliated with FASID] |
| IFAD | International Fund for Agricultural Development [Rome, Italy] |
| IFI | international financial institution |
| IFIC | Institute for International Cooperation [JICA] |
| ILO | International Labour Organization |
| IMF | International Monetary Fund |
| ITTO | International Tropical Timber Organization |
| IVCS | International Volunteer Compensation Scheme [MOFA] |
| JAIDO | Japan International Development Organization, Ltd [one-third owned by OECF] |
| JANIC | Japanese NGO Center for International Cooperation |
| JCPD | Joint Cooperation Promotion Division [JICA] |
| JCTC | Japan Construction Training Centre |
| JDI | Japan Development Institute [ECFA] |
| JDR | Japan Disaster Relief team [JICA] |
| JETRO | Japan External Trade Relations Organization [MOFA] |
| JEXIM | Japan Export-Import Bank |
| JFS | Japan Federation of Surveyors |
| JICA | Japan International Cooperation Agency |
| JICE | Japan International Cooperation Center [nonprofit corporation established to coordinate JICA's training in Japan] |
| JICS | Japan International Cooperation System [nonprofit organizations established by MOFA] |
| JICWELS | Japan International Corporation of Welfare Services |
| JOCV | Japan Overseas Cooperation Volunteers [JICA] |
| JODC | Japan Overseas Development Corporation [Japan] |
| JPY | Japanese yen |
| JSF | Japan Special Fund |
| KNCF | Keidanren Nature Conservation Fund [Japan] |
| LDC | less developed country |

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|---------|---|
| LIC | low-income country |
| LLDC | least among less developed countries |
| LMIC | lower middle-income country |
| MAFF | Ministry of Agriculture, Forestry and Fisheries [Japan] |
| MEI | Matsushita Electric Industrial |
| MIGA | Multilateral Investment Guarantee Agency |
| MITI | Ministry of International Trade and Industry [Japan] |
| MNECDB | Middle East and North African Development and Cooperation Bank |
| MOC | Ministry of Construction [Japan] |
| MOE | Ministry of Education, Science, Sports and Culture [Japan] |
| MOF | Ministry of Finance [Japan] |
| MOFA | Ministry of Foreign Affairs [Japan] |
| MOHW | Ministry of Health and Welfare [Japan] |
| MOL | Ministry of Labour [Japan] |
| MOPT | Ministry of Posts and Telecommunications [Japan] |
| MOT | Ministry of Transportation [Japan] |
| NEC | Nippon Electric Company Ltd [Japan] |
| NGO | nongovernmental organization |
| NTT | Nippon Telegraph and Telephone Corporation [Japan] |
| ODA | official development assistance |
| OECD | Organisation for Economic Co-operation and Development |
| OECF | Overseas Economic Cooperation Fund [Japan] |
| OISCA | Organization for Industrial, Spiritual and Cultural Advancement International [Japan] |
| OOF | other official flows |
| POSIVA | Postal Savings for International Voluntary Aid [MOPT] |
| RIDA | Research Institute of Development Assistance [OECF] |
| SAPI | Special Assistance for Project Implementation [OECF] |
| SAPROF | Special Assistance for Project Formation [OECF] |
| SAPS | Special Assistance for Project Sustainability [OECF] |
| SEAFDEC | Southeast Asia Fishery Development Center |
| SPF | Sasakawa Peace Foundation [Sasakawa <i>Heiwa Zaidan</i> ; Japan] |
| SSACF | Sasakawa Southeast Asia Cooperation Fund [SPF] |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDP | United Nations Development Programme |
| UNEP | United Nations Environment Programme |

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| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNFPA | United Nations Fund for Population Activities |
| UNHCR | United Nations High Commissioner for Refugees |
| UNICEF | United Nations Children's Fund |
| UNRWA | United Nations Relief and Works Agency |
| USD | United States dollar |
| | |
| WFP | World Food Program |
| WHO | World Health Organization |
| WID | Women in Development |

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About the authors

Micheline Beaudry-Somcynsky has worked at the Canadian International Development Agency (CIDA) since 1975. She worked in the Japan International Cooperation Agency (JICA) (1992–96) on a CIDA–JICA personnel exchange program, in which she deepened her understanding of Japan's ODA and its delivery system. Since 1996 she has been providing guidance on Canada–Japan joint-cooperation activities as Senior Advisor on CIDA's Relations with Japan and Other Asian Donors.

Chris M. Cook currently works for the Asia Branch of CIDA. From 1994 to 1998, she worked at the International Development Research Centre in Ottawa. She graduated from the University of Ottawa in 1997, with a BA, and earned a BComm from Queen's University in 1995.

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